

THE ECONOMIST

ESTABLISHED 1843



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Work and Wealth

week's three-day debate on employment policy profoundly disappointing. This was hardly the Ministers. It is true that they added very little White Paper, but it is equally true that they sub-very little either. Mr Bevin's opening speech was live in its sincerity, and though there was nothing vel in what he had to say about the need for ty of labour, adaptability of industry and full activity, it is an advantage to have these principles ted by his authoritative voice. Sir John Anderson an effective debating speech, but its content was t very positive. Mr Pethick Lawrence had asked him answer some of the queries about the budgetary applications of the policy that were posed in these columns two weeks ago. The Chancellor's reply left the matter still very obscure. He was emphatic that Budgets must be balanced over a period, and that must be seen to be a cardinal point in Government policy." But he left the House in doubt whether the incurring of "productive debt"—whatever that may be—might not be an excep- tion to the rule.

The sense of disappointment, however, arises less from these Ministerial speeches than from those made by pri- vate members. With very few exceptions, they were far below the level of the opportunity. Here is a great new development of public policy—perhaps the most import- ant single step forward in economic matters that has ever been taken. The White Paper deliberately sketched it out

only in general terms in order to secure the maximum of agreement before proceeding to the difficulties of the details. But members preferred to quibble, to strain at gnats, and to serve notice that the cost of conquering unemployment must be paid by others than the particular interests they represent.

The Socialists were particularly unhelpful. Even Mr Shinwell, who can usually be relied upon to see to the centre of a problem, indulged in some astonishing wish-ful thinking on the possibility of disregarding foreign trade, for which he was very properly castigated by the Chancellor. Most of his colleagues insisted on dragging in the very red herring of public ownership, in spite of Mr. Bevin's clear statement that "the question of how you can give effect to decisions as to who will own industry is not prejudiced by this White Paper." There could be no greater disservice to the community than to foster completely unnecessary disunity in a matter where the greatest possible unity of purpose and method will be needed for success. To quote Mr Bevin again, "the proposals of the White Paper will operate, whatever the ownership of industry may be." To raise the cry that large-scale nationalisation is an essential preliminary to any attempt to secure full employment—a cry that will inevitably be resisted and has always hitherto been voted down by a majority of the electors—is to put the making of party capital above the abolition of mass unemployment.

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Before the motion was carried without a division, several members insisted on making the point that it committed them to approval of nothing beyond the acceptance of responsibility by the Government for securing "a high and stable" level of employment. The position therefore is that Parliament is committed to the end but not to any of the suggested means of attaining it—indeed, there was hardly one of these means that did not come under criticism from some quarter. This is a ridiculous position. Everybody has known for a long time past that the Government is committed to doing its best to prevent mass unemployment; only the formal acceptance of the responsibility is new. On the other hand, the methods are the whole structure of the policy. Where the White Paper was deficient was not in principles but in practical means of attaining them. But Parliament, instead of correcting that defect, will have tended to intensify it. The effect of the debate will be to make a Government, not over-bold in any case, hang back. To approve the principle, in such circumstances, is of no help at all. The attitude of private members is to insist that the front move forward while sniping at the lines of communication.

There is another aspect of the matter, to which Sir George Schuster devoted an excellent speech on the first day. He insisted that the attainment of all economic objectives—not only those of full employment and social security but the wider objectives of a rising standard of living—depend absolutely upon the efficiency and productivity of the British national economic machinery. Nothing could be more true. What is happening at present is that everybody is busy disputing about the size of the slice of cake that each is to receive after the war. Labour's slice is not only to be large but regular. There is to be a slice for education and a slice for planning and a slice for health and a slice for housing, a much larger slice for the armed Forces and several slices for social security.

But no one is concerning themselves with the size of the cake. On the contrary, there is a universal tendency to assume that Providence will take care of that. Even the Chancellor of the Exchequer, ordinarily so cautious, tells the House of Commons that he is sure the country will be able to secure the necessary increase of its exports by 50 per cent. But how? If the Government have any idea of the means by which this very great increase can be achieved, they are keeping singularly quiet. Perhaps it can be done; but only by enlisting the utmost efforts of all concerned. It will require an enormous effort of mobilisation—which is the one thing, of all things, that cannot be done behind closed doors. Or again, learned discussions are conducted on the subject of distributing between different uses a large prospective increase in the national income. But on what are these spacious expectations based? It is true that there are certain indications of greatly increased productivity after the war. But to rely on these signs for a post-war prophecy would be most dangerous. In a comparatively narrow range of industries there have doubtless been permanent gains in productivity. In others, the statistics may be most misleading. The productivity per head of *The Economist* Newspaper Ltd. has greatly increased during the war, in the sense that the value of the output divided by the number of persons employed is very much greater than it was in 1938. But this is merely another way of saying that a much smaller staff are working very hard; it implies nothing about productivity when peace time conditions return. The present mood of the country is not merely to expect economic miracles, but to expend them before they arrive.

It cannot be too often repeated that all the rosy dreams of the present depend entirely upon the size of the national income. It can be taken for granted that the average British citizen would not take kindly to a state of affairs which did not enable him to consume, at his own wish and command, at least as much as he did before the war. But on top of this, the state is

committed to the maintenance of larger armed Forces and to a whole array of projects of "collective consumption" such as expanded plans for health, education, housing, town and country planning and the rest. If there is any deficiency, it is not likely to be either the level of popular consumption or that of Government expenditure that will suffer, but the third constituent, the provision of resources for the maintenance, replacement and increase of capital. But to cut down the allocation to capital is to reduce the rate of progress. In short, if the size of the total national income is inadequate in the years immediately after the war, it will remain inadequate, since the provision for progress will be the first to suffer. The penalty of inadequate production of wealth in the present is inadequate growth of consumption in the future. From this unrelenting logic there is no escape.

So the productivity of the national economic machine is the key to all the rest. Everything depends upon the rapidity with which the volume of real wealth produced by the average Briton in the average hour can be increased. Yet, strangely enough, this most vital of all questions is the one that is most ignored. Professor Pigou once said that there were three great tasks of economic policy: to increase the size of the national income; to make its flow more regular; and to improve its distribution. Under the heads of Full Employment and Social Security, the second and third of these questions are receiving ample attention. But the first, on which the other two are dependent, is left to shift for itself.

A policy of productivity will make its demands on all who are engaged in the process of creating wealth. From industry it demands a policy of seeking efficiency wherever it can be found. But the prevailing policy of British industry is to protect inefficiency wherever it is established. One after the other, in response to the Government's invitation, the industries are drafting their post-war policies, and it is a refreshing rarity to find one that is not based on the principle of protecting such markets as lend themselves to the process, and dividing them up among producers whose costs, in the sacred name of "security," are not to be subject to any unbearable pressure.

That industry, left to itself, should react in this way, is perhaps understandable, though none the less to be regretted. What passes understanding is the complacent attitude of the Government. The Board of Trade, to all appearance, is content with passive acceptance of these restrictionist doctrines. It is true that, according to the White Paper, it is to take steps to inform itself of what industry is up to. But if the details are obscure, the general drift of policy is already more than clear enough to have evoked a protest and a condemnation if there were any spirit for such a course. It would rather seem as if the chief result of having a Socialist at the head of the Board of Trade is to leave a clear field for all forms of anti-social action.

If this country is to achieve in peacetime the maximum production of which, in war conditions, it has shown itself capable, nothing less is needed than a complete reversal of the prevailing philosophy among British businessmen. The industrialist must realise that, in peace as in war, his chief duty to the community is to produce, and that if he fails in this, no other virtues he may possess will weigh very much in the balance. It was the great virtue of the regime of competition and free trade that it concentrated energies on this object. It may be that the same object can be secured by other means, but by one means or another secured it must be.

The demands that will be made on labour are, of course, no less. The worker's standard of living depends, not on what he can squeeze out of the capitalist, but on what he produces. But the prevailing attitude in Labour circles is shown by the fact that Sir Walter Citrine chooses this moment to advance a claim for a universal 40-hour week *without reduction in earnings* (the emphasis is his). The question of shorter hours is encumbered with any number of ambiguities and euphemisms which obstruct clear

thinking. It may be, of course, that the claim is not to reduce the actual hours worked, but simply to increase the number of hours for which overtime rates are payable—in short, to ask for a general rise in wages by the back door. If so, it would be more honest to say so quite clearly. Again, it may be that there are certain industries where the average worker would actually produce more in 40 hours than in 48. But if so they must be very few, and the employers must be quite exceptionally short-sighted if they have not already realised it. Wherever this is true, hours ought to be reduced as a matter of course. But this is certainly not typical of manufacturing industry as a whole, or of the service occupations which now make up so great a part of the whole economy. It is certainly not true in transport, for example, that the average worker could move more ton-miles or passenger-miles in 40 hours than in 48. In industry as a whole, a proposal to reduce hours is a proposal to reduce output.

It is doubtful whether the workers would really desire more leisure rather than more income if they could once be freed from the delusion that their output has nothing to do with their consumption. When it is a clear choice between more income and more leisure, the average worker chooses more income; as every employer knows, the one unforgivable sin is to deprive a worker of his fair share of overtime. But whether or not it is in the worker's interest, it is certainly not in the nation's. On the

contrary, it is a lamentable illustration of the popular approach to the economic problem that the Secretary of the Trade Union Congress can choose this moment to suggest not more hard work but less. If clear thinking and realism were the fashion, any such suggestion would be laughed out of court. There would be a case for reducing hours of work if the nation were so rich that it had no further material wants, or alternatively if the attempt to secure full employment for the available resources had decisively failed and it had become necessary to share the unemployment—and the poverty. But the first contingency is certainly not true, and we must continue to hope that the second is equally unreal.

The foregoing paragraphs have been couched in alarmist terms. That is deliberate. The position is alarming. After this war, the nation faces the necessity for economic adjustments of great magnitude and gravity. If the task were to carry them through without any fall in the standard of consumption, individual and collective, that, by itself, would be difficult enough. But the task that the nation has set itself is to make the adjustments and also to realise a substantial increase in the level of consumption, chiefly by the means of state-provided welfare schemes. This task can be accomplished, but only if everybody realises the magnitude of the effort involved and only if everybody, on either side of the party fence, is prepared to make the same sacrifices of prejudice on behalf of unity as have been made during the war.

Leadership in Europe

THE disappearance of Marshal Badoglio and the setting up of the Bonomi Government have an importance far greater than their immediate impact on the political life of Italy. They represent the first free governmental decision of a liberated people in Europe. The representatives of the Italian people decisively reject the old compromised regime. They have decided that the men who worked with Mussolini and the Fascists are not fit people to direct the destinies of post-war Italy.

There is nothing astonishing about this reaction. When one remembers what the peoples of Europe have suffered under the authoritarian regimes of the last twenty years and in what a cataclysm of disaster these regimes have broken up, the surprising thing would be if the nations were still ready to accept their old rulers. Yet, obvious and justified as their reaction is, there are disturbing signs that it is neither understood nor appreciated in this country. Instead of welcoming the choice of Signor Bonomi as a healthy expression of Italy's desire for a break with Fascism, the British Government, it appears, felt serious hesitations about accepting the new Prime Minister and did so only under the pressure of their military advisers in Italy.

This is not the only example of a policy which seems designed to favour the discredited supporters of Fascism and to alienate the Allies' friends. The Darlan episode, the preference shown in some quarters for Pétain, the "kind words" to Franco or, at another level, the slowness in arming the French *maquis* all show an unaccountable distrust of the popular forces of resistance and a preference for dealing with "the established authorities." There is only one obvious reason for this policy. Those responsible for framing British policy must have a morbid fear of social revolution and, as a consequence of it, are obsessed by the danger of "European leadership" passing from Britain to Russia. This attitude obviously has many variants and qualifications, but the basis—fear of social upheaval—is the same.

Two things must be conceded to this view. Social revolution carried through with violence by mob rule is nasty and brutish, and its consequences are long, not short. If there is any other way of solving social conflicts and tensions, it should be preferred. It is also true that post-Hitlerian Europe is in a revolutionary state. The consequences of totalitarian rule, crowned by the suffering and devastation of war, have driven thousands in the

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direction of extremism and violence. All this can be admitted without in any way supporting the apostles of reaction in this country, for the argument turns not on the question whether or not it is desirable to have a violent revolution, but on whether the policy of supporting the pillars of the *ancien régime* is best calculated to avoid violent revolution.

The question answers itself. The surest way to ensure that the masses will be driven towards a dictatorship of the extreme Left will be to impose on them the discredited leaders of the system from which, in their belief, the war has set them free. Europe, on the morrow of the war, will be in a state of flux. The revolutionary ferment could take extreme forms. Equally it could be canalised into constitutional, liberal and progressive institutions. There is, after all, a third way, beside the way of dictatorship to Right or to Left, and after decades of dictatorship, the attraction of the way of constitutional democracy is strong. But if the leaders of the greatest and most stable parliamentary democracy use their influence on the continent to restore to power the tyrants, or the camp followers of the tyrants, whom the war has overthrown, there will only be one channel for popular feeling—social revolution and a dictatorship of the Left.

The same fact governs the authorities' other anxiety—the supposed passing of European leadership from Britain to Russia. Leadership is a loose term all too easily used to cover a relationship which it is difficult to define. In the first years after the war, Allied armies may still be in Europe, and leadership will take a direct physical form. Afterwards it cannot depend upon force alone. It lies in the attraction of ideas, in similarity of approach, in sympathy, in respect, in readiness for co-operation. In all these things, Russia does not enjoy all the advantages. It is a large continental Power with a great military machine and, as such, excites fear as well as respect. In their dealings with Europe so far, the Russians have not fallen behind their Allies in "realism" and expediency. Their great advantage is the Soviet myth, the belief of millions that in some way or another the Russian revolutionary record offers some solution of the pressing social and economic problems of this century.

Great Britain will not be feared for its military pre-dominance. There can never be a "British steam roller." On the contrary, its record of singlehanded resistance against tremendous odds has given it a great opportunity for building up the most fruitful kind of European leadership. The difficulty lies in the legacy of the interwar years. Mass unemployment, isolationism, appeasement, Munich—these make up a composite picture of a people whose creative epoch had run its span and who were living in the afterglow of a successful past. Leadership implies giving a lead. Nothing could do more to convince the peoples of Europe that Britain has no lead to give than if after victory the British were to restore the men who deceived and despised them before the war and fought on Hitler's side when war came. A lead

does not come from a nation that is looking backwards. If Britain's leaders hanker too obviously for the old order, the nations will look elsewhere—and hence to Russia—in their determination to build a new.

This would be a tragic outcome not only for this country but for the European peoples as well. British society offers so much that they would be so ready to adopt. It is crazy policy to identify Britain with the cause of reaction in Europe when British policy at home is liberal to the roots and offers an impressive example of the way in which liberty and order and popular rule and constitutionalism can be welded into a single system. By crying up the Badoglios and crying down the great resistance movements, the Government is reversing every precedent in British history. It is appearing reactionary abroad while being liberal at home. Often in the past it could be said of Britain that it was liberal abroad and conservative at home, but it has fallen to the leaders of to-day to create at home a community which could interest and excite and, indeed, lead opinion abroad and yet do all in their power to cover the light under a bushel of reactionary foreign politics.

It is not too late to retrieve the situation. However unwillingly, the Government has recognised Signor Bonomi. It has agreed that the Balkan Kings must depend upon popular approval. There is still time to give massive aid to the *maquis*. It will be possible for months yet to send genuinely liberal and constructive propaganda to Europe, painting a picture of the British community which is far more true and compelling than the timidities which a conservative censorship strives to impose upon the BBC's European services. The European peoples could still prove ready admirers of Britain's constitutional methods, social progress and democratic freedom, if Britain's spokesmen began at last to speak in favour of British institutions and to encourage the European nations—whether they are Italian or Czech or French or Yugoslav—to try their hand at a similar system. If there were a little more democratic enthusiasm in British foreign policy and a little less fear of anarchy, a little more confidence in liberal ways and a little less reliance on authoritarianism, a little more straight support for the popular movements of tomorrow and a little less clinging to the discredited ruling cliques of yesterday, there would be far less danger of violent revolution in Europe and a far brighter outlook for British leadership.

The Britain that Voltaire and Montesquieu admired, the Britain that spoke through Canning and Palmerston, the Britain whose moral purposes were thundered forth by Gladstone, was not the friend of tyrants and the enemy of progress. If Britain is to provide leadership for Europe after the war, it can only be leadership in the principles that are the marrow of the bones of the British people. Britain is a progressive Power or it is nothing. Once let it lend its name to the principles of legitimism and authority, and it will be left behind by the tides of history as surely and as finally as the Talleyrands and the Metternichs, the Bourbons and the Czars.

Books in Distress

EVERY literate member of the community is aware of the more obvious difficulties of the book industry. Production is handicapped so acutely by shortages of labour, transport and raw materials that supply and demand are widely divergent. Book-buying has become an unfortunate business of watching and waiting.

Under wartime conditions the demand for reading matter is seemingly insatiable. Its real volume is in no way represented by the turnover of the book publishing trade (some £18,000,000 in 1943, compared with £16,735,900 in 1942). At present, nine new books out of ten are over-subscribed before publication, and it is not uncommon for orders to exceed the numbers printed by four or five times. The demand for books in the months ahead is certain to be at least equally great. The

British book industry will have to play its part in the restocking of libraries in liberated Europe; it must regain its position in Empire and overseas markets; and it must make its own special contribution to the success of planned reforms in education, medicine and general welfare.

The book industry is unique in that it supplies not only a physical commodity but also the ideas, opinions, facts and fictions which are the instruments of knowledge and culture. For this reason its problems deserve particularly sympathetic consideration. Every effort of reconstruction at home and overseas depends very largely on books for the dissemination of its theories and principles. Twentieth century democracy would be impossible without the printed word.

The Publishers Association regards the present position of the industry with considerable apprehension. The most urgent problem is that of supply. Before the war publishers carried sufficient stocks of paper and books to meet several years' demand. These stocks are now virtually exhausted, and demand must be met entirely out of the publisher's paper quota (40 per cent of pre-war consumption) and the somewhat meagre supplies made available by the Ministry of Information. In a report submitted to the Government, the Publishers' Association recommends that the quota should be substantially increased "at the earliest practicable moment." This would make possible the printing of larger editions (with a consequent reduction in production costs per unit) and an improvement in deliveries for export.

This recommendation deserves support, even from those whose standard quota is still smaller and who are faced by a no less insistent demand. There is a severe world shortage of newsprint and of paper made from wood, for supply reasons. But this does not apply to book papers, which are largely made from esparto in peacetime and straw in war time, and it should now be possible to increase these supplies. The assimilation of technical and educational literature can be regarded as a form of capital investment, and at present books of fiction comprise only about one-tenth of the works published in Britain—though not, of course, of the volumes.

The straw paper used to-day is home-produced. In quality it is inferior to the esparto papers produced in Britain before the war, but much less so than in the last war. The esparto grasses of Algeria, Tunisia, Morocco and Spain are used locally for the making of ropes and baskets, but their main use (normally) is in the manufacture of paper in Britain. Until 1940, about 300,000 tons of the material were imported by British esparto paper-mills each year. The Publishers Association urges that immediate steps should be taken to reorganise the esparto-collecting industry in North Africa so that imports may be resumed. While the shipping tonnage required for this purpose would be very small, the more economic employment of labour and machinery in the book-paper mills and savings in fuel (approximately twice as much coal is required in the production of straw paper) would more than offset any minor diversion of the war effort.

In each of the three component parts of the book-producing industry—printing, binding, publishing—the labour shortage is acute. Many of the difficulties of the industry are common to all light industries; but there are others of particular importance and urgency. In the printing trade the age and health of the average worker and the demands of civil defence make it impossible to increase working hours. Output per unit of labour could be improved through the more efficient utilisation of the existing labour supply, but the restricted paper quota imposes upon publishers a policy of printing small editions in an attempt to supply imperative demands for as wide a range of books as possible. Such a policy is obviously wasteful of labour and machinery.

The binding trade threatens to become an even narrower bottleneck of book-production than at present. A shortage of women workers, already serious, is likely to reduce production still further in the near future. Recruitment for the Forces and the voluntary drift towards occupations thought to be more essential have supplemented the normal flow of labour from the industry. For nearly four years the number of learners entering the trade has been less than one-third of the pre-war intake. Production has been maintained at its present rate very largely through the employment of older women who are capable of performing hand operations but are unsuitable for training to machine work. It is not surprising to learn, therefore, that a considerable number of binding machines (guillotines, block-presses, folding and sewing-machines, etc.) are standing idle. The Association's report states that 1,000 women are now required each year to maintain the present

volume of production and to replace losses from normal causes.

The report proposes that the policy followed hitherto by the Ministry of Labour Book Production Advisory Committee in recommending the deferment of indispensable workers in printing, binding and publishing should continue without change; that no men over military age should be withdrawn from these trades except at the recommendation of the Book Production Industrial Transfer Panel; that workers skilled in book-printing should, when conditions permit, be transferred back from munitions as quickly as possible; and that additional women (particularly young women) should be directed into the binding trade under the Registration for Employment Order as and when circumstances allow. These proposals relate to the "pre-armistice" period and represent a sweeping request for special treatment.

One factor limiting supplies, the report says,

is the absolute priority exercised by the Government, through HM Stationery Office, upon book-printers and book-binders, particularly for the production of the apparently endless succession of official books about the fighting services, the cost of which in ordinary book-production now needs reconsideration if the evidence in the book-shops is taken into account.

If this somewhat nebulous statement is intended as a protest against the extension of public information it is invalid. The reasons which have prompted the Stationery Office to extend temporarily the range of its publications are sound. Through the mass-production and mass-distribution of its books and booklets the British point of view has been made widely available. Moreover, the high standard of these anonymous Stationery Office publications must be regarded as an adequate compensation for any minor invasion of the field of private enterprise. There is a danger, admittedly, that a general and rigid priority for such publications may operate against the public interest. Even in an open market, printers and binders may be expected to give preference to Government contracts, so that under conditions of short supply the private publication of books of real importance is likely to be held up. In other words, the priority system should be flexible enough to cover all book-production, whether private or public.

The value of the export trade in books cannot be measured in financial terms alone. Books are ambassadors of British ideas and culture. The export trade in books falls into three categories: the visible export of books wholly or partly manufactured; the invisible export created by the rights of publication in British books, including serial and film rights; and the re-export which takes place where British publishers acquire Empire and other rights in books of American origin. In each of these categories the impact of the war has proved damaging. The Association's recommendations (in addition to those already mentioned) include the lifting of the embargo on imports of books from America and Canada; a wider interpretation (both qualitative and quantitative) of the term "permissible imports"; the granting of additional supplies of paper to the industry; the reduction of book postage-rates to the United States; the offer of sterling facilities to Continental book-sellers; and "some guarantee" of stability in the exchanges.

Some of these demands are excessive and unreasonable. The financial system cannot be moulded to the specifications of separate trades. There is a touch of arrogance about the publishers' demands, an unwillingness to concede that there is even so much as a mote in their own eye, which does not advance their cause. If they are to have special help, it would be reasonable to require that they should take special steps to see that the books actually produced measure up to the high standards implicitly assumed in the report. But, on the whole, the book-publishing trade's analysis of the present situation, and its estimate and proposals for the future deserve a hearing. The return, both economic and cultural, for a small diversion of resources into book publishing, is likely to be large.

Control of Land Use

THE Town and Country Planning Bill and the accompanying White Paper, which were simultaneously released on Friday of last week, together constitute a long-awaited and important declaration of Government policy. The subject with which they deal is a difficult and complicated one. It presents almost unprecedented intellectual hazards, and it suffers from great confusion and ambiguity of language. The Government department chiefly concerned is the Ministry of Town and Country Planning; but the title, apart from being cumbersome, leads to many misapprehensions, since the word "Planning" is also used in a far wider sense than any known to the Ministry. "The Control of Land Use" is the title of the White Paper and an exact definition of the topics it covers; but to the great majority of newspaper readers the general subject will be most easily recognisable under the description of "Uthwatt and All That."

The subject has its learned devotees; but it has also attracted a vast body of opinion which has chanted the sacred names of Barlow, Uthwatt and Scott without having more than the haziest notion of what those celebrated reports contain or any idea at all of the formidable complications involved in any practical policy. It is a very great advantage that what the Government calls its "prolonged and detailed search for a solution" has at last reached the point at which the public discussion can be brought out of the clouds and down to earth.

There are two problems involved. Both of them concern the use of land, and there are some principles common to both. But they are distinct problems and the Government is rightly treating them separately. One problem is particular and urgent and is the subject of a Bill which, it is to be hoped, will be passed this session. The other problem is general and of longer term, and in this case the Government are proceeding by the method of stating general principles for discussion before attempting to draft a Bill.

The particular problem dealt with in the Bill is how local authorities can acquire land in large blocks for the purpose of planning the redevelopment of areas as units. The peculiar urgency of the problem arises from the plight of the towns that have suffered large-scale bomb damage, such as Hull and Plymouth. But the plight of slum-blighted areas is much the same, and the Bill rightly puts the two cases on substantially the same level.

The general problem is of far wider application. Put at its briefest, it is the problem of seeing that the use made of land by its owners is not contrary to the interests of the community, that values created by the community are recovered for the community and, conversely, that property acquired in good faith is not arbitrarily or discriminatorily confiscated by the actions of the state.

The Bill

The Bill, to repeat, is concerned with the smaller and more urgent issue. It is long and complicated, as any measure that strays into the tangled undergrowth of the law of property must be. But for the purpose of understanding its general purport, attention can be concentrated on five main new principles embodied in it:

1. The legal procedure by which local authorities can acquire land is to be greatly simplified in cases where the area in question has either suffered war damage or else is blighted by slums and where it requires "laying out afresh and re-developing as a whole." In the case of blitzed areas there is to be power, for five years, to schedule the whole area as a unit. In the case of blighted areas, the procedure is slightly less simple, but the five-year limitation is removed.

2. These powers are not to be limited to the areas actually blitzed or blighted. The local authority is equally to be given powers of compulsory acquisition (subject to the requirement of a public inquiry and Ministerial assent) for "overspill" areas outside its own jurisdiction.

3. The price to be paid for land so acquired is, in general, to be the value existing on March 31, 1939. Two exceptions are permitted. In the case of owner-occupiers either of agricultural land or of land used for residential houses within the limits of the Rent Restrictions Acts, the compensation is to be increased by a percentage to be fixed by the Treasury and presumably related to the rise in values since 1939.

4. It is assumed that local authorities will borrow the funds required for the purchase of land. The Treasury will make grants equal to the whole of the interest for two years. For a further eight years (or in exceptional cases thirteen years) grants will be made to the extent that the redevelopment of the land is still in progress and its income-earning capacity therefore in abeyance. After ten (or fifteen) years, however, the full burden of the loan will fall on the local authority.

5. A general power is to be conferred upon local authorities to acquire and hold land where such acquisition is an essential preliminary to a planning scheme which could not otherwise take place.

The Bill appears to give the local authorities the essential minimum of what they require. They will at least be able to escape from the paralysing uncertainty in which they now find themselves and to proceed with their plans, even if not in quite such favourable circumstances as they had hoped.

The financial provisions of the Bill will nevertheless excite some criticism, especially in relation to the fixation of 1939 values. The view of some local authorities, to judge by a statement by Lord Latham, is that where the chances of war have raised the value of a piece of land, the owner should not be able to profit, but that where the chances of war have lowered the value, he should be made to suffer the loss. This would be a case of the local authorities having it both ways with a vengeance, and they can hardly put it forward with any seriousness. The owner of land in war-damaged areas is likely to suffer quite enough under the Bill, without having this additional injustice thrust upon him.

More serious criticism is likely to attach to the provision by which the owner-occupiers of agricultural land and small dwellings, and they alone, are to have their 1939 values enhanced by a percentage designed to take account of the subsequent rise in prices. Why should not the small shopkeeper have the same benefit? As a class, he has suffered more, with less public assistance, than any other class in the state. It is true that he is not very easy to identify, but the sort of arbitrary distinctions that define the term "small house" could equally well define the "small shop."

But the argument is somewhat wider. Should it not, in equity, be provided that all compensation based on the values of 1939 should be written up by an amount that would offset the fall since that date in the general value of money? The Government "pledge" will, no doubt, be cited against any such proposal. But the fundamental equity of the insistence on 1939 values is that no piece of land should be allowed to rise in value relatively to other pieces of land, or land as a whole relatively to other forms of property, because of the war. To apply the rule rigidly will mean that a loss of real wealth will be inflicted, not on landowners in general, but on precisely those landowners who have been unlucky enough to own land in blitzed areas and who have probably already lost the income from that land for several years. An almost exactly similar point arose in connection with the War Damage Act, and the Government was induced by Parliamentary pressure to add an "escalator clause" by which value payments can be increased to compensate for any fall in the value of money. What was done in the one case can be done in the other. Moreover, if there were such

an escalator clause, the necessity for exceptions, and the jealousy that they will inevitably cause, would disappear.

Another financial point that will arouse some discussion is whether the local authorities should be left, after the first ten years, to bear the whole burden of their redevelopment schemes. As a matter of justice, it is questionable whether national funds should be spent for local purposes after the period of rebuilding. But the blitzed cities have suffered for the whole nation. Moreover, the pragmatic test will be whether, with this limitation, the re-development will be carried through on the scale and in the manner that is desired. There should at least be power for the central Government to make a longer-term grant in special cases where an argument, on national grounds, can be made out for so doing.

These are details, and important details. They do not affect the fact that the Bill, in its main structure, is a satisfactory one which should be quickly passed.

The White Paper

The wider problem of the control of land use arises from the fact that land is really two substances in a single form. Land can be used either as soil or as space. It can be tilled, in which case it has one value; or it can be built on, in which case it has another, and almost invariably higher, value. The difference between the two values is the "development" value. The basic argument is that all development value arises from the activities of society, not from the efforts of the landowner. In effect, the state now, for the first time, recognises the validity of this argument. But it also recognises the fact that, in all past ages, land has changed hands, in good faith, at prices that include development value.

The principle adopted is that nobody shall be deprived of pre-1939 development value, but that post-1939 development value shall accrue, in the main, to the state, whether or not it can be shown to arise directly out of the state's activities. The two halves of the principle give rise to the two problems of compensation (where the realisation of pre-1939 development value is prevented) and of betterment (where post-1939 development value is realised).

This is the principle; but the mechanism for attaining it is necessarily complicated. Of the two halves, betterment is the simpler. Development value is constantly arising, since the value of land depends not only on the use to which it is actually put but also on the use to which it might be put. But to levy a charge on betterment as it accrues would not only be a formidable administrative problem, but it would also cause great hardship, for the owners would have to pay the charge before they had realised the enhanced value.

The Government has therefore decided to levy the charge only when the enhanced value is encashed—that is, when the use of the land is changed or it is "developed." For this purpose, it will be provided that the consent of the local planning authority must be sought before any substantial change is made in the nature or scale of use of any land. If the proposed new use is not in conflict with a planning scheme, consent will be given. But at the same time, an assessment will be made of the value of the land before and after the change, and a Betterment Charge levied on the difference. The rate of charge is fixed at 80 per cent, rather than at 100 per cent "in order to facilitate voluntary agreements."

This is a straightforward scheme which should not be difficult to administer. In particular, the valuation problems are not difficult, since the two values to be compared are both to be assessed on the same date. Both are also actual rather than hypothetical values, since the one is the value of the land in its present use and the other its value in another actual use to which it is immediately to be put. It is true that any levying of charges on betterment reduces *pro tanto* the incentive to owners to develop their land. But this is an objection to any scheme for taxing betterment, not particularly to this one. And the assessment of rates on development value could, if need be, restore the incentive.

Compensation is more difficult. Four stages are envisaged, as follows:—

(a) The first step is to ascertain the 1939 development value. A complete valuation of all the land in the country would be an enormous task that would take too long. Land is therefore to be divided into three categories—green, white and built-up. Green land is that where there is a general presumption that no development value existed in 1939—that is, rural land not in the vicinity of towns and unlikely to be built on. In the case of built-up land, the presumption is that the 1939 development value had already been realised in that year and that no question of compensation can therefore arise. No general valuation of either green or built-up land will be attempted, but if any owner in either category claims that, for special reasons, his land had an unrealised development, or re-development, value in 1939, a valuation of that land will be made. White land, which is all that is neither green nor built-up, will have its 1939 development value ascertained by a general valuation.

(b) The second stage is to decide how much of the ascertained development value to pay in compensation in those cases where the state, for planning reasons, prohibits the development. To pay the full amount in all cases would be to ignore the existence of "floating value." Every piece of land round a town will have some development value since the town *might* spread in its direction. But to aggregate all these values would assume a far greater growth of the town than was in fact likely. The Government propose to defer this problem for five years, to take the advice of an expert committee at that time, and in the meantime, while registering claims to compensation, to make no payments.

(c) Thirdly, there is the question of when to pay compensation. In the case of green land, any compensation payable would be paid immediately after the expiry of the five-year period, so that the matter would be settled, in respect of this land, once and for all. In the other two cases, compensation would not be paid until permission to develop was actually refused.

(d) Lastly, there is the question of who is to pay. It is proposed to set up a national Land Commission with a fund at its disposal, into which all betterment charges would be paid and out of which all compensation would be issued. It is the expectation that eventually this fund would show a surplus. The finances of local authorities will, however, be completely relieved of all responsibility for compensation.

This is a very brief summary of a very complicated scheme. It lacks the simplicity of outright nationalisation of the land, which has adherents far outside the ranks of the Labour party, and which may yet ultimately prove to be the only workable solution. But nationalisation was clearly not to be expected from a coalition Government, and if there has to be a less thoroughgoing scheme, this one has much to commend it. It differs in several respects from the Uthwatt proposals, which were to apply, in their full form, only to "white" land and which proposed the acquisition of development value by the State. On the whole, the new proposals seem to be more clear cut and for that reason, to be preferred. Whether they will prove to be workable, technically or politically, remains to be seen. Almost everything depends on the skill and judgment with which the valuers do their work.

Taken together, the Bill and the White Paper are the first major advance into a region that has been much talked about but little explored. They are, of course, vastly incomplete. They do not in any way foreshadow the appearance of that national plan which has also been long promised, and the power given by the Bill to a few local authorities to start the positive planning of land use in their cities increases the urgency of the need for a national framework within which these very local essays can find their place.

For this wider conception the pressure should be maintained. But at least it can be said for these two documents that they give reasonably satisfactory answers to smaller problems and that they in no way prejudice the emergence of a grander design.

NOTES OF THE WEEK

After the Fall of Cherbourg

The liberation of Cherbourg towards the end of the third week of the invasion marks a decisive turn in the battle of Normandy. The harbour itself, though partly demolished, will soon be made usable again by the methods of repair perfected by Allied engineers in North Africa and in Italy. The flow of men and supplies to the battlefield will now become broader, steadier and quicker. In the near future the Allied forces will be able to break out from the beachhead. For the moment the centre of gravity has shifted from Cherbourg to the eastern flank of the Beachhead, where the Allies have attacked between Caen and Tilly. By Wednesday they had cut the road between Caen and Villers-Bocage, and got astride of the river Odon. The immediate object is to outflank Caen. This is no easy task, for the Germans have still at their disposal at least five major roads and four railway lines converging on Caen. But the Allied Command may soon force a decision by shifting reserves from the Cherbourg peninsula eastwards. The alternative is to use those reserves for a drive from the Contentin to the south, towards St. Lo and Constances. On the whole, the fighting in Normandy is still a struggle for elbowroom.

Blows in the East

The powerful Russian offensive between Vitebsk and Zhlobin came after a pause of many months which the Russians used to build up their striking power. The Germans estimate that the six army groups engaged in the Byelorussia offensive consist of not fewer than eighty divisions, and the Russians must have achieved a local superiority of forces exceeding the classical ratio of three to one. They were able to wrest from the enemy such strong-points as Vitebsk, Orsha, Mogilev and Zhlobin in the first four days of the fighting, and to encircle Bobruisk on the fifth. The immediate Russian objective is Minsk, the capital of Byelorussia. Minsk is the northern gate to Poland; and it can also serve as a jumping off point for an offensive against the Germans in the Baltic countries. What is perhaps more important now than the loss of territory is the losses in manpower inflicted on the enemy. Five German divisions have been encircled at Vitebsk, and another five are said to have been trapped in Bobruisk—while in the same week two or three divisions were lost in Cherbourg. If the Germans commit substantial forces to the defence of Finland, as Ribbentrop has promised in Helsinki, then their strategy will seem to have already lost coherence and logic. German propaganda has already started cautiously to prepare public opinion for the loss of Warsaw. Has Hitler really made up his mind to give up Warsaw and to hold Helsinki?

Nazis at Bay

There is probably not much to be gained at this stage by extended discussion of the theory and practice of flying bombs as evidences of Nazi-crazed tactics on the eve of Germany's certain defeat. Inevitably, the men and women who fight wars stand, in relation to grand strategy, like the dwellers in Plato's cave, who saw only the flickering fire-lit shadows of what was really going on around them. But, obviously, it was always like that, if Hitler were allowed by saner Germans to employ resources for, and then to use, his fondly-fondled "secret weapons," it would be with a desperate hope to find a bargaining counter

in the crisis of total failure, ushered in by the crushing assault from all sides upon imprisoned Europe. "I can still hurt you," he cries, with childish, frightened boast. "Why don't you make peace now, before I hurt you more?" he hints, because he is sorely hurt himself. However interpreted strategically, this is the gangster rat in the trap. Ordinary people here, put out or hurt or bereaved by this random bombardment can see this far at least. This is another battle that Hitler has surely lost. But some facts not so far given might be helpful to the people of Southern England and, still more, to their imaginative friends further north—without aiding the enemy, who of course must be kept blind. Mr Morrison has said how much less destructive of property and life these attacks are than minor bombing. A few figures, so far shown only to a selected few, would prove this point with astonishing completeness.

Soldiers of Europe

The three assaults by land against German Europe have given new momentum to the partisans and guerillas everywhere. The Supreme Allied Command has published a number of official statements on the operation of the French Forces of the Interior (FFI). From these as well as Vichy sources, it is evident that the French maquis is no longer confined to the mountains in the east and centre of France. The activities of the maquisards have spread as far to the north and west as Brittany and as far to the south as the Dordogne and the vicinity of Bordeaux. In northern Italy guerillas have been recently prominent in tying down the remnants of Mussolini's forces and some of Kesselring's reserves. Italian partisans have acted, too, as a link between Marshal Tito's men and the maquisards in the French Alps. Finally, the guerillas behind the German front in Poland are almost certainly doing much to disorganise the enemy's rear. Of all the guerillas, those who fight in eastern Poland are best organised and best armed. The Soviet High Command was first to grasp the military and political importance of these formations. A great amount of skill and imagination went into keeping these guerilla bands in existence in the forests and marshes throughout the years of Russian retreats and defeats, and into arming and organising them for the opportunity that has now come. Next come the partisans of Marshal Tito, less well equipped, but armed sufficiently for the kind of elusive mountain warfare at which they excel. In contrast, the French maquis has been, and still is, poorly armed and equipped. The greater is the gratitude the Allies owe to it for the deeds done so far. But what the maquisards expect from the Allies is not words of appreciation. It is effective and quick help in the shape of weapons, ammunition, medical supplies and instruction. Geographically, the French maquis is in a somewhat worse position than the guerillas in eastern Poland and Jugoslavia. The Russians can send supplies to their partisan allies overland, through vast and thickly wooded spaces beyond the enemy's control—though the Russian Air Force has also been very active in supplying them. Weapons can reach Marshal Tito's men by sea, along the stretches of the coast that have been freed from the enemy. The maquisards control no points on the French coast; and the land between their strongholds and the front in France is closely watched by the Germans and Vichy. Even so, the difficulty of supplying the maquisards with what they need is not insurmountable—if the importance of aiding them is realised fully and in time.

Aid for Irregulars.

The appointment of General Koenig to be Commander-in-Chief of the French Forces of the Interior is good promise for the future. It links the maquisards and the Allied armies. General Koenig's is a key position, and will be treated so by the Allied Supreme Command. The French Forces of the Interior wish to, and can, do more than auxiliary service to the Armies of Liberation. Their

ambition, understandably, is to be the nucleus of a new French Army. Adequately supplied and instructed, they may fill this rôle. General de Gaulle has spoken of their "cruel lack of weapons." It would be a grave political error if the slightest excuse were left for attributing any part of responsibility for this lack to neglect by the Allies of France. Partisans or maquisards are the most active elements in every occupied country. They are likely to play a prominent part in the political life of their nations after the war. Now, in the west, there is a great chance to make the renewal of the *Entente Cordiale*, with the Americans included, a fresh reality in the minds of Frenchmen. No political or military prejudice against the irregular character of the maquis should be permitted to waste this chance.

Far Eastern Successes

This has been a week of victories in the Far East. The Japanese threat to the Allied supply lines in North Burma, which looked at one time as though it might develop into a threat to India itself, has been decisively defeated. Fighting through "terrible monsoon conditions," British and Indian forces have opened the road from Imphal to Kohima and Manipur, and the Japanese troops in the Naga and Chin Hills are in considerable difficulties. The importance of this move will be felt in India, where a relaxation of tension and a return of confidence should strengthen the hope of preventing further famine this year. It will also greatly improve the chances of General Stilwell's men, who have captured Mogaung, and should now be able to bring up sufficient reserves to put an end to the endless siege of Myitkyina, and firmly to establish their hold on the rail-head of the North Burma railway. All these are essential preliminaries to the reopening of the Burma Road. This, in its turn, is the preliminary to the building up of really important Allied bases in China. Then only can the campaign directed against the Japanese from India and Burma begin to coalesce with the campaign in the Pacific. A shuttle service of bombers could be established from China across to the Pacific bases of Bonin and Saipan, and the projected American naval landings in South China could be supplemented by land and air activity in China itself. Both these developing strategies leave out Malaya and Singapore and the Dutch East Indies. They are part of a pincer movement to snip Japan's conquests away from the mainland.

Education in the Lords

An amendment to the Education Bill moved in the House of Lords by an ex-President of the Board of Education, Lord Stanhope, trespassed into the forbidden field of curriculum—of what will be taught in the new Butler schools. It sought to provide for the inclusion of homecraft, and cookery and technical subjects in the education of boys and girls over 16. The one proviso to Lord Stanhope's sensible suggestion is that there is a limit to the extent that the domestic arts can usefully be learnt outside the home. Whatever its merits, however, the amendment served to raise the much wider question of what is to be taught in the schools. In the Government's reply, this particular proposal was quite logically opposed on the ground that the Bill was merely creating machinery and could not therefore include as an afterthought provisions for instruction in one or two selected subjects. The fact is that the general curriculum is still undecided, in spite of the recommendations of the Norwood Committee, published last year. The sausage-machine has been all but completed, and no one yet knows what kinds of meat it is to use or whether it is to be the same old soya-soya.

Young Persons

Some discussion also arose in the Lords debate on education over the naming of the local part-time colleges for the education of boys and girls between 16 and 18. The House eventually agreed that the name of "Young People's Colleges" should be altered *pro tem.* and pending better second thoughts by the Government, to "County Colleges," which was felt to be less objectionable. "Nomenclature," as Lord Selborne remarked with uncommon shrewdness, "is always difficult." On the other hand, the original name had the obvious advantage of being clearly descriptive, and

derived from the comparable legal term of "young persons" for boys and girls of these ages. Moreover, as the same speaker pointed out, "county college" invites confusion with the existing "county school." The success of this new experiment will not, in any case, depend on their name, but on the teachers and the schooling that are provided at them.

Teachers Wanted

It is not perhaps sufficiently understood that the new Education Bill, with its provisions for longer schooling and part-time colleges for adolescents, may conceivably become a dead letter for lack of the right number and kind of teachers. The view of the Education Sub-committee of Nuffield College, as reported this week, is that even the emergency schemes for recruiting 10,000 extra teachers, mainly from the Forces, which the Government has devised, will not be sufficient to stop the gap. The Committee's calculation is that the pre-war teaching strength will require to be raised by over 60 per cent, and that this may take up to twenty years to do, even if these emergency schemes are applied and even if the pre-war annual output of trained teachers is doubled. The Committee therefore suggests a programme of recruitment and training on the same lines as those approved by the Government and recommended by the McNair Committee—but carried considerably further. It is gratifying that the best official and non-official thought is moving in the same direction on this matter, and that all the proposals which have so far been made realise that the vital need is for the quality of teaching to be raised rather than lowered in the process of expanding the army of teachers. It will be very far indeed from easy to satisfy this need.

The McNair Principles

The Nuffield College Report on the supply and training of teachers was produced quite independently of the

BUSINESS ENTERPRISE AFTER THE WAR

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INDEX TO VOLUME CXLVI

The Index to Volume CXLVI (January to June, 1944) will be available in about two weeks' time, and will be sent to all those who have asked for the Index to be regularly supplied to them. Any other readers who wish to receive the Index (post free) are invited to apply to The Publishers,

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investigations of the McNair Committee. But the chief principles which it lays down will almost certainly be known in the history of educational policy as the McNair principles. They are two: first, the importance of practical apprenticeship in the schools; and, secondly, the necessity and, equally, the desirability of drawing recruits for teaching from a much wider field of education, age and experience than hitherto. The main object of the Nuffield proposals, both for the immediate post-war period of emergency and afterwards, is to break down the present barriers to entering the teaching profession. If the teachers needed are to be found, this is in any case unavoidable. The pool of available recruits from the secondary schools is not and will not be anything like large enough. Like the Government, the Nuffield Report looks first to the Forces. Much greater use is recommended for whole or part time work, of both married women, whether teachers already or not, and persons "skilled in various crafts"; and the use, for a time at any rate, of young men and women direct from both secondary schools and universities. Here the emergency and long-term proposals touch in "the practical apprenticeship" which the Committee regards as an essential preliminary to the equally essential study, in colleges and refresher courses, of educational theory, accompanied by the setting and passing of tests. The Nuffield Report, like that of the McNair Committee, recommends a three-year period for training in place of the present two-year course, but suggests not a continuous term of teaching in the schools but a continuous year. The identity of approach in these reports is remarkable. It extends to teaching conditions as well as recruitment and training. Both reports lay an equal stress upon better school buildings and equipment, higher pay all round and the equalisation of remuneration between different kinds of schools, different areas and the sexes. Only in its somewhat stronger stress upon the imperative need for smaller classes, to make good teaching feasible, does the Nuffield Report differ, even in emphasis, from its more official counterpart. There can be few subjects on which the Government has received such unanimous guidance as in this all-important one of finding the men and women to make the Butler Bill work.

No Finnish Armistice

After the fall of Viipuri on June 20th, the Russian advance in Finland was halted for nearly a week. It is perhaps this fact, quite as much as the blandishments of Berlin, that has led to the Finns' failure to form a new Government, ready to accept a Russian armistice. There is no doubt that, so long as there seems to be even the slenderest chance of military resistance, the present Finnish Government will neither negotiate nor abdicate. The Germans, realising this, sent Ribbentrop to Helsinki with the offer of further German reinforcements, and now General Keitel has arrived to organise their entry into the fight. This, together with the short lull in Russian progress, seems to have overborne the wiser counsels of a week ago. Yet the Linkomies Government is clearly uncertain of itself. The secret session of the Finnish Diet has been cancelled; and the Conference of the Social Democrats, where Mr Tanner would have had to explain his inexplicable attitude, has been postponed from July 1st. The result of this false confidence is sheerly tragic. A new Russian advance has begun. The amount of help Germany can give will do no more than prolong the fighting. More Finnish lives will be lost and Russia's terms be stiffened.

Where to Shop

Consideration of the Plymouth Plan and other designs for urban reconstruction has given rise to doubts about some implications of these necessarily broad schemes. The notion, for instance, of planned shopping centres, where shops and stores are concentrated in attractive and dignified surroundings at single points, is an idea which, though neat and sensible enough on paper, may not be so convenient in practice. The middle way between indiscriminate development of ugly and untidy shopping streets, on the one hand, and big blocks of compound stores under the direction of local administrators, on the other, is not an easy one. Perhaps in the Plymouth Plan, it has been suggested, the balance has been weighed down somewhat too much on the side of the latter. Some concentration of

shops in the centre of any city is, of course, inevitable. The whole attraction of a town—and especially one like Plymouth, which serves a large surrounding rural and holiday-making area—would be lost without it. It is the character and extent of the concentration, and the amount of limitation which it places on the number of local and "street" shops, which have to be carefully examined. By emphasising the need for good communications to the central or sub-central shopping centre and for the control of local shops, the Plymouth Plan possibly implies a regimentation of local traders which may prove costly, both economically and financially, and difficult to effect without injustice, inconsistency and, above all, inconvenience to shoppers.

Listener Research

Techniques for the investigation of opinion were developed during the 'thirties in both this country and the United States in order to answer specific questions about public taste and to forecast public behaviour in specific circumstances. In both cases there was usually a commercial reason for the question. The comparatively recent entry into this field of Ministries and public corporations has given these inquiries a place among the social "sciences" which is probably not yet justified by improvements in the techniques employed. A lucid and interesting paper on the methods used by the BBC's Listener Research Department, which was read last week before the Royal Statistical Society by Mr R. J. E. Silvey, shows that, while the BBC has adopted the established methods of investigation, including the highly controversial "Mass Observation" and adapted them to its own uses, it has made little attempt so far to scrutinise the peculiar collection of psychological assumptions on which those techniques are based. Probably this is because "methodological" investigations are not practicable in war-time. Probably, to some extent, it is because the necessity for producing "tangible" results and justifying a department's existence is no less imperative in a great public corporation than in a private advertising agency. Obviously, if these techniques are to go on being used for attempting the precise assessment of public opinion for the formulation of public policy—or the policy of public corporations—it is necessary for a more thorough examination to be made of the degree to which the answers produced are conditioned by the questions asked; of the extent to which they present a true picture and not merely a consistent one; and of the validity of assuming that bias is automatically removed by the statistical technique adopted. The study of public opinion is as much the sphere of the psychologist and the sociologist as it is of the statistician.

What Listeners Want

Certain of the figures published by Mr Silvey to illustrate the BBC methods of Listener Research are of considerable interest, though they exclude all overseas and Forces listeners. About half of the home civilian adult population normally hear the 9 o'clock news bulletin; this can rise to 65 per cent when the King, Queen or Prime Minister speaks; it also reached this figure when the news of the Italian surrender was announced—and no doubt has touched a peak again since the invasion of Normandy. Otherwise the proportion listening varies from about 30 per cent for "ITMA" and "Music Hall" (and, surprisingly,

Type of Programme:	Percentage of the Listening Public	
	Actively Liking	Actively Disliking
Variety.....	73	11
Cinema Organ.....	58	19
Features (Documentary).....	60	13
Religious Services.....	52	25
Dance Music.....	41	35
Symphony Concerts.....	26	56
Chamber Music.....	15	69

for the Sunday night Postscript), down to 4 per cent for "Music Lovers' Calendar" (talk) and 2 per cent for "What the Poet Sees." An indication of the results of special studies of the active popularity or unpopularity among the "listening public" of specific types of programme is given below, though Mr Silvey is careful to point out that BBC programme planning, while guided by the results of this research, is in no way bound by it. In view of the imper-

fections of method, this is perhaps just as well: e.g., although it is shown that over the period October, 1941, to October, 1943, the proportion actively liking "Dance Music" fell from 53 per cent to 41 per cent and that actively disliking it rose from 25 per cent to 35 per cent, there is insufficient evidence that this is not merely a restatement of the fact that, during the interval, a larger proportion of the 19-25 age group joined the Forces and so dropped from the scope of the BBC's study.

The Murders at Görlitz

From the statements made by the German Government and from testimony given by eye-witnesses among the RAF officers repatriated from Stalag Luft III, it is possible to reconstruct the grim events which led in March this year to the massacre of fifty officers by the German authorities. The background is the state of instability and disintegration inside Germany. Nine or ten million foreign workers, displaced and bombed-out civilians and prisoners of war make up a floating population which is unpredictable, inflammable and, potentially, mortally dangerous. If the rot set in, if panic started, if the reins were thrown off, if great uncontrollable mass movements began, the overstrained superstructure of discipline and order might be overthrown with uncanny speed. This is, presumably, the Gestapo's constant nightmare. Its officials must be perpetually on the watch for agents provocateurs, for centres of disaffection, for potential leaders who might, in any area, begin to set the avalanche in motion, just as a small pebble struck from the shoe of a climber can loose a mountainside. When a few dozen young officers began to build a tunnel out of Stalag III they guessed at part of this background. They realised that, to escape, they could wear any old foreign uniform, need not speak German and had only to join the wandering groups of workers trudging about the Reich. What they could not guess was the role which in the diseased imagination of the Gestapo they would be supposed to play. The mass escapes were, presumably, pictured as attempts to insinuate into Germany's floating population groups of active agents of sabotage and opposition. How else can one explain hysterical references in the official German statements to "mass escapes numbering thousands" prepared by the Allied General Staff, involving political and military objectives and "endangering public security in Germany"? The officers left Stalag Luft III as escaping prisoners of war. They were captured as saboteurs in civilian clothes, handed over to the Gestapo and judicially murdered.

To explain the grounds for the German panic is not to offer any palliation of the crime. The killing of the officers was coldblooded, calculated murder in direct contravention of the Prisoners of War Convention. The men were not shot "resisting re-arrest." Otherwise at least one or two would have been wounded. In any case, the evidence of the repatriated officers makes it clear beyond all doubt that they were arrested and later murdered. Nor does the pretext that they were wearing civilian clothes lessen the crime. No prisoner of war is expected to escape in his regimentals. The episode illustrates once again—if further illustration were necessary—that Germany's leaders shrink from no brutality if they think it serves a military or a political purpose. Mr Eden has promised the "exemplary punishment" of those responsible, and it is important to see that the military authorities are not allowed, by shifting responsibility on to the Gestapo, to escape their share. From the officials at the War Office down to the prison commandant the German officers must take the blame.

National Publicity

The Tory Reform Committee has devoted its third Bulletin to a discussion of official publicity. While, in their view, there is no case for it at home, the need for publicising British policy, institutions and cultural achievements abroad will not end with the war, and some appropriate Government department should be set up to deal with it. The Tory Reformers reject a number of solutions: the continuance of the overseas branch of the Ministry of Information, or a small separate Ministry, or the creation of a publicity department attached to any of the three senior Ministries—the Foreign Office, the Treasury or the Board of Trade. These solutions are considered inadequate because the field to be covered

transcends the scope of any one Ministry, while a very junior Minister tends to get no hearing at all. The solution which they suggest is the creation of a National Publicity Office, having the same relation to the Cabinet as the proposed Central Statistical Office, and enjoying the same right of access. Abroad, its officers would work in special Publicity Missions, closely attached to the Ambassador, but not directly subordinate to him. The Tory Reformers have raised an important topic, even if their proposals need further examination. There can be little quarrel with their demand for a policy for national publicity, since they define publicity in the proper sense, not as propaganda, but as information—and add the rider that the first aim of the Service would be to discover what kind of information other nations want, not to thrust down their throat a "British point of view," which they have no desire to hear. It is on the side of machinery that the Report is more open to question. If the Foreign Office were organised on a rational basis with the Secretary of State for Foreign Affairs as the non-departmental head of a group of allied Ministries—overseas trade, diplomacy proper, foreign publicity and so forth—the proper place for the office would be there. It would be easier to co-ordinate its work, and it would certainly work more smoothly abroad.

War and the Daily Worker

Sir James Grigg remains adamant in his refusal to allow the *Daily Worker* to have an accredited war correspondent. At question-time on Tuesday, pressed by Members of all parties, the War Minister would not "budge an inch." He would only refer back to his original answer, six months ago. The case against the *Daily Worker*—the decision is a Cabinet one and cannot be attributed to War Office prejudice—is that Communists cannot be trusted, and that two prominent members of this party were sentenced under the Official Secrets Act for disclosing secret military information. The trouble is that the security censorship is, nominally at any rate, a voluntary one; and the Government, from experience, does not trust the *Daily*

MILK CHOCOLATE & the Nation's Milk Supply

THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

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Worker. But however untrustworthy individual Communists may have proved in the past—and however unpardonable the *Daily Worker's* record in the early days of the war may have been, few would deny that it has steadily supported the war since it was allowed to reappear. Nor is it, even under the Defence Regulations, an offence to be a Communist. The *Daily Worker* is not asking for special facilities; its correspondents' stories would automatically be submitted to censorship. There are now well over 500 war correspondents accredited to Allied Supreme Headquarters. They include many foreign nationals. The Kemsley press, which, as one MP pointed out, has been fined for publishing information which would be of value to the enemy, has, quite fairly, not had its correspondents withdrawn. It is unreasonable to penalise one newspaper for an offence which it has not yet committed. It would not be taking too great a risk to allow the *Daily Worker* to have a correspondent. Any offence against security in reports from the battle-front could be prevented from being published. Meanwhile, the continued ban is creating a disproportionate grievance. Even in wartime—perhaps especially in wartime—the freedom of the press, within the agreed rules of national security, is indispensable; and it applies, or should apply, without discrimination, to "good" and "bad" papers alike. Certainly it is not for the Executive simply to pick and choose—though if Parliament, on a vote, were to agree with the Cabinet that would, of course, be that.

Art for the People

The war has given a great stimulus to the arts. People who seek much-needed relaxation and change, troops or civil defence workers browned off by the monotony of waiting or drill, have found a new pleasure and sources of entertainment in music, plays or pictures. CEMA, the Council for the Encouragement of Music and the Arts, has done much to respond to this popular interest. The Council was started in January, 1940, in the early stage of the war, with the limited object of providing entertainment in the black-out and in isolated areas, and to fill the gap caused by the collapse of most forms of organised entertainment.

Today, in its fourth year, it has reached a new stage. The pamphlet *Arts in Wartime*, a review of CEMA activities during 1942-3, gives some idea of its activities and aims. With its modest income, £100,000 from the Treasury and £50,000 from the Pilgrim Trust, the Council's record is creditable. In 1942-3 it provided some 8,000 concerts, including 4,543 in factories; a dozen theatre companies have taken plays and ballets to war workers' hostels and factories up and down the country; sixty picture exhibitions have been circulated to municipal galleries and smaller centres. CEMA has supported orchestras and theatre companies—it saved the old Theatre Royal, Bristol, in 1942. Figures are, of course, apt to be misleading, since it is quality rather than quantity that counts; but CEMA has been careful to pick the best artists and players, and to maintain a high standard of performance. There is an erroneous impression abroad that the English people are completely philistine, and resent having "highbrow" stuff thrust at them. The success of the Proms and the National Gallery concerts are evidence on the other side. CEMA's experience provides more. There is also a general feeling that art and politics are so separate that the state should not interfere. CEMA's principle—state support without state control—is not logical, but perhaps the right compromise. In Republican Germany, every city and township had its own (state or municipally supported) orchestra, opera and theatre. It may be that the same idea may eventually be realised in this country.

Law Officers

A brief but useful measure to prevent delays in the process of law received its second reading in the Commons last week. The Law Officers' Bill provides that in the absence of the Attorney-General, his deputy, the Solicitor-General, shall be able in all cases to act for him. Until now this provision had to be made separately in each Act in which it was necessary. An increasing number of Acts had not done so and some adjustment was clearly desirable. The Bill will apply to the corresponding officers in Scotland and Northern Ireland.

AMERICAN SURVEY

Nominations at Chicago

THE National Convention of the Republican Party, meeting at Chicago, has done what was universally expected of it. On the first ballot, with virtual unanimity but without any enthusiasm save of the manufactured sort in which these conventions specialise, it has nominated Mr Thomas E. Dewey, Governor of New York, as its candidate for the Presidency in this year's election.

Thus ends one of the most extraordinary pre-convention campaigns in the history of American politics. Governor Dewey was "drafted"—which is a technical term meaning that he was nominated without his candidature having ever been avowed. He was nominated unanimously on the first ballot. Candidates have been drafted before now, and candidates have been nominated on the first ballot. It may be that there are other instances of the two things happening together—though no such instance comes easily to mind. But what is the most extraordinary feature of all is that Governor Dewey is not popular among the politicians of the party. They did not want to have him, but they felt they had to. They relieved their feelings by nominating a real "machine politician" for the Vice-Presidency. The first choice was Governor Earl Warren, of California, who would have given the ticket an Atlantic-and-Pacific balance, and who had enhanced his reputation by a rousing "keynote" speech. But Mr Warren refused the honour, and it went to Governor John Bricker, of Ohio, the only avowed candidate for any office, and the politician's ideal of a politician. It is reported that this nomination was received by the delegates with a greater volume of more spontaneous applause than any for Mr Dewey.

What is the explanation of Mr Dewey's strange power over the Convention—a power greater than that normally wielded by a President after four successful years of office? At this closeness in time, and at this distance in space, it is not very easy to say. Mr Dewey's great, and perhaps only, recommendation is that he gets votes. The Republicans are not expecting any easy walkover this year; 1944 is not another 1920, when they can win with a handsome presence and a tuneful voice. If they are to win at all, it will only be by a narrow margin, and after a stiff campaign. A vote-getter is essential. With Mr Willkie out of the running, a very quick glance round the field was enough to show that none of Mr Dewey's other rivals had an outside chance against the world-renown of Mr Roosevelt. A man who could get votes, who could collect all the forces of discontent, but whose own views were so nebulous that he would offend nobody—this was the prescription. And the answer to it is Mr Dewey.

A Convention has another task beyond that of nominating candidates; it has to adopt the Party "platform." Not too much importance attaches to this sacred rite. The candidate does not always regard himself as closely committed to it, but states his own policy in his speeches. And if he should happen to be elected, he will take even less notice of it. The Democratic platform in 1932, when Mr Roosevelt was nominated, spoke, it will be remembered, of balanced budgets and of strict economy. Nevertheless, the platform is of some interest, not as a binding commitment of the possible next President, but as a reflection of the current trend of thought among the politicians of his Party.

This time the draping of the platform was in the hands of Senator Taft, an able Conservative. Its more domestic "planks" can be regarded as common form among Republicans—they talk of the restoration of Congressional authority, of the menace of bureaucracy and of "arbitrary" (that is, Presidential) rule, of the defence of states' rights and several other ways of saying that Republicans disapprove of Mr Roosevelt. Two of the planks are of wider interest. One deals with foreign trade and, along with a number of generalities, makes it clear that American tariffs must not be touched and that Secretary Hull's reciprocal agreements must be abolished.

The other is the foreign policy plank. This commits the American people to participation in "postwar co-operative organisation"—not significantly to participation in an

organisation—and to the use of "peace forces" to preserve the peace. In sharp contrast to these ambiguities is the clear statement that there must be no interference with American sovereignty. It is perhaps enough to say that this foreign policy plank has been accepted by the *Chicago Tribune* and that it has been denounced by Mr Willkie. One London newspaper professes to find in the blessing given to "postwar co-operative organisation" a significant change from 1920. This may be politeness or it may be self-deception. There is no change in the formal attitudes of the Republican Party. There may turn out to have been a real change in American public opinion, but the experienced politicians of the Party clearly prefer to wait and see.

American Notes

Preparation for Peace

Mr. Donald Nelson, chairman of the War Production Board, has announced three steps by his Board to speed up preparations for the return to peacetime production. Already the expansion of civilian production is allowed where it will not interfere with war work. Now an order is being drawn up which will authorise any manufacturer to acquire enough material and components to make and test a single working model of any product planned for the post-war period. In addition, orders have been revoked which limited the use of aluminium and magnesium, so that manufacturers may use them if manpower is available; and, beginning on July 1st, manufacturers will be allowed

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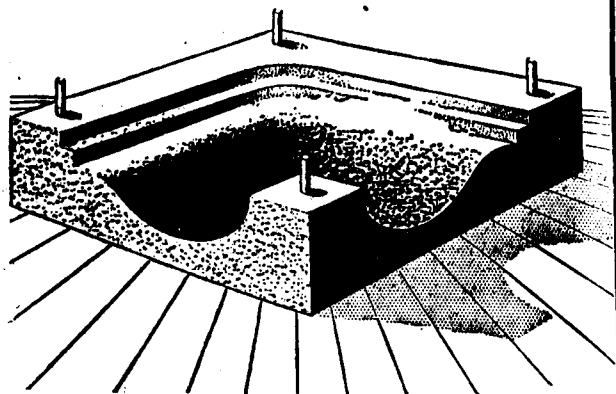
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to buy machinery, tools and dies for civilian production, as long as this does not interfere with war production. Mr Nelson may well be right in making these provisions at a time when he emphasises that the main effort must still be directed toward winning the war, although he may be somewhat optimistic in believing that these concessions will liberate an all-out drive to finish the war first. The immediate increase in civilian production will evidently be small. It raises, however, one question which is bound to be controversial in a period when some manufacturers still have their hands tied with war orders. That is whether outsiders will be permitted to enter an industry before the established companies are free to go back to making consumption goods. An example much quoted, and which perhaps is not entirely picked out of thin air, is whether, for instance, Mr Henry Kaiser, if he could find the manpower, would be allowed to set up in the automobile industry, while Ford, General Motors and the other well-known automobile companies were still engaged on war orders. Mr Nelson's answer was strongly in the affirmative. He admitted that a certain amount of hardship was inevitable, but insisted that, in the interests of full employment, as well as of the consumer, there could be no waiting until all manufacturers were ready to resume civilian production. Plainly this is the right decision. Equally plainly, it will be fought to the last ditch. With some adroitness, Mr Nelson insisted that it was all-important to maintain a competitive economy. The big corporations which have been spending their advertising funds so liberally to popularise "free enterprise" may feel that this is being a trifle too literal.

Another Year of OPA

The Bill extending the life of the Office of Price Administration emerged from the conference between the Senate and the House in a shape not unsatisfactory to the Administration. After a lengthy struggle, a compromise was reached on the Bankhead amendment. The new version will necessitate a small rise in the price of lower-cost cotton textiles, but it will be very much less than would have followed the original amendment, designed by Senator Bankhead to raise the price of raw cotton. The Dirksen amendment, which would have allowed appeals from OPA orders to Federal Circuit Courts, was eliminated. This was opposed by the Administration on the grounds that it would produce a host of conflicting decisions, and might hold up proceedings indefinitely. OPA has, however, been deprived of one of the key weapons in its pathetically limited armoury—the right to revoke a dealer's licence to sell rationed goods; and as matters now stand, a retailer sued for price violations can obtain an injunction which may result in substantial delay. This provision undoubtedly makes the work of the agency more difficult. They are, however, minor defeats in a substantial victory for the Administration on the home front, that bitterest of all battlefields. In view of the heavy pressures brought to bear on Congress, it is evidence of growing confidence in the management of domestic controls.

Hartzel v. US

A remarkably wide interpretation of the right of free speech has been handed down by the Supreme Court this month. By a 5-4 decision, the judgment of the lower court in the case of Hartzel v. US was reversed. Mr Hartzel was charged with violation of that part of the Espionage Act of 1917 which deals with wilful attempts to cause insubordination, disloyalty, mutiny and refusal of duty in the armed forces. His specific offence was the authorship and distribution of three pamphlets, which in the chaste words of Mr Justice Murphy, writing the majority opinion,

depict the war as a gross betrayal of America, denounce our English allies and the Jews, and assail in reckless terms the integrity and patriotism of the President of the United States. They call for an abandonment of our allies and a conversion of the war into a racial conflict.

About 600 copies of these pamphlets were sent to well-known public figures, including several highly placed Army officers, as well as to organisations and publications, including a service magazine. Evidence was produced to show that the pamphlets were read by men registered under the Selective Service Act. The statute, however, requires for conviction that specific intent to cause disloyalty in the armed forces be proved beyond a reasonable doubt, and that a clear and present danger of success be present. The majority opinion conceded that

total war of the modern variety cannot be won by a doubtful, disunited nation. Crude appeals to overthrow the Govern-

ment or to discard our arms in open mutiny are seldom made. Emphasis is laid, rather, on the futility of our war aims, the vices of our allies, and the inadequacy of our leadership.

But, nevertheless, it insisted that the mere enunciation of such ideas was not enough to prove criminal intent and ordered the verdict reversed. The dissenting opinion, which was written by Mr Justice Reed, and was supported by such noted Liberals as Justices Douglas, Jackson and Frankfurter, found ample evidence of criminal intent in the pamphlets themselves and in the supporting evidence, and emphasised that in 1942, when the pamphlets were distributed, neither the military position nor public confidence in the strategy being followed were nearly as strong as they are today. The narrow construction of paragraphs 2 and 3 of the Espionage Act by the majority has been hailed in the United States as a victory for free speech, and it is difficult to think of any other country sufficiently conscious of its impregnability to allow such latitude. The decision may well put new difficulties in the way of the prosecution in the sedition trial, although the defendants are being tried under another statute.

The Unauthorised Programme

The Republican Convention may ostentatiously ignore Mr Willkie, but he remains the party's most virile figure. His gifts of intellectual leadership are manifest in a remarkable series of articles he has written at the request of six Republican newspapers. In these he comes out as strongly as Alexander Hamilton himself in favour of a strong Federal Government, inferentially rebuking those members of his party who are fervently espousing States Rights in the hope of picking up dissident Democrats. "That is not an issue, that is a relic," says Mr Willkie pungently. On the negro question, Mr Willkie demands that the party should take its stand unequivocally against the poll tax and in favour of anti-lynching statutes. He insists on more rather than less social security. He is less bold in the region of America's post-war economy, proposing only that industry, labour and government should set up "a co-operative mechanism which will act as a clearing-house for information and constructive programmes," but at least he makes it plain to his party that Utopia is not to be reached by passing resolutions in favour of free enterprise. Towards labour, Mr Willkie shows marked sympathy, urging the repeal of the "unwise and unenforceable" Smith-Connally Act, and insisting that industry should convince the workers that it is prepared permanently to accept the basic principles of collective bargaining. He asks the Republican Party to have the good sense to face the fact that tariffs are no longer a purely domestic problem, but that the economic strength of America should be used to lead the way to a general expansion of trade. In a like spirit he reminds his countrymen:

Our sovereignty is not something to be hoarded, but something to be used. The United States should use its sovereignty in co-operation with other powers to create an effective international organisation for the good of all.

Mr Willkie has not failed to follow up his unofficial programme by sharp criticism of the weakness and ambiguity of the foreign policy plank adopted at Chicago, and he has been joined by 15 Republican state governors. But already the vigour and precision of his articles has exposed the flocculence of the official platform. It may be assumed that the party's irrepressible, if disavowed, leader will similarly plague the official standard-bearer during the coming campaign.

GI Bill of Rights

President Roosevelt has signed the veterans' measure known as the "GI Bill of Rights." This law gives service men and women the opportunity of resuming their education after discharge by paying tuition up to \$500 per academic year and providing a monthly living allowance. It also provides for the federal guarantee of up to 50 per cent of loans made to ex-soldiers for the purchase and construction of homes, farms or businesses; for weekly unemployment allowances for a period not exceeding a year; and establishes improved machinery for job replacement. Where it fails to follow President Roosevelt's recommendation is in the extension of social security credits under the federal old-age and survivor's insurance law to all service men and women for the period of their service.

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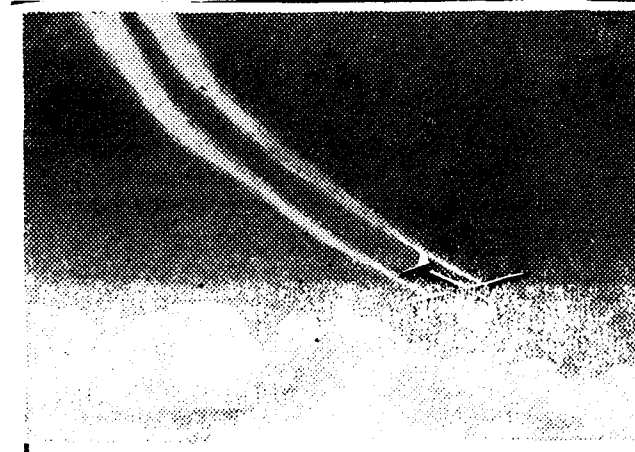
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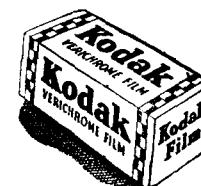
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THE WORLD OVERSEAS

The Polish Marches

TOWARDS the end of last winter's offensive the Russian armies entered eastern Poland to the south of the Pripiet Marshes. Their present advance from Vitebsk and Bobruisk points to the northern fringe of eastern Poland. The country behind the German lines is now commonly called by Poles "the Wild Grounds," the name by which the masterless steppes on the left bank of the Dnieper bend (Zaporozhe) used to be known in the seventeenth century. Those were the Polish marches, the "bad lands," the "Wild East" of old Poland.

Now the wild marches have spread 400-500 miles to the west. The past year in eastern Poland has seen the shifting of great masses of people, the breakdown of effective administration, the mingling of war and civil strife, and a growing chaos that threatens to engulf German communications and supply bases in the immediate rear of the front.

Already in the phase of the Russian offensive last winter, the Germans began the evacuation of their civilian administration from eastern Poland. Lwow in the south and Minsk, the capital of Soviet Byelo-Russia, in the north had been partly evacuated even earlier. During the lull in the fighting the stream of the exodus was temporarily halted. In Lwow itself civilian German authorities again took charge. In the meantime manpower from the Polish borderlands was driven westwards to forced labour camps. This gave rise to friction between the press gangs and the German military authorities who feared that the countryside, denuded of labour, would not be able to deliver the fixed quotas of food to the army. (Already towards the end of 1943 only 35-50 per cent of the food demanded was delivered in eastern Poland compared with 80-100 per cent in central Poland.)

While crowds of people were driven from eastern Poland westwards, the receding German tide brought crowds of soldiers, officials, administrators and settlers from the Soviet Ukraine and Byelo-Russia to Poland. All the towns in the provinces of Vilno, Polesie, Eastern Volhynia and Galicia became incredibly overcrowded. The newcomers were herded together with the part of the population that had stayed. With few exceptions, the towns of eastern Poland do not offer ample accommodation for swollen garrisons and offices. True, the buildings in that part of Poland had not suffered very much from war destruction. But at least one-third of the buildings—most of them primitive wooden houses—have become utterly dilapidated in the years of war. The standard "Lebensraum" allocated to the inhabitants of eastern Poland by the beginning of this year was 6-7 square yards per person.

Germans Beleaguered

This is the position in the towns that still belong to the Germans. The wooded or marshy countryside belongs to the innumerable guerillas of all sorts and all political colourings. The German occupation has been to all intents and purposes confined to strategic key positions and communications. To control communications in eastern Poland has been no easy task, for railway tracks often run through dense forests vulnerable to ambush. Throughout the last year labour battalions were engaged in rooting out woods along railway lines for 200-300 yards on each side of the track.

Even so, incessant attacks by guerillas resulted in the more or less permanent immobilisation of the railway connections behind Kovel, an area where the lack of good roads compels military traffic to rely entirely on railways. Raids by guerillas have also deprived the Germans of the benefit that they might have drawn from small-scale industries in eastern Poland. Many factories in smaller towns have been destroyed or burned. Factories evacuated by the Germans from Russia could not be put to work there, and had to be "leapfrogged" further to the west.

The political outlook of the guerillas in eastern Poland reflects the complex mosaic of the nationalities that inhabit those parts. In the north there are the Lithuanians and the

Byelo-Russians. Polesie is Byelo-Russian with a Ukrainian fringe in the south Volhynia and eastern Galicia are the stamping grounds of the Ukrainian guerillas. Poles dominate the towns. The German invaders have, not without success, tried to play off all these nationalities against one another.

Internal Divisions

Some Lithuanians have committed themselves to collaboration with the Germans. The hostility between Lithuanians and Poles has become even deeper than it used to be during the neither-war-nor-peace period which lasted for twenty years after the incorporation of Vilna into Poland. It has been aggravated by the fact that the Lithuanians, who had committed themselves to despatch a large contingent of workers to Germany, drew the contingent largely from Polish inhabitants, no doubt with the intention of weakening the Polish element in Vilna. The Byelo-Russian guerillas have been almost entirely composed of local peasants sympathising with the Soviets—only in the Novogrodek area have Polish partisans been active. But the feud between Byelo-Russians and Poles has not assumed sharp forms. A thin layer of the Byelo-Russian intelligentsia did collaborate with the Germans. But this collaboration has broken down; and the former collaborators have tended to move over to the other side, apparently seeing in the re-incorporation of Western Byelo-Russia into Poland, coupled with Byelo-Russian autonomy, a lesser evil than incorporation in the Soviet Union.

In Volhynia and in parts of eastern Galicia the pro-Soviet peasant guerillas are by far the strongest force. They combine the fight against the Germans with a *jacquerie* against Polish landowners, colonists and former officials. Besides them, however, there have been several sets of Ukrainian nationalist guerillas led by an intelligentsia disillusioned by collaboration with the Germans, uncompromisingly opposed to the Poles and bitterly anti-Soviet. A "declaration of principles" issued by one of those groups—the Ukrainian Army of Insurrection (UPA) and by the Ukrainian State Nationalists (OUN)—states:—

The Ukrainian nation will oppose all the old Bolshevik rulers as well as all its other foes no matter whether they are German, British, Polish or Russian White Guards. The same document expresses the hope, still lingering among Ukrainian nationalists, that in the future Great Britain may perhaps show some interest in assisting the fight for an independent Great Ukraine.

The utter unreality of these hopes is obvious. Like the Lithuanians in the north, these Ukrainian guerillas in the south have been bent on weakening the Polish element

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and have organised mass slaughters of Poles. The advance of the Red Army spells their doom. The nationalist leaders are moving west with the intention of setting up centres of propaganda in France, and possibly also in . . . Great Britain.

The position of the Polish population in the eastern borderlands has been very difficult and sometimes tragic. The Poles, in spite of anti-Soviet feelings, have had no truck with the Germans; but socially and politically they have been unable to find a common language with the local peasantry. The abuses and follies of previous oppressive policies have now recoiled on them. The flood of hostility and wild revenge has gathered around them and struck at them from all sides. In addition, the Polish population does not know what to expect from the advance of the Red Army. The political persecutions of the first Soviet occupation of 1939-1941 are still fresh in Polish memories; the fear of their repetition has been very strong. During the Soviet advance last winter there was something like a panic flight of Poles from the Vilna area and Volhynia to the west. In the meantime the Polish Government in London has issued an appeal to its countrymen in the eastern borderlands asking them not to give way to the panic and advising them to stay where they are. Recent reports suggest that this appeal has had some reassuring effect. Poles in Vilna and Lwow are now taking more calmly the prospect of the Red Army's return. But, clearly, nothing less than the resumption of Polish-Soviet relations and a friendly agreement on controversial issues can bring back a higher measure of confidence, peace and order to the marchlands of eastern Poland.

After the Irish Election

[FROM OUR DUBLIN CORRESPONDENT]

WHILE the rest of Europe was either a battlefield or daily expecting to become one Eire experienced a crisis in her domestic politics which led to the general election a month ago. Critics of proportional representation have always maintained that PR tends to produce instability owing to its failure to give any single party a clear majority. Until the general election of last year, Eire had escaped this danger. In last year's election, however, no single party secured a clear majority. The number of deputies in the Dail is 138. The Fianna Fail Party, led by Mr de Valera, obtained 67 seats and the other parties 71. Mr de Valera, as the leader of the largest party in the Dail, consented to take office; but he made it abundantly clear that he would again appeal to the country if the united action of the opposition parties should hamper his administration. Things went well until May 9th, when the Government was defeated by a single vote on a clause of the Transport Bill. Mr de Valera immediately requested the President to dissolve the Dail and to cause a general election to be held.

The Transport Bill is a measure to bring some sort of order into the railway and road transport services. For many years the Great Southern Railway has been in great financial difficulties. It is not necessary to describe the details of the Bill here beyond saying that it proposes to establish a large statutory company, with Government guarantees, to take over the Great Southern Railway and the Dublin Transport Company. Rumours began to circulate during the spring that leakages of information regarding the provisions of the Bill had occurred, as a result of which substantial profits had been made by dealers in railway shares.

A judicial tribunal was established to inquire into these rumours. The proceedings before this tribunal were published in the press. They revealed that large dealings had taken place, and considerable profits had been made. The particular motion on which the Government was defeated was one to postpone the Bill until the report of the tribunal had been published. The objection of the opposition was not so much to the Bill itself, but to the—as they alleged—unnecessary and indecent haste with which it was being pushed forward.

From the beginning of the election campaign it was obvious that Mr de Valera, who is a supreme political tactician, would gain at the expense of his opponents. Feeling throughout the country was quite cold about the Transport Bill or the speed of its passage. All the circumstances favoured the Government. The Opposition parties had not time properly to organise their activities. The Labour party was split by internecine strife.

But the dominating thought among the electorate was the

international situation. Everybody was waiting daily for news of the invasion of Europe, which would bring the major war operations much closer to Ireland. Mr de Valera had preserved neutrality for nearly five difficult years. He had quite recently scored a diplomatic success by his attitude towards the American request that the Axis Ministers should be expelled from Dublin. The man in the street felt that this was not the time to drop the pilot who had steered the Irish ship so deftly through such troubled waters.

The result of the election was even more favourable to the Government than the political forecasters had expected. The Fianna Fail first preference votes increased from 555,249 last year to 595,691. The Fine Gael first preferences declined from 306,568 to 249,248, and Labour from 209,827 to 135,587. Fianna Fail secured 76 seats, Fine Gael 30, Labour 12, Farmers 11 and independents 9. Mr de Valera obtained his independent majority. The new Dail met on June 9th, and elected him Prime Minister by 81 votes to 37. The proceedings at this meeting were anything but harmonious, and it is clear that party and personal animosities will play an important part in politics in the immediate future.

Irish Policy in Peace

The average voter, however, having returned the Government to power, will probably be less interested in Parliamentary debates than in solving the pressing problems of his daily life which continue to grow in difficulty. Owing to the concentration of British shipping for the invasion of Europe, deliveries of coal in Eire have been stopped, just at the time when the supply of electricity is at its lowest level on account of the drought. The transport system is reduced to the barest minimum, and the use of power is restricted in every direction. It is hard to imagine what will happen if the fuel situation does not improve before the winter.

This is but one of the innumerable problems to which the Government must now turn its attention. The Ministers now enjoy such a comfortable majority that they can devote themselves uninterruptedly to planning for the post-war situation. The return of large numbers of workers from Great Britain will give rise to serious unemployment if work for them is not planned well ahead of their arrival. The stoppage of building and other types of investment during the war will provide the opportunity for an extensive programme of public works.

The limiting factor on such a programme will be the need to obtain abundant imports. This gives rise to the question of the utilisation of the sterling assets accumulated during the war. The successful realisation of these assets will be bound up with the larger question of the priorities accorded by Great Britain to its different creditors, which, in its turn, will be bound up with the still larger question of international relations after the war. When hostilities cease, Irish neutrality, which preserved the safety of the country in wartime, will no longer be in peril. Continued prosperity in peacetime may demand a high degree of co-operation with other nations. It is the newly-elected Government, which will normally hold office for six years, that will have the responsibility of deciding the part which Eire will play in the brave new post-war world.

Banking Under Nazi Control

THE tradition of specialisation in German banking has not been greatly changed during the war. There have been concentration and rationalisation, but with varying effects. The actual number of banks has been greatly reduced and, during 1943, there was a substantial reduction in the number of branches maintained by the leading banks. The profusion of banking reports and the discussion about banking reforms, which were at times an important feature in German economic papers, are deceptive. In form, the attributes of independent banking still exist, but in substance the banking industry, in its structure and in its activities, has changed fundamentally. The changes began long before the war under the totalitarian economy; were accelerated during the first years of the war; and have been completed by the measures which have become known, collectively, as Germany's "air war economy."

Generally speaking, German banks (that is to say, the combined commercial and investment banks, the mortgage banks, the savings banks and the co-operative banks) which were free agents in the financial sphere have been changed, automatically, into mere administrators of accumulated savings and capital, on the one hand, and executors of the capital expenditure and general credit plans of the state, on the other. Banks no longer play an instrumental part in floating loans, in financing industry or internal and external trade. Small savings and the excess capital which accumulate, as a result of rationing both civilian commodities and the other factors of a war economy, are flowing into the banks, and are automatically invested in Treasury bills and bonds. Treasury bonds and Government Loans now form 70 per cent of the total assets of the banks, against some 20 per cent before Hitler came to power and against 40 per cent in 1938.

Bills, and particularly bills of exchange, have almost disappeared. Under a complete system of control and clearing they are no longer necessary. In spite of an effort to re-introduce a system of bank credits to industry and trade, the trend of advances has been comparatively stable. The totalitarian economy, with its growing need for substitute industries, for abnormal stores of vast quantities of raw materials and manufactured articles in agriculture and industry, replaced the old activities of the banks by new. They had to provide the necessary money capital for these schemes. Frequently the projects were so vast that even several big banks had to combine in a co-operative effort for providing the capital over the long periods necessary for constructing new industries or for storing materials.

Financing Evacuation

During 1943 there was an additional demand for financing the evacuation of factories and for the storage of special supplies against bombing activities. In addition, the bombed-out people had to be supplied with facilities for withdrawing money from banks in the reception areas. All these activities have actually broken down the last vestiges of independence. The financing of new industries or of large orders placed by the Government no longer carries any risks. There can be no more competition between individual banks now that interest rates, dividends and profits have all been pegged. Transactions at the various bourses have been virtually prohibited. In short, the German banks have more resemblance to departments of the Treasury than to independent institutions. In the complex German economy, which has still to get raw materials and manufactured goods where they are wanted, while it maintains a rigid control on their production, sale and use, the banks must necessarily take their place as the administrators of savings and capital and as the distributors of credit.

At various times Nazi economic journalists and economists seem to have felt the acute contradiction between the complete regimentation of the economy and the relative—or, rather, deceptive—freedom of the banks. The most influential Nazi economists demanded the abolition of the bourse; but they were not so sure that the credit facilities offered by the banks could be dispensed with, even in Germany's "steered economy." Practically, the German economy could keep going without a bourse in the same way as it had kept going without commodity markets. From a political point of view, however, the abolition of the bourse or the outright nationalisation of the banks would reveal the complete dependence of the individual capital owner, entrepreneur and industrialist on the state.

No Nazi journalist so far has been able to make the choice. During the reorganisation of the economy under the heavy bombing of 1943-44, there were at times indications that the formal step of nationalisation would be taken. Each time political and technical reasons prevented it.

It is in itself an interesting indication of the fundamental change in German banking that the annual reports of the banks for 1943 were published with considerable delay in 1944. Naturally, there have been unavoidable reasons of an administrative character: the extensive damage to bank buildings by bombs, the shortages of staff, added to an increase in administrative work, have all contributed to the delay. On the other hand, the annual reports have lost their importance as a reflection of general economic activities, and the banks themselves made no particular effort to publish their reports as early as possible.

There are now six leading banks instead of the traditional Big Five. The newcomer is the "Bank der Deutschen Arbeit," which was the banking institute of the

German Labour Front. Before the war this bank was actually a kind of Nazi party bank supplying the finances for party buildings and party organisation. The most important items in the combined reports of the six leading banks, i.e., Deutsche Bank, Dresdner Bank, Commerzbank, Bank der Deutschen Arbeit, Reichskredit AG and Berliner Handelsgesellschaft were as follows:

	(In million Reichsmarks)		
	1942	1943	Increase in per cent.
Bills	2,590	2,559	—
Treasury bills and bonds	11,348	13,774	21.6
Advances	4,536	5,647	24.7
Investments	1,921	2,059	7.0
Deposits	17,037	20,037	19.5
Savings deposits	3,360	4,443	32.0
Total assets	21,940	26,020	18.6

In spite of this clear expansion, profits decreased slightly and there was a corresponding decrease in tax payments. The expansion in activities has been most marked in the report of the "Bank der Deutschen Arbeit." Contrary to general expectations in the German press, total assets increased again considerably. Neither the stop on advanced payments by the Wehrmacht nor the capitalisation of the house-rent tax could halt the general expansion, which is further reflected in the continued rise in the National Debt. The annual increase of the total debt was as follows, in million Reichsmark:

1940	34,000	1942	57,000
1941	49,000	1943	70,000

Against this increase the determined policy of skimming off excess nominal capital was bound to fail. The expectation that it would succeed is in itself an indication that control and regimentation have been clearly understood and successfully practised, whereas the ideas about finance and banking are still hopelessly interspersed with the principles and the practice left over from the free economy before Hitler.

The considerable increase, comparatively speaking, in Advances finds its explanation in the new activities of the banks in occupied countries in the East, mainly in the Baltic countries and in Poland. There a number of subsidiary banks have been established. Another reason is the extraordinary demand created by the evacuation and the dispersal of factories because of the heavy bombing. Once again the savings deposits show a more marked increase than ordinary deposits. This is a clear reflection of the disappearance of unrationed commodities and the reduction in the distribution of rationed civilian commodities, particularly clothing and household goods.

During 1943 there has been no further expansion of German banks into occupied countries in Western Europe. It has been apparent, however, that the subsidiary banks in Paris, Brussels and Amsterdam increased their activities. There has been a marked increase in the expansionist activities of all the leading banks in occupied countries in the East. In Riga, Reval, Kaunas and Cracow new banks have been established. At the same time, new banks have been founded there which can be called all-purpose banks. In accordance with the general eastward trend of Germany's industry, banking activity has also moved from western to central and eastern Germany.

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THE BUSINESS WORLD

Co-operation: The Second Century

THE centenary of the Co-operative movement, which is being celebrated this month, provides an admirable opportunity for a stock-taking of the achievements and position of Co-operation, and for a consideration of its role in post-war Britain.

Consumers' co-operation is actually older than the Rochdale Pioneers. Co-operative societies, based on the teachings of Robert Owen, were started in the early 1820s. But the 28 workers who, each subscribing £1, opened their store in Toad Lane, Rochdale, for the sale of flour, soap and candles, were in essence the founders of the present movement. As well as showing considerable business acumen, the Rochdale Pioneers had social aims far beyond their immediate purpose of self-help. Their programme included house building, manufacture and agricultural production, and they hoped eventually "to arrange the powers of production, distribution, education and government." Initial progress was slow—by the end of the third year the society had only 110 members—but the principles that have guided co-operators for a hundred years were established—open membership, democratic control, distribution of trading surplus, limited interest on capital, cash trading, the promotion of education and political and religious neutrality.

After a century, the Co-operative movement has become a gigantic, prosperous and world-wide trading organisation. In Britain it employs about 300,000 workers. Its 1,148 retail distributive societies have a membership of about 9 million, and their sales, in 1942, amounted to £320 million. The combined capital of the Co-operative Wholesale Society and the Scottish C.W.S. is now £195 million, and their net sales in 1943 were over £200 million. (Some recent co-operative statistics are shown in an accompanying table.) As well as merchanting, the two wholesale societies undertake such services as manufacture, transport, insurance and banking, and a combined association—the English and Scottish Joint C.W.S.—controls the tea, coffee and cocoa business. Federal societies, controlled by the retail societies, deal with special branches, such as laundry, bakery, dairy and pharmaceutical products, and national federal societies undertake the press and printing work for the movement. *Reynolds News*, the national Sunday paper of the movement, was acquired in 1929, and now has a circulation of about half a million.

The Co-operative movement was once described by Lord Rosebery as a "state within a state." The Co-operative Union, acting as a kind of co-ordinating body, might be regarded as its civil service. Itself a registered society, the Union gives co-operators technical advice and assistance on legal, labour, production and agricultural problems; it deals with the statistical, publicity, educational and financial work. Finally there is the Co-operative political party, technically separate, but in practice barely distinguishable from the Labour party. The governing body of the whole movement is the National Co-operative Authority, representing every section, and charged broadly with the execution of policies decided at the annual congress. This is the outline picture of British co-operation. It should be added that, throughout the world, there are some 143 million co-operators, organised in 810,000 societies, whose activities are linked through the International Co-operative Alliance.

The war has had relatively few adverse effects on the

position of the British Co-operative societies, which has been well maintained, at any rate on the distributive side. Fully a quarter of the total civilian population are registered at Co-operative stores for the main rationed foodstuffs (the actual figures are: sugar and jam, 11,628,000; butter and fats, 11,382,000; bacon, 10,635,000; cheese, 11,318,000; eggs, 7,774,000; meat, 6,295,000). The Co-operatives handle about a fifth of the total trade in foods that come under the points scheme. Between 1940 and 1942, the trading surplus, out of which the dividend is paid, increased from £27.8 million to £33.1 million. The production side, however, has inevitably suffered during the war, as a result of the requisitioning or concentration of factories, or their diversion to Government orders.

The Co-operative movement, in common with other public and private bodies, is thinking now about its future. Had this year's Congress not been postponed, it would have been called upon to make highly important decisions, and in particular to consider the report of a special committee, set up in 1942, on the structure and functions of the movement and on how to strengthen its organisation, to meet the postwar situation. A majority and a minority report were submitted, which revealed sharp differences about methods and machinery, though both agreed about the need for a more modern outlook and for greater unity within the movement.

Indeed the question can pertinently be asked—why thus far and no farther? Why, in spite of its great membership and substantial capital reserves, has Co-operation not made greater headway and captured a still larger share of the market? Recent expansion has been horizontal, rather than vertical, an extension of membership rather than of business, and the average purchase of members is still only 14s. per week per head. It is still largely a food trade, to the extent of about 70 per cent of the total business. Though the Co-operatives handle about 25 per cent of the nation's milk trade, and 15 per cent of the meat trade, their proportion of drapery

RECENT CO-OPERATIVE STATISTICS
CO-OPERATIVE WHOLESALE SOCIETY

	Membership of Affiliated Societies	Net Sales £'000	Total Capital £'000	Bank Turnover £'000
1939.....	7,020,544	131,357	124,106	832,477
1941.....	7,309,579	144,307	130,215	928,906
1942.....	7,439,813	157,395	149,281	1,003,321
1943.....	7,544,315	166,835	177,452	1,075,236

SCOTTISH C.W.S.

	Membership	Net Sales £'000	Total Capital £'000
1939.....	954,245	24,613	10,699
1941.....	999,093	32,149	11,926
1942.....	1,020,444	34,540	14,948
1943.....	1,048,448	35,778	17,931

RETAIL SOCIETIES

	No. of Societies	Membership	Sales £'000	Share Capital £'000	Loan Capital £'000	Surplus £'000	Em- ployees
1941.....	1,059	8,773,255	319,448	164,431	46,909	34,164	240,406
1942.....	1,058	8,924,868	302,276	179,478	51,208	38,636	237,821

* 1943 figures not yet available.

trade is only 5-6 per cent, and they have been relatively slow to enter the furnishing and household trade, although their members spend an increasing proportion of their incomes on non-food goods.

The answer lies partly in the history and structure of the movement itself. The large number of retail societies, often leading to overlapping, and their small average size have probably been deterrent factors. The process of amalgamation has been slow, the smaller societies being unwilling to merge their identity into larger groups for fear they might lose the personal and democratic touch on which co-operation is based. This makes it difficult to obtain any kind of uniform leadership, and there are many complaints that the decisions of the annual Congress or the recommendations of the National Authority are simply ignored by local societies. This parochialism is combined as often as not with underpaid society managers and with local management committees, whose members—unpaid—may have neither the time, the inclination nor the wit to handle business affairs. Recruitment to co-operative service is almost entirely from the elementary schools, and promotion tends to be more by length of service than by merit. Co-operative employees, like Civil Servants, are never dismissed except for "gross dishonesty" and the inefficient are generally pushed off to other jobs. The assurance of a safe job and the generous pension and superannuation rights provided do not necessarily encourage business enterprise.

This need not matter in areas where co-operation is safely entrenched, such as in the industrial North, or parts of Scotland and Lancashire, where people will "shop at the co-op" because they and their families have always done so, where the "divi" rather than the quality or variety of the goods is the main attraction, or where the social and educational facilities offered through the Guilds are appreciated. But in newly developed industrial areas, in the South and Midlands, where there are no strong Co-operative traditions, the societies have to face the competition of multiple shops and chain stores. The stronghold of the movement is still in the artisan classes—skilled and semi-skilled workers. Co-operation has barely touched the lowest income groups, for whom the prospect of the "divi" holds no attraction, nor has it really penetrated into the middle classes, who think they will get better service, wider choice and credit facilities elsewhere. If the Co-operatives want to raise the average purchase of their present members, to enter new areas and to extend their range of customers, they will clearly have to pay more attention to the possibly more superficial, but in modern distribution, essential factors of attracting the public. As a consumers' organisation they should, for instance, develop consumer research, and they might well follow the example of Swedish Co-operation in the design and lay-out of Co-operative buildings.

Such a policy might, of course, raise their costs, which are at present considerably lower than those of private distribution. The Co-operative Societies also enjoy advantages in the matter of taxation. Co-operative costs of administration, finance, advertising, delivery—in short the cost of "service"—are low compared with those of private retailers. Professor Carr Saunders' study of *Consumers' Co-operation in Britain* (published in 1938) estimates the costs of Co-operative grocery stores as 13.9 per cent of their sales, compared with 18.2 per cent for chain stores and independent shops. In wholesaling, his comparative estimate gave costs of 1.3 per cent of sales for Co-operatives and 9-10 per cent for private grocery firms. The report of Lord Perry's committee on Milk Distribution in 1940 showed that the Northern Co-operative Wholesale Society, Limited, handled two-thirds of Aberdeen's retail milk business at half the cost per gallon of the large London distributors. More recently, Sir William Beveridge pointed out that the Co-operative Insurance Society had the second lowest expense ratio of any industrial life office in the country.

There is thus plenty of evidence that the Co-operative

method of business is efficient and cheap—a welcome contrast to the excessive costs of retail distribution in general. But low costs may not be reflected in reduced prices, since there is a tendency on the part of certain societies, especially in the north, to concentrate on paying high dividends and keeping up prices accordingly. What is needed as well, if the Co-operatives are to play a part commensurate with their membership and resources in post-war economic rehabilitation, is a less conservative approach and broader vision. Immediately after the war, there will be an enormous demand for consumption goods, both here and in Europe; in the longer run—if a high general level of employment, with increased purchasing power and social security can be assumed—consumers' demand will become wider and more exacting.

There are signs that some Co-operative leaders are alive to the needs and possibilities ahead. Plans for an amalgamation of the English and Scottish Wholesale Societies are going forward, which would lead to greater unity of purpose and action. The CWS itself is planning a capital expenditure of £10 million, to finance increased buying of raw materials from its overseas depots, the rebuilding and modernisation of its factories, the encouragement of research and the development of goods "formerly regarded as luxuries," presumably the whole range of household equipment, vacuum cleaners, refrigerators, cosmetics, drugs, sports goods, radios, cars and motor cycles. It could improve its organisation for the sale of fruit, vegetable and fish. It might with advantage expand its catering and hotel business—for social reasons it has never gone in for the public house or brewery trade—especially if holidays with pay become universal. It might extend its book and stationery business, at present almost non-existent, and it might fulfil the original aim of the Rochdale pioneers, of building houses for its members.

The next few years therefore will provide both an opportunity and a testing time for Co-operation in Britain. It might be argued that to expand its scope and to enter into competition with multiple shops for the "neutral fringe" of consumers, or with established firms for entry into new manufacture, might involve a sacrifice of the democratic and social purpose of Co-operation. This need not be the case, though the danger is latent, and the movement must guard against any loss of interest by individual membership. The Co-operatives can help to protect the public against the artificial raising of prices, and on some occasions—notably in Scandinavia—it has acted as a brake on monopolistic practices. It is, however, important, in the national interest as well as in that of its own members, that the Co-operative movement, on the eve of its second century, should restate and reaffirm its purpose as a democratic, consumers' and Co-operative organisation.

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Rubber Prospect—I

NATURAL rubber has lost its monopoly during the war. Almost overnight the United States has created a synthetic rubber industry of a capacity not far short of the world's consumption of natural rubber before the war. The sudden inflation of the industry from small beginnings, irrespective of cost, has been made necessary by the Japanese occupation of Far-Eastern countries that contributed nine-tenths of the world's crude rubber supplies before the war. Russia and Germany, too, have established the manufacture of rubber on a large scale as a means of safeguarding supplies in war.

After the war there will be two industries supplying two substances which, while not identical in quality, are physically interchangeable to a considerable extent. Inevitably, this means a complete change in rubber economics. The question is no longer whether synthetic rubber has come to stay, but in what conditions and proportions natural and synthetic rubber will meet a demand which, though growing, is unlikely to absorb the potential output of both after the war.

Much the most important, but not the only, factor that will influence the proportions in which natural and synthetic rubber will be used after the war is their relative price and convenience to the consumer. It is obviously impossible at this stage, to forecast the supply price of the two varieties of rubber. Experience in the manufacture of synthetic rubbers has been too short. Moreover, natural rubber has by no means reached a stage of technical development at which its supply price will be subject only to minor and predictable changes. The conditions of supply are very different, not only between natural and synthetic rubber, but, in natural rubber, between plantations and small native gardens, and in synthetic rubber, between the various methods of production at present in use.

Mr K. E. Knorr* has calculated that the initial capital investment required for rubber estates and synthetic plants is about equal per ton of output capacity. But the rate of depreciation favours the estate. The life of a rubber tree, though not the only item in the capital cost of the estate, is about thirty years, while the physical life expectancy of the machinery and instruments used in synthetic plants is estimated to average about twelve years. The native rubber producer, of course, has virtually no capital costs. In short, overheads per ton of output are negligible for the native, and more than twice as high for the synthetic rubber manufacturer as for the average estate. In view of the heavy fixed charges in the production of synthetic rubber, the rate of plant utilisation is an important factor in its cost per lb.

In the matter of prime costs natural rubber production costs are very different from those of synthetic rubber. The rubber estate has appreciably higher labour costs than the synthetic plant. On the other hand, synthetic rubber production involves heavy costs for raw materials, such as petroleum or alcohol, and various chemicals, as well as for power. Relative prime costs are therefore largely a matter of wages for the estate and of raw materials for the synthetic rubber manufacturer. The small native producer, in contrast, has little or no labour costs apart from what he needs for subsistence.

Before assessing the probable trend of costs after the war and their effect on the demand for natural and synthetic rubber some reference must be made to present costs—or, rather, to pre-war costs—of natural rubber and present costs of synthetic rubber.

Unfortunately, there is not sufficient evidence for precise comparison. Natural rubber costs varied considerably between the estate and the native garden, and there were high and low cost estates. Between 1931 and 1933, when the price of natural rubber in London averaged just under 3d. per lb., estate producers as a whole were operating at a loss, in spite of drastic cuts in working costs, including wages.

* "Rubber After the War," by K. E. Knorr. Food Research Institute, Stanford University, California. 46 pages. Price 25 cents.

The fall in exports added to overheads per lb., but it is unlikely that, even with a full maintenance of volume, a London price of 3d. per lb. would then have yielded a reasonable profit to the average estate producer. The fact that a number of rubber company chairmen stated in the spring of 1933 that they could produce rubber at a profit at a price of 3d. to 3½d. a lb. is a measure of the costs of the most efficient producers. Between 1934 and 1939, however, when, as a result of restriction, prices in London averaged 7½d. a lb., most estate producers made good profits. In fact, it is very probable that, in the absence of restriction a substantially lower price would have brought forward adequate supplies at a profit to efficient producers.

The cost of manufacturing synthetic rubber varies, among other things, from type to type. On Mr Knorr's calculations, the Butyl type produced by Standard Oil of New Jersey from a raw material derived from oil refinery gases

NATURAL RUBBER SUPPLY STATISTICS
(thousands of tons)

	EXPORTS				Total	Average Price London Pence per lb. (b)
	Malaya	Dutch East Indies	Ceylon	Other Countries (a)		
1926.....	286	204	59	79	628	23½
1927.....	242	229	55	90	616	18½
1928.....	299	229	58	76	662	22½
1929.....	457	255	80	76	868	10½
1930.....	433	242	76	75	826	5½
1931.....	423	257	62	58	800	3½
1932.....	406	211	49	41	707	2½
1933.....	446	282	64	62	854	3½
1934.....	467	379	79	94	1,019	6½
1935.....	417	283	54	119	873	7½
1936.....	354	310	50	144	858	9½
1937.....	470	432	70	168	1,140	9½
1938.....	372	298	50	175	895	7½
1939.....	377	372	61	194	1,004	9
1940.....	540	537	89	224	1,390	12½

(a) The most important single exporting countries in this group are French Indo-China and Thailand. (b) Standard ribbed smoked sheet.

is at present the cheapest. The sum of prime costs and depreciation charges is estimated at between ten and fifteen cents (6d. and 9d.) a lb.; but with an allowance for the remuneration of the capital employed the price would be higher—Mr Knorr suggests between fifteen and twenty cents (9d. and 1s.) per lb. But this is for Butyl rubber, whose performance is not satisfactory in all respects.

At present Buna-S appears to be about the best general-purpose synthetic rubber; some seven-eighths of the American Government's production programme is devoted to this type. But even Buna-S is still held to be less satisfactory at present than natural rubber for many general purposes. Colonel Bradley Dewey, in his capacity as Rubber Director, stated last December that Buna-S was then manufactured in some of the new plants at less than fourteen cents a lb., "including reasonable management fees but before depreciation." But, with an allowance for depreciation and profit, the cost of Buna-S at present exceeds that of Butyl.

Such scanty information as is available thus suggests that the cost of natural rubber is still appreciably lower than that of synthetic "rubber-like substances." Little definite is known about costs in Germany, where large-scale manufacture has been carried on for a number of years; while it is not improbable that the trend of costs has been downwards, some of the reports of their range must be read with a measure of caution.

Nothing would be more deceptive, however, than to attempt to forecast the markets for natural and synthetic rubber on the basis of present costs, even if fuller information were available. Both the natural and synthetic rubber producing industries are essentially young industries. More than nine-tenths of the acreage under rubber in 1943 had been planted since 1909, and only between three and four per cent of the acreage had been replanted; the original tree

population, in fact, still accounts for almost the entire area planted. Again, the manufacture of synthetic rubber on a large scale is still in the stage of experimentation and rapid technical changes.

In spite of the improvements achieved in the past, the field of technical progress in the production of natural rubber remains very large, as in methods of seed selection, bud-grafting, soil management and tapping systems. Throughout the 1930s, methods of cultivation and tapping were still matters of controversy among experts. Given efficient management and intensive research, and, for the estates, an unrestricted supply of Indian workers, costs of production can be expected to show a progressive decline after the war. Moreover, there is room for improvement and greater standardisation in the processing of rubber in the early stages which can be carried out before shipment. The shipment of increasing quantities of rubber in the form of latex—a liquid, which can be handled in bulk like oil—is another promising development in that it is more convenient in this form for certain manufacturing industries.

It is not enough for efficient producers to become more efficient. If the benefits of technical progress are to accrue to the consumer through a lower market price it must be applied on a broad front. This will involve a substantial measure of reorganisation in an industry that has grown up haphazard, with estates of all shapes and sizes, varying widely in efficiency. The liberation of the rubber-growing territories now under Japanese occupation should provide an excellent opportunity for a thoroughgoing review of the pre-war organisation of the industry with the object of ensuring the conditions for a supply of cheap rubber.

The small native producer has the advantage over the estate in having virtually no overheads and labour costs. His position in the industry is of great importance, for it has been estimated that more than half of the planted area of nearly nine million acres in 1940 was in the ownership of—mainly small—native producers. As experience during the early 1930s showed, he continued to produce large quantities of rubber even at the low prices then prevailing; forecasts that he would be driven out of business proved to be erroneous, and, at one time, gave way to predictions that rubber would "go native." But that is another problem. True, he does not possess the facilities of the estate in applying the results of research, for this involves capital investment and a complete change of method. Nevertheless, there is scope for improvement in his methods, especially with technical assistance, and it would be a delusion to assume that he cannot reduce his costs still further.

The view has been expressed, by Mr Knorr, for

example, that a price of eight cents (4½d.) per lb. would make production profitable on efficient estates even if wage rates were increased. The time required to achieve the necessary overall increase in efficiency will depend, of course, on the conditions in which the estates will be found after liberation. Large-scale systematic destruction seems unlikely, if only because of the time and labour required. Large areas may have been neglected, and the damage through neglect is likely to be more serious on estates than on native holdings, though it will be partly offset by the resting of the trees.

At a price of 4d. to 5d. a lb. in New York, natural rubber would be appreciably cheaper than synthetic rubber seems likely to be for some time to come. But, while it is impossible to assess the prospects of cost reductions in synthetic rubber, they must be substantial, if only because the industry is a new one and still capable of rapid technical progress. At present, forecasts of the probable post-war cost of production of Buna-S in conditions of large-scale production, near full capacity range from fifteen to thirty cents (9d. to 1s. 6d.) a lb. Estimates for Butyl are somewhat lower. Much, of course, will depend on the treatment of the capital invested by the American Government in synthetic rubber plants during the war. If the plants were sold at a nominal price to private manufacturers this would amount to a substantial initial subsidy.

Apart from cost reductions, it is reasonable to expect progressive improvements in the quality of synthetic rubbers. These will affect the relative demand for natural and synthetic rubber for general purposes fully as much as price reductions. At a given price, natural rubber is still generally preferred to synthetic rubber. For example, processing costs are higher with synthetic than with natural rubber. On the other hand, synthetic rubber is stated to be superior to plantation rubber in resistance to petrol, oil and chemicals.

Predictions are always hazardous; but they are especially hazardous about the relative cost and quality of natural and synthetic rubber. To say that natural rubber is no dying industry is a reasonably safe guess. Its position is not analogous to that of Chile nitrate in relation to synthetic nitrate after the last war. For general purposes natural rubber will continue to be demanded in large quantities, if it is made available at low prices; but synthetic rubber would become a formidable competitor to an inefficient natural rubber industry. But apart from the physical interchangeability of crude and synthetic rubber for many general purposes, there is a growing field for synthetic rubber for special purposes. There is room for both.

Business Notes

Money Conference Opens

The international monetary conference at Bretton Woods is due to be formally opened on July 1st. Many of the delegations are led by the Finance Ministers of the countries represented. The United States has assembled a formidable team headed by Mr Morgenthau. Judged by the official ranking of its personnel the British delegation is, perhaps, the humblest in the list. Yet some American newspaper comment on the conference has already assumed that the British representatives will get the better of their American colleagues. The conference opens with none too good a send-off from the nations represented. The echoes of the grudging acceptance of the monetary fund scheme in the recent Parliamentary debates have no doubt followed the British delegation across the Atlantic. An interesting counterpoise to the prevalent criticism of the scheme in Britain, namely that it would lead this country back to the shackles of gold, is provided by some comment on the monetary fund in the current Survey of the Guaranty Trust Company of New York.

The central problem in world currency stabilisation is not to hold exchange rates in line by direct control, but to remove the causes of instability. This can be done only by inducing the individual nations—and particularly the leading commercial nations—to balance their budgets, promote stability and prosperity of their internal economies, and avoid such harmful devices as competitive currency depreciation, prohibitive tariffs and trade and exchange restrictions. . . . Whether

by agreement or individually, the nations whose stability is essential to the world's economic welfare must attain that stability by the simple but perhaps arduous course of avoiding the practices that have destroyed it. No single step would go so far toward the worldwide restoration of confidence, and the removal of the inducements to unsound practices as the return of the principal nations to the gold standard as promptly as possible after the war.

The Guaranty Survey, therefore, regards the revised monetary plan as an ineffective instrument for promoting currency stability, because "stability in any country comes not from without but from within." It finds the entire plan "a case of mistaken emphasis, an attempt to operate at the level of effect, not of cause; to treat the symptoms, not the disease."

European Views

The delegations of the continental Allied countries have gone to the international monetary conference at Bretton Woods in the United States after very detailed discussions on the currency scheme in London. The scheme has on the whole met with the approval of Allied Ministers. Their chief objection has been that the total gold and currency resources of the International Fund (\$10 billion for the whole world and \$8 billion for the United Nations) and the separate quotas for each member country may not be high enough to meet sharp fluctuations in the balances

of payment of some countries in particularly difficult years; and amendments suggesting the doubling of the quotas have been formulated. The European delegates hope that an amendment to this effect may be tabled by the British delegation, in which case it will command their support. Another amendment to the scheme, suggested by Dutch financial experts, was that the countries that contribute not 10 but 25 per cent of their quota in gold should be free to draw more than a 20 per cent instalment of their quota in any one year; this amendment, however, was eventually given up. The main interest of most European delegates to Bretton Woods, however, is not so much the currency scheme itself, the acceptance of which is taken for granted, as the project for an International Investment Bank, which is expected to figure on the agenda of the conference.

Reconstruction Loans?

The proposal of the experts for an International Monetary Fund is designed to solve short-term disturbances in the balances of payment of member countries. Most European countries, however, will be confronted after the war with heavy tasks of reconstruction, for which they will need the assistance of long-term credit. Some of the Governments concerned have made approximate calculations of their need for foreign reconstruction loans. The Polish Government, for instance, has already submitted a broad investment scheme in Washington. The scheme is based on a ten-year programme of industrialisation to be carried out with the help of a loan of \$2 billion, paid in ten annual instalments at the rate of \$200 million a year. The scheme provides an interesting contrast to Poland's financial policy before the war, which was to a large extent directed towards the elimination of foreign capital from Polish industries. Whether such ambitious schemes will find a ready response in the United States remains to be seen. The prospects will, to some extent, depend on whether the proposed International Investment Bank is organised as a strictly private concern or as an agency controlled, or supervised, by the American Administration. If the Investment Bank were a private concern, some argue, then the flow of credits would probably be strongly affected by the changing moods and calculations of the creditors. Public management might possibly provide a better guarantee for a steady rate of investment; political risks are more likely to deter the private investor than the public one. In the case of Poland, the influx of foreign credit into that country in the inter-war years was a mere trickle precisely because foreign investors were frightened by the political conditions in Poland. It is obvious that Poland's prospects of attracting foreign capital after this war will depend chiefly on whether the Polish-Russian conflict can be solved in a way that will give internal stability to the new Polish Republic. It is interesting to note that, in contrast to the Poles, the Czechoslovaks do not think that their country will need much long-term credit. Czechoslovakia will probably have suffered less from direct hostilities than any other Allied country in Europe. Its manufacturing capacity may be almost intact, and Czechoslovakia has acquired some fresh capacity in recent years, not all of which will be useless when it comes to switching over from war to peace production. The Czechs are reasonably confident that they will be able to make a fresh start with their own industrial resources.

Stock Exchange Control

Full particulars are now available of the scheme, to which reference was made on April 22nd, by which it is hoped to overcome the disabilities of the present system of management of the Stock Exchange. Originally, the finance for the provision of the House was provided by a few

persons, and it is only since 1904 that ownership of at least one or three shares in the company has been a necessary qualification for membership. Thus, for historical reasons, the financial affairs of the company, administered in the interests of the proprietors, the shareholders, have been in the hands of one body, the Trustees and Managers, while a separate body, the Committee for General Purposes, has seen to the regulation of members' activities. The point has now been reached where almost all members are shareholders and *vice versa* and where there are few holdings of as much as 200 shares, the maximum permitted. Thus, the original, apparent, conflict of interest, which went so far as to make membership of either governing body a disqualification for membership of the other, has been greatly weakened, and the point has been reached where it was hoped that a complete fusion of the two might be possible. This, however, has proved too large an objective for a single bite, and the proposal to which the proprietors are invited to give their consent is one which provides for joint action, by a new body, the Council, on all matters except those which were in the past the specific concern of the trustees and managers. On those matters the Council can act only upon the recommendation, or with the previous sanction, of another new body, the Property and Finance Committee.

The Council is to consist of the nine trustees and managers, who will continue to be elected for a period of five years, and the 30—later 27—members of the Committee for General Purposes. These, instead of holding office for one year, will be elected for three, one-third of their number retiring each year. The Property and Finance Committee will consist of the nine trustees, to be called henceforth Foundation members, and three Ordinary members, elected from the 30. These three will be appointed annually by the Council. The Council will elect three of their number, of whom one at least must be a Foundation member, to act as chairman and two deputy chairmen. Even if adopted by the proprietors, the scheme may be abrogated, on stated occasions at intervals of two years, by the vote of either class of member voting separately.

Full Unification Deferred

In its present form the scheme, by providing a joint committee with a single chairman, gets over two of the great difficulties of the old régime: the inability to secure effective co-operation between the representatives of members and proprietors, and the fact that no individual could speak to external authorities in the name of the Stock Exchange. It leaves the third, the ancient obstacle that there was always danger that the interests of the proprietors would prevail over that of the members, and that, despite the fact that they had become largely the same people. The reasons for postponing the final step, which would involve buying out the proprietors, are three: uncertainty as to what the post-war constitution of the Stock Exchange will be, the extreme difficulty of valuing the shares, and the fact that more than one-third of the proprietors are absent on service. These are reasons of weight, and the decision to stop short of full merging of interests is probably justified. The Consultative Committee, representing both bodies, which compiled the scheme, states its intention to proceed to a full merger when conditions are ripe, and its belief that the experience of joint working will prove a strong incentive to completion of the merger. If that is so—and such external evidence as exists supports the belief—the adoption of the scheme, on which a vote of the proprietors is to be taken early in September, will go far to equip the Stock Exchange for the tasks of adjustment which lie ahead. Until the post-war background emerges more clearly, it is difficult to say just what line longer-term improvements should take, beyond the generalisation that they should aim at raising the status of the institution by improving the service rendered to investors. Many schemes have been drawn up in outline by members as private individuals, but most of these depend for their realisation in some degree on the complete elimination of the proprietors' rights. The decision about this further step must rest largely with the younger men who are at present in no position to give their attention to the matter.

Limited Profits

Nothing in the latest industrial profits computations, covering the first quarter of this year, lends confirmation to the idea that the tide of ordinary share dividends has turned. In general, the absorptive power of EPT and the check of moral dividend limitation are still exerting their full effect. Some dividends have been increased this year, but when they are brought within the general focus of company reports, it is clear that these few cases have attracted quite undue publicity. Once again, the latest results show merely the slightest rise in gross profits; for the 544 companies whose results are given in Table I on page 34, the average increase is less than £700 compared with the previous year. Tables II and III show that during 1943 gross profits rose by roughly 2 per cent. This is no evidence of any failing power in EPT. It amounts probably to no more than the steady adjustment of provisions for capital charges and taxation to a now established wartime norm. A final comment on the expanding dividend myth is to be found in Table V; in the last five quarters ordinary dividends have varied from 6.2 to 6.5 per cent., with 6.3 per cent in the latest quarter. Few wartime series are so dull statistically as *The Economist's* profits analyses, and it needs more than a few occasional increases in ordinary earnings and dividends to disturb their impassivity.

Rent Control

The evidence submitted to the Inter-Departmental Committee on Rent Control by the Council of the Law Society once more draws attention to some of the anomalies of the present system of rent restriction. The Council has reviewed the present position in the light of two aims.

First, if rent control is to continue, the system should be one which operates fairly and reasonably as between landlord and tenant.

Secondly, the many anomalies in the law of rent control which exist at present and which often work great hardship, sometimes upon landlords and sometimes upon tenants, should be removed.

The Council, rightly, takes the view that the freezing of rents, coupled with the marked rise in the cost of repairs—"perhaps by between 70 and 100 per cent"—operates to the disadvantage of landlords. It has therefore recommended that, where repairs are the landlord's responsibility, the present net rents of premises controlled either under the 1939 Act or earlier Acts should be increased by 20 per cent. The figure suggested can, of course, be criticised; but there can be no doubt about the need for a formula that would ensure a measure of fairness between landlord and tenant. The rent restriction acts themselves come in for strong criticism by the Council. To quote from its evidence:

The first Rent Restriction Act was passed in 1915 as an emergency measure. A series of statutes has followed which have made numerous amendments to and extensions of the law. There are now so many statutes that it is very difficult to construe the legislation accurately, as apart from reference to decided cases it is usually necessary to consider several different Acts in dealing with each problem. But even where the law is fairly clear, the fact that there is no system of registration of standard rents often makes it impossible to determine what the standard rent is because the rent books and other necessary data have been lost.

On Tuesday the Council's views about the rent restriction acts were forcibly underlined in a judgment given by Lord Justice Mackinnon in the Court of Appeal after he had once more "groped" his way "about that chaos of verbal darkness."

Houses to Let

The need for an adequate supply of houses to let is now widely recognised; as Mr R. Bruce Wycherley, chairman of the Building Societies Association, pointed out in a review issued on June 22nd, "there should be, as far as possible, an adequate choice between houses for renting and houses for purchase." Hitherto the supply of houses to let has been quite inadequate; the absence of choice has not only compelled many persons to buy a house against their intention, but the prospect of a capital loss on re-sale has also tended to impede the geographical mobility of families which is essential to a progressive and flexible economy. For persons in the lowest income categories, a

substantial volume of construction by local authorities should gradually provide a greater margin of choice; the problem will also be mitigated by the Government's decision to retain the ownership of the large numbers of temporary houses that are to be constructed to relieve the housing shortage. But there remains a large field of construction to be carried out by private enterprise. Mr Wycherley stated that the building societies had always been prepared to advance money to owners of property for letting. He stressed the need for devising ways and means to encourage private enterprise to erect houses for letting and for creating conditions that would permit the employment of building society funds for this purpose. The devising of "ways and means" has now become a matter of urgency.

Building Society Mergers

Invitations have been sent this week to members of the Leeds Permanent Building Society and of the Woolwich Equitable Building Society for meetings to sanction the proposed merger between the two from which will emerge the British Building Society. Before waiting for the formal sanction of the scheme, negotiations have been started to attract within this group two smaller societies, the Liverpool Investment and the Dunfermline Building Society. Other absorptions are in prospect, and the new British Building Society promises to take second place in the ranking of building societies in this country. The amalgamation movement is now well under way—so well that questions were recently asked in Parliament pointing to the danger of a monopoly in this field of enterprise. The possibility of any such danger arising from recent mergers was categorically denied by the Financial Secretary to the Treasury. Mr R. Bruce Wycherley, in his review of the position, put on record the fact that the amalgamation movement owed nothing to prompting or compulsion by any Government department or the Bank of England. It would be wholly foreign to British traditions if such direction had been used. It is evident, however, that the building society movement is viewed with constant interest in certain Government departments and at the Bank of England; that in the early days of the war this interest became tinged with a certain concern; that the authorities in Whitehall and the City appreciate the need for a general tightening up of building society practice, especially for ensuring that all societies adhere to standards of liquidity maintained by the best. In so far as the amalgamation movement helps to serve these objectives, it may be said to have the fullest sympathy of the authorities.

War Damage Repairs

The publication of the War Damage Commission's explanatory pamphlet on the procedure in arranging for the repair of war damage marks a turning point in the work of that body. The Commission was brought into existence in 1941 and faced the task of dealing with well over 2,000,000 buildings in the country which had up to then suffered war damage. The primary demand at that time was that they should deal with these great arrears of work with the greatest possible speed, and the Commission was left with no option but to make the best of the situation. Its ambition was to adapt its procedure as far as possible to that of a normal building contract—that is, to inspect the damage before it was repaired, to agree on the

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extent and cost of the works to be done, and, in cases where the "cost plus" procedure was inevitable, to state what it was prepared to pay. This proved impossible, for the magnitude of the problem did not permit the Commission to consider and agree tenders and competitive estimates before the work was put in hand; this had serious disadvantages—sometimes to the claimant, sometimes to the builder, and sometimes to the Commission. With the agreement of the National Federation of Building Trades Employers, the Commission has now evolved a policy which is the result of three years' experience, discussion and deliberation. Briefly summarised, it is that facilities are being provided for prior consultation on the extent of works to be undertaken in all cases of genuine doubt. For the first time the Commission is able to offer that where the cost is likely to exceed £250, the claimant can arrange with it the terms of payment. Lastly, the Commission has made clear its views on the proper charges in prime cost cases. While hoping that the bulk of the larger works will be done on the competitive tender or fixed fee basis, it is realised that practically all the smaller jobs and some of the large ones will still be undertaken on the method of prime cost plus a percentage. The Commission has therefore defined both the "cost" and the "plus" in the fullest possible detail. In this way it has provided a "yardstick" which, with the facilities for prior consultation, should go far to eliminate much of the doubt and difficulty which has arisen in the past. It is hoped to have the new system fully working by next August.

Status of Statisticians

The Royal Statistical Society, quite properly, is concerned with the need for ensuring an adequate supply of qualified statisticians to meet a growing demand for them in industry and trade. A committee appointed in July, 1943, "to consider what measures are desirable to improve and to regularise the professional and scientific status of persons engaged partly or wholly in statistical work," and to draft proposals, found the present and prospective position unsatisfactory. In the main the committee's criticism is directed against the lack of a common standard of qualification which is unsatisfactory to the employer who has to engage a statistician, and against the lack of a recognised status for the profession which is unsatisfactory to the employee. In the committee's view there is a "strong case for instituting some method of determining the professional status of statisticians." While admitting that the Universities must continue to be the main source of training in statistics, the committee is of the opinion that existing examinations are not sufficient to provide all the requisite professional qualifications, and that a new system similar to those obtaining in other professions seems to be needed. It therefore suggests that provision should be made for two grades, one of which should be below that of a University degree. Successful candidates would receive a diploma for the high proficiency task and a certificate for the lower one. In the committee's view, the Royal Statistical Society might appropriately undertake the task of operating such a scheme. The Royal Statistical Society's initiative in devising means for raising the quality of statisticians is timely; but whatever means it ultimately devises, the desire for status should not become an excuse for the adoption of restrictive practices.

British Overseas Bank

Arrangements have been made for transferring the current banking business of the British Overseas Bank and of the Anglo-International Bank to Messrs Glyn Mills and Company, and their frozen assets to the Continental Assets Realisation Trust. This marks the last chapter of ventures launched with great hopes immediately after the last war. The BOB, established in 1919, was meant to restore British banking connections with Eastern Europe. At first it centred its activities in Poland, where, in collaboration with local interests, it formed the Anglo-Polish Bank. Later its activities extended to the Baltic States, Germany, Hungary and the Balkans. Everywhere it was dogged by political instability and ultimately by financial difficulties that culminated in moratoria and standstill agreements. In 1939 the position of the bank had become sufficiently critical to call for the intervention of a guarantee syndicate formed under high auspices. The syndicate, in order to safeguard

depositors, provided a deferred deposit of £2,000,000 which ranked after all other deposits. With this backing it was hoped that the bank might survive the war. This hope was reflected in the valuation of its £1 shares. A week ago they were quoted as high as 30s.; now they are a nominal 10s. The guarantors may, however, have taken a less optimistic view of post-war political development in Eastern Europe. Another factor was that what remained of the current banking business of the bank became too small to cover overhead costs, even though these had been drastically cut. A deficit in the trading income could ultimately only be met by drafts on the guarantee fund, and, presumably, the deferred depositors in question objected to such use of their funds, though no doubt the small subsidy involved would have been readily granted had the post-war prospects been more reassuring than they would seem to be in the view of the guarantors. The current business is, therefore, being transferred to Glyn Mills. In order to hand over assets equivalent to the transferred deposit liabilities a draft of £300,000 on the deferred deposit has been required. This debt remains as a claim ranking ahead of the shareholders' interest.

Continental Assets Realisation Trust

The frozen assets on the Continent of Europe, which have a book value of about £2,000,000, have been transferred to the Continental Assets Realisation Trust, which undertakes the direction and management of the BOB for a "reasonable annual fee plus 5 per cent on realisation of frozen assets." As these assets are liquidated, the proceeds will be applied, after prior charges have been met, in distributions to the shareholders of the BOB by way of repayment of capital. The Continental Assets Realisation Trust was first heard of in 1939, when it took over the standstill claims of the London Merchant Bank, whose current business was at the same time transferred to Messrs Guinness, Mahon and Company. The trust is served by experts who, during the war, have had opportunities of keeping as close touch as is possible with developments in enemy and enemy-occupied countries. There may be a good case at a later stage for entrusting it with the task of sorting and salvaging the considerable volume of standstill claims and other frozen European assets which is to be found on the books of many London banks.

Anglo-International Bank

The arrangements made for the transfer of the current banking business and frozen assets of the Anglo-International Bank are a logical accompaniment of the British Overseas Bank arrangements because the BOB has managed the Anglo-International since January 1, 1941. They follow closely the pattern of those made by the BOB. The banking business of the Anglo-International is now negligible. Assets amounting to £50,000 in cash and gilt-edged securities have been set aside to provide for contingencies. The frozen assets, practically all of them in enemy territory, have a book value of £760,000. The Anglo-International Bank was formed in 1926 to take over the business of the Anglo-Austrian Bank and of the British Trade Corporation. Its Budapest branch was taken over by the British and Hungarian Bank in March, 1939, and a year later the two Rumanian branches were absorbed by the Banque de Credit Roumain. The process of liquidation of the business of the bank had thus made considerable progress before the final moves announced this week. In February, 1943, the paid-up capital was reduced from £1,960,008 to £1,470,000 by returning 5s. per share to holders of 1,960,008 shares of £1. Further returns of capital will take place as and when frozen assets are liquidated. Although these two parallel operations must be judged purely as business propositions, dictated by the unfavourable current trading position of the two banks concerned, it is difficult to avoid interpreting them as a gesture of abdication by British banking from Eastern Europe. Coming at this particular stage of the war, it is a development which will not be altogether welcome to Britain's friends in that part of the Continent.

The "Turn of June"

The incidence of the calendar should have made it possible for the money market to shift a great deal of the seasonal end-of-June pressure on the Treasury. The whole



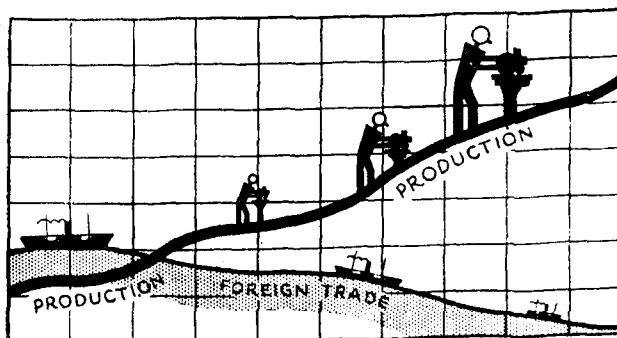
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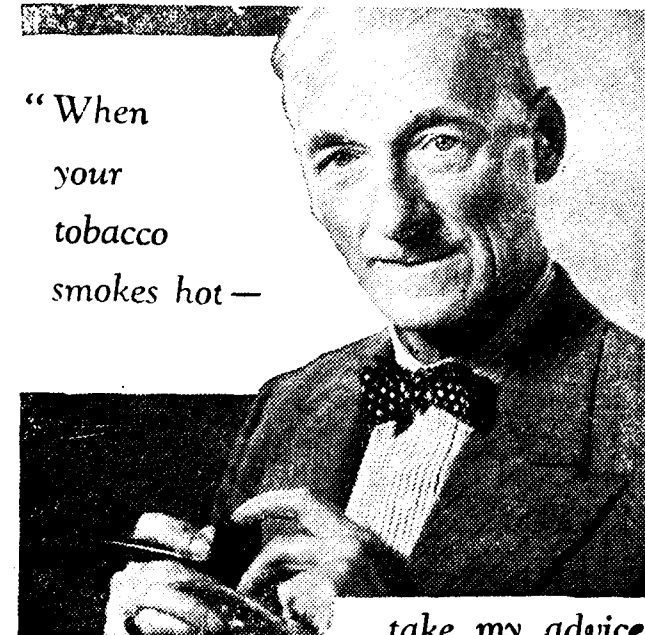
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Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly.

ISSUED BY GODFREY PHILLIPS LIMITED · 1844-1944

of the week's Treasury bill maturities fell in June, and in theory the market could have concentrated its payments for the bills issued this week on Saturday, July 1st. For some time past, however, the discount market syndicate has, with official encouragement, spread its applications for Treasury bills fairly evenly over the week as a whole, so as to help the even flow of Exchequer receipts. The banks had no payments to make against Treasury deposit receipts this week, but neither did they have any maturities. The market had to take up the fair allotment of 35 per cent of its quota application for the £110 million of this week's Treasury bills. At no time have conditions in the short-loan market been stringent. The banks did not buy bills until towards the end of the week, when preparations for the June 30th balance sheets had been completed. But at all times there has been an adequate supply of short loans, though most of the additional money placed at the disposal of the market in the earlier part of the week was "bad" money which the borrowers knew would be recalled on the final day of the year. The market has been preparing for the ordeal of that final day of June by selling bills to the official agents throughout the week. July and August bills have been sold through this channel. The official help has been given direct to the market and does not appear to have come through the clearing banks. The magnitude of these official operations over the first half of the week is revealed by the Bank return, which shows a rise of £33,205,000 in the holding of Government securities and of £10,499,000 in other securities. By last Wednesday the total of bankers' deposits had risen to £217,732,000, or £37,796,000 higher than on the previous Wednesday and the inflation of bank cash connected with the half-yearly window-dressing was thus proceeding at a good pace.

Cable and Wireless

The full accounts for 1943 of Cable and Wireless, the operating company show a rise of some £158,000 in receipts from messages and wayleaves to £9,924,844. Payments to oversea governments, working expenses and maintenance charges are, however, all higher on the year, and the net receipts, up to this point, show a fall from £4,729,466 to £4,544,757. Total payments to the Inland Revenue and the Treasury have risen from £2,100,000 to £2,240,000, and, despite falls in most other charges, the net revenue is some £50,000 lower at £1,228,892, of which £1,200,000 is required to maintain the dividend at 4 per cent. This means that the main income of the Holding company is unchanged, but it has suffered a small decline in miscellaneous receipts on outside investments. Its dividends, too, remain unchanged. The balance-sheets of the two companies show considerable changes, but these are largely associated with EPT adjustments, and the consolidated statement shows few alterations beyond a growth in gross liquid assets from £32,025,588 to £36,007,211 and an increase in the net amount from £16,748,362 to £17,572,324. Debtors include an amount of £8,325,000 due to the Inland Revenue and the Treasury, and of this £8,250,000 is the liability of the operating company. Some £7,500,000 represents taxation. Holdings of the group in gilt-edged and other marketable securities are included at £19,729,000 odd or very slightly above their market value. The group has, thus, much liquid capital to meet any post-war demands. Further, despite many difficul-

ties, it appears that the stations of the group have been considerably expanded during the war period. Much of this expansion must have been very expensive, but the accounts give no indication of its cost. It seems possible that some of the developments may have been subject to special arrangements with the authorities, but, if this is so, there is no hint of it in the published material.

A New Problem?

One matter which may be of very considerable importance to shareholders and others is, however, raised by Sir Edward Wilshaw in his address to the annual meeting of the operating company. This concerns the possible outcome of the Commonwealth Telegraph Conference, held in Australia towards the end of 1942. At that meeting the constitution of the Imperial Communications Advisory Committee was altered and its name changed to the Commonwealth Communications Council. The new body met in London in April and is to meet again in October. Cable and Wireless were called upon to give evidence in April, but have received no intimation about the results of the meeting. Sir Edward is not prepared, at this juncture, to make any definite statement about the position; but he evidently feels that his group, constituted by Charter as a result of the Imperial Cable and Wireless Conference of 1928, is entitled to be informed of any development of policy within the Empire. He points out that the company's duties include

the whole cost of the maintenance and development of wireless both here and throughout the Colonies, of the whole of the Empire's cable communications and of both to many foreign countries. But, he said, as I have indicated, the Company is in turn dependent on continued support for the Empire policy which it exists to implement, and if that support is withdrawn and the financial resources on which it relies are diverted into other hands, then not only Empire communications as a whole but in time many other Empire interests may suffer disastrously.

The broad outline of the inferences to be drawn from this statement seems plain. Among other things it seems that, under war conditions, a proportion of traffic for the antipodes, normally handled by the company, has been routed via New York. It remains to be seen how far this position can be remedied after the war. Stockholders will doubtless be grateful for the warning. At present, however, no information exists which would form the basis of a reasoned judgment. The price of the ordinary stock of the Holding company was unaffected by the statement. At 79½ ex dividend the stock yields £5 os. 4d. per cent.

Dock Labour

The preparations for the invasion involved a considerable amount of planning for the docks, some of the details of which were disclosed by Lord Ammon, chairman of the National Dock Labour Corporation, Limited, at the Corporation's annual general meeting this week. The Corporation's policy has always been to secure the quickest possible turn round of ships and to conserve an adequate labour force to meet requirements. In order to meet invasion needs, and to replace the high wastage (in the last three months some 1,500 men left the industry), the Corporation had to take on 6,000 additional men between March and June, bringing up its total labour strength to 42,435. Two-thirds of the entrants were new to the industry, and experienced dockers had to train many of these, as well as British and American troops for the work of unloading munitions in France. The invasion meant that ships were diverted to hitherto little used ports, and the busy ports became even more active. The daily average surplus of labour during the waiting period was 5,000, and on one day a peak of 9,500 was reached. Though the dock industry is traditionally turbulent, industrial discipline, in spite of minor disturbances, has been well maintained. Avoidable absenteeism is creditably low; in fact, for the whole of 1943 the average of "unaccounted absence" was only 3.7 per cent of normal days or shift turns for allocated workers. Financially, the Corporation has had a successful year and accumulated a surplus of £738,465, which enabled it to wipe out a deficit of £193,260 and retain a credit balance of £545,205. This was largely due to the high revenue from percentage payments (from April 29th these

(Continued on page 31)

COMPANY MEETINGS

BURMAH OIL COMPANY, LIMITED

GOOD RESULTS FROM PARTIAL OPERATIONS

DIVIDEND OF 12½ PER CENT.

MR. ROBERT L. WATSON'S STATEMENT

The forty-second annual general meeting of the Burmah Oil Company, Limited, was held, on Friday, 23rd ultimo, at Glasgow.

Mr Robert L. Watson, chairman and managing director, presided.

The following statement by the chairman was circulated with the directors' report and accounts:—

For reasons well known, those of our wholly-owned subsidiary companies which were concerned with production, pipeline transport, and refining in Burma did not operate in 1943. The balance of trading profit of £1,862,893 brought into profit and loss account is the yield from marketing and shipping operations of our two wholly-owned trading subsidiaries and of our tanker company respectively. It compares with £3,444,389 contributed to the profit and loss account in 1942 by all the wholly-owned subsidiary operating companies, and although the tonnage of 1943 sales was somewhat greater than that of 1942, this drop of £1,581,496 in profit is a sufficiently close indication of the effect of the loss of our Burmah production on our trading results. The increase in dividends and interest, welcome and substantial though it has been, makes good only £377,122 of this decline.

Fortunately, however, that is not the whole story. In 1942 we had to provide a net amount of £2,523,755 for taxation, whereas, largely because of these lower trading results, the net provision required for 1943, at £1,744,015, is £779,740 less.

DISTRIBUTABLE BALANCE STILL SUBSTANTIAL

Thus, between increased income from investments, the larger amount brought forward from 1942, and the reduced provision required for taxation, the amount available for disposal, as dividend or otherwise, is, at £2,565,169, only £338,429 down on the 1942 figure. Your board have allocated £100,000 of this disposable balance to general reserve, bringing this reserve up to £2,550,000 and have declared a second interim dividend of 10 per cent. less tax at 7s. 5d. in the £ on the ordinary stock which they recommend should be the final, making the total dividend for the year 12½ per cent., less that rate of tax. This absorbs £1,717,064 and requires a payment of £74,673 to the companies' provident funds, leaving a balance of £373,432, or £38,398 greater than the amount brought forward from 1942, which it is recommended should be carried forward.

ADVANCE PROVISION FOR TAXATION

We believe full provision has been made for all taxation, including that involved in 1943 profits. There may be something freed from this but, since EPT standards have not yet been agreed, no credit in respect of it has been taken in these accounts.

With supplies and demand so dependent as they are to-day on the fortunes and requirements of war, and therefore so much out of commercial control, it is perhaps unwise to hazard any guess at all at prospects for the current year. Given the conditions which have ruled up to date, results should not, however, be inferior to those now before you.

GRAND ALL-ROUND SERVICE

Knowing that this would be your wish I record here our appreciation of the part played by our employees and by those of Burmah-Shell in securing these results. In India, especially, these men's activities are far from confined to their peacetime duties. In many directions there, they and their companies' organisations have performed, and continue to perform unusual

services of particular value in to-day's conditions. Then, too, our subsidiary companies, the Assam Oil Co., Ltd., and the Tinplate Co. of India, Ltd. (the latter a creation of ours in conjunction with the Tata Iron and Steel Co., Ltd., after the last war and in which we hold the majority interest) have, because of the situation of their operations, been of a value in these times out of all relation to the tonnages of produce they dispose of, and have responded most creditably to the unusual calls they have been required to meet. Nor must we forget both congratulations and thanks to officers, engineers, and crews of our tankers who have kept their ships safely afloat faithfully performing their war-time duties. And, lastly, I would like to record our appreciation of the Anglo-Iranian Oil Co., Ltd.'s and the Shell Transport and Trading Co., Ltd.'s contributions to our investment income and of the useful parts the former company continues to find for a great many of our men from Burmah to play—in Iran—in the great war effort which that company is contributing.

It is with great regret, and the expression to their relatives of our very sincere sympathy, that I have to report two further fatal casualties, since our meeting last year, among our men on military service—Major J. H. L. Brownrigg and Captain D. Robinson, who were promising members of our Eastern staff. Further military honours have been gained in this period and Mr. B. J. Ellis, of our home engineering staff, has received an O.B.E. (Civil) for valuable services rendered at the Petroleum Division, to which he was loaned at the beginning of the war.

POST-WAR PLANS READY

I can once again say no more as to our return to Burmah than that our plans will be ready for application just as soon as conditions make this possible. Our claim for losses suffered by "denial" of our properties to the enemy cannot be finalised until we are in a position to determine what, if anything, can be salvaged and what the cost of rehabilitation will be.

The report and accounts were unanimously adopted.

The second interim dividend of 10 per cent. (2s. per £1 unit) paid on June 16, 1944, was confirmed as the final dividend on the ordinary stock for the year 1943.

Sir Louis J. Kershaw, K.C.S.I., C.I.E., and Mr. W. A. Gray, the directors retiring by rotation, were unanimously re-elected, and the auditors, Messrs. Brown, Fleming and Murray, were reappointed for the current year.

BRITISH ELECTRIC TRACTION COMPANY, LIMITED

DIVIDEND MAINTAINED

The forty-eighth ordinary general meeting of The British Electric Traction Company, Limited, was held on the 23rd ultimo in London.

Mr. Richard J. Howley, C.B.E. (the chairman) said that their gross revenue for the year amounted to £767,962, an increase of £7,669 over the previous year. Practically the whole of that was represented by the increased revenue from investments. The expenses showed little change and the sum remaining for appropriation was £316,441, compared with £309,915. The directors recommended the payment of the same dividends as for the previous years, leaving £56,961 to be added to undivided profits account.

The B.E.T. group of omnibus companies now owned some 8,500 omnibuses operating throughout the provinces and in addition to the normal public services, provided special transport services for many thousands of war-workers.

Their electricity supply companies continued to develop and important war-time contracts were being carried out. As in 1914-18, the importance of electricity for industrial purposes was again being emphasised in this war.

There seemed to be growing among the public a better appreciation of the dangers to the community of rushing into experiments in public ownership. That was especially appropriate in the case of road passenger transport, which was shown to be operated with great skill and consideration for the public convenience. One of the dangers of the future was the tendency to more and more uniformity in the ordering of our daily lives. In the past we had thrived on the rewards of individual enterprise and effort.

The report was adopted.

CABLE AND WIRELESS, LIMITED

(THE OPERATING COMPANY)

RECORD TRAFFIC RECEIPTS

Record traffic receipts of £9,420,000 and additional other income of more than £140,000 enabled Sir Edward Wilshaw, chairman, to announce at the annual meeting of Cable and Wireless Ltd., on the 29th ultimo, that for the first time the company's gross receipts had risen above the £10,000,000 mark. But profit was down by £50,000 owing to expenses having risen and to increased provision for E.P.T. by £100,000 to £2,000,000. He estimated that at the end of 1943 some £7,500,000 was payable for taxation, while tax reserve certificates (including £800,000 acquired since the end of the year) totalled £6,250,000. By the end of 1943 the company had in addition £11,000,000 in British Government and other securities.

Sir Edward commented that they must not cavil at high taxation; if the cost of the war were not found in this way it would have to be found in others which might impose greater burdens.

Development policy had been followed mainly in directions which might help the war effort. Costly wireless relay stations had been created to overcome "fading" difficulties; funds had been created for establishing facsimile picture transmission and telephony throughout the system; similar provision had been made for cable development.

Sir Edward attacked the "popular misconception" that cables and wireless were rivals, adding that experience since the 1929 merger had shown that they were complementary to each other, giving strength and flexibility under unified control.

Continued Empire support was essential; the company could not continue responsibility for carrying the main burden of maintaining Empire communications if Empire support were withdrawn and financial resources diverted into other hands—a disastrous policy. Yet the company had not been taken into the confidence of the Commonwealth Communications Council but had been asked only to give evidence; it had not yet been officially informed of any report or recommendations. Sir Edward announced that funds had been set aside for considerable developments throughout the Colonial Empire.

Planning ahead had been necessary to maintain communications with Advanced Army H.Q. on the various fronts. Several women operators had already gone overseas in the new uniformed Telcom organisation. The Minister of Information had accepted Sir Edward's offer to carry free of charge during the war all pictures sent to or from the Ministry.

The report was adopted.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

3% SAVINGS BONDS

1960-1970

INTEREST PAID HALF-YEARLY
INTEREST IS SUBJECT TO INCOME TAX, BUT TAX IS NOT DEDUCTED AT THE SOURCE

Issued by the National Savings Committee, London

HAWKER SIDDELEY AIRCRAFT COMPANY, LIMITED

FURTHER DEVELOPMENTS

The eighth ordinary general meeting of the Hawker Siddeley Aircraft Company, Limited, was held, on the 29th ultimo, in London, Mr Thomas O. M. Sopwith, C.B.E., F.R.Ae.S., the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: The profits of the operating companies have been brought into the accounts to an extent sufficient to pay the same dividend as last year. We can again say that adequate provisions have been made in the accounts of the operating companies for their excess profits tax and other taxation liabilities; for their appropriate proportions of war damage contributions, and for such other purposes as their directors have considered necessary, including reserves for deferred repairs and other contingencies. Interim dividends of 15 per cent., less tax, and 17½ per cent., less tax, have already been paid, making a total for the year of 32½ per cent., less tax, the same as last year.

HIGH STANDARD OF PRODUCTS

The products of the operating companies maintain, both quantitatively and qualitatively, the same high standard of the past. There are new names—the Albemarle, a glider-towing freighter type which was in operation during the landing in Sicily, and, more recently, the invasion of Europe; the Tempest, the latest R.A.F. fighter, which in every way reflects the same superiority over other types as did the Hurricane and Typhoon. The York, to which I made passing reference last year, is now in quantity production and has proved beyond doubt one of the most reliable transport types for all purposes. I look forward with confidence to the début of the York and its sister types on the more important commercial routes under post-war conditions.

There is a further important development to which I can make reference in general terms. The arrival of the jet-propelled aircraft owes much to the pioneer work carried out by one of your operating companies. I regard this as a most important development, and whilst I do not expect spectacular changes, I forecast steady and consistent progress. These projects are only part of the development work in hand.

FUTURE OF AVIATION

I indicated last year my belief in the future of aviation. Nothing has occurred to alter those views; on the contrary, my conviction is stronger than ever. The necessity for the maintenance of a strong air force, the scope for transport and civil flying, and the need for the British Commonwealth equipment to be at least technically equal to any other, is more apparent than ever. With the experience engendered by war conditions over such a vast and varied extent, the Hawker Siddeley group is in a position to take advantage of any opportunity which occurs. Your Board have no present intention of embarking upon any venture detrimental to their established peacetime activities or of entering competitive markets with already well-established industries. They incline to the view that the wisest post-war policy will be still further to stabilise their interests in the aircraft and automobile industries, both at home and abroad.

You will have seen a reference by the Minister of Production to the total number of military aircraft delivered up to the end of December, 1943, by the aircraft industry of this country. Of this total—90,000—no less than 27 per cent. was produced by the companies in the Hawker Siddeley Group. This is a remarkable achievement and one of which all concerned can be justly proud. The report was unanimously adopted.

KONONGO GOLD MINES, LIMITED

The tenth ordinary general meeting of Konongo Gold Mines, Limited, was held, on the 28th ultimo, in London.

Mr Robert Annan, M.Inst.M.M. (the chairman), presided.

The following is an extract from the chairman's statement, which was circulated with the report and accounts for the year ended 30th September, 1943:—

As a result of lower tonnage and of a somewhat lower yield, the proceeds of bullion and the consequent charges for export tax and realisation expenses are all reduced.

A new item is the company's contribution to the cost of maintenance of mines closed down under the concentration scheme. The cost to this company for a full year is estimated at £15,000, and current expenditure is within this amount.

Your directors recommend the payment of a dividend at the same rate as the previous year, which would leave £12,958 to be carried forward as compared with £8,840 last year.

Development was still further curtailed and is now considerably below the amount necessary to maintain the ore reserve under normal operating conditions. This deficiency will have to be made good at a later date.

Total ore reserves at 362,948 tons averaging 12.06 dwt. per ton show a decrease of 38,727 tons, of which approximately 30,000 tons is the decrease in unbroken reserves underground.

Tonnage treated fell by 8,183 tons to 122,435 tons and gold output by 7,598 ounces to 45,915 ounces.

Costs, excluding development, increased by 1s. 11d. to 29s. 8d. per ton, due mainly to the higher cost of all stores, particularly Diesel oil.

The report and accounts were adopted.

LONDON ELECTRIC WIRE COMPANY, AND SMITH'S, LIMITED

The annual general meeting of this Company was held on the 22nd ultimo in London.

Mr W. J. Terry (chairman and managing director) said that the credit balance of the profit and loss account, at £97,491, was lower than last year by £2,867. The home sales had been slightly lower during 1943, but output was maintained at a high level. The export sales were still further reduced for reasons quite beyond their control. Every effort had been and would be made to maintain their overseas connexions.

The immediate future required them to continue to produce to the utmost possible extent the essential supplies for the Forces. Post-war conditions would provide many problems. It was likely that, after a short pause, there would be great demands for the products of the electrical industry. The future would demand the highest standard of efficiency from both managements and employees alike. It was essential, too, that reasonable prices should be obtained for the products of industry, so that conditions might be progressively improved.

The fixing of selling prices to-day was causing considerable difficulty owing to the attitude of some Government Departments who were still pursuing a policy of elaborate cost investigation which at times almost amounted to an inquisition, thus placing a further strain upon depleted and over-worked staffs. Surely an adequate and equitable method for the fixing of selling prices was to base them on materials, labour and reasonable establishment charges, plus a reasonable profit on cost of turnover, when E.P.T. would afford a sufficient safeguard. Relaxation of war restrictions and controls at the earliest possible moment was highly desirable. Future prospects would be largely affected by legislation yet to be enacted and by agreements with our Allies. The report was adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

RECORD HARVEST

The annual general meeting of this Company was held, on the 29th ultimo, in London, Sir Harry Goschen, Bt., K.B.E. (the chairman), presiding. In the course of his review, percolated with the accounts, the chairman stated that during the past year they had granted further long-term loans of £199,628, bringing the aggregate sum advanced since the Corporation commenced business to £14,492,712 secured on first mortgage of 972,914 acres of agricultural land which had been valued at £22,697,109. Further loans totalling £116,281 had been approved by the directors. The aggregate of improvement loans completed up to March 31, 1944, was £132,547, repayable by means of rent charges under the Absolute Order of the Minister of Agriculture and Fisheries, and of £9,576 per annum secured as first charges on properties of an estimated rental value of £71,728 per annum. Once again special repayments had largely exceeded new loans granted, and the total of loans outstanding was £532,000 lower.

The farming year of 1943 had given Britain probably the greatest harvest in her history. Nearly 17 million acres were under arable cultivation, an increase of more than 45 per cent. over 1939, and bumper crops of wheat, potatoes and sugar beet were harvested. The wartime annual increase in food production was fully maintained and British farmers had produced a million tons more bread-corn and a quarter of a million tons more potatoes than in 1942. A high acreage of oats was maintained and yields were up to average. Dairy farmers had surpassed all previous records in the production of liquid milk, maintaining a larger population of dairy stock than in any previous year in spite of a reduction of over 6,000,000 acres of grassland. The report was adopted.

EASTWOOD'S CEMENT GROUP

POST-WAR RECONSTRUCTION

The ordinary general meetings of Eastwoods Cement, Ltd., Eastwoods Lewes Cement, Ltd., and Eastwoods Humber Cement, Ltd., were held, on the 28th ultimo, in London.

Mr E. S. Shrapnell-Smith, C.B.E. (the chairman), in the course of his speech, said: Despite the difficulties which beset us the ultimate demand for cement will be so great as to extend the industry to its fullest capacity. There will be, however, an intermediate stage when all industries will be striving to obtain priorities for steel and essential materials for reconditioning and extensions, in respect of which our Group has prepared its schemes to maintain and enhance its contribution to the national services.

The word "prefabrication" is being used to exemplify the interim solution in the shortest possible time of all the housing and construction problems accumulated during five years of war. This programme of emergency housing for the post-war population will be embarked upon at the cost of expenditure of public funds which will be largely uneconomic looked at in terms of rents and rateable values. The burden should be borne by the State as a whole.

Mr G. W. A. Miller, F.C.I.S. (Managing Director), in the course of his speech, said: The problem of emergency housing is too wide and too deep to permit of ready solution in whatever material and whatever type the large-scale programme of factory-built houses to be embarked upon. Even the steel houses will require good solid concrete foundations and services on site, all of which will require large quantities of cement.

The reports were adopted and dividends on the ordinary shares of each company at the rate of 7½ per cent. were confirmed.

(Continued from page 28)

have been 10 per cent of wages of allocated workers and 6½ per cent of weekly workers, compared with 20 per cent and 15 per cent before January, 1944) and to low expenditure on attendance money. The National Dock Labour Corporation came into existence as an emergency wartime measure, but its success is leading to the conclusion that it should be maintained after the war. Casual labour has always been the curse of the dock industry, and the guaranteed week's wages have undoubtedly been beneficial to dockers, even if they have sometimes resented the discipline or the transfers to other ports. The Corporation, however, is right to stress the importance of a planned return to industry of ex-dockers now in other industries (about 8,000) or in the Forces (about 8,000) and to ensure that the labour supply is not swollen beyond the industry's employment capacity.

Shorter Note

As was expected, the representations of the chairmen of the main line railways as to the need for a revision of the 1941 agreement have met with a refusal. The chairmen approached Lord Leathers as a result of meetings of the proprietors, who urged that the entry of Japan into the war, and the consequent extension of operations, had increased the user of the lines to an extent not in contemplation in 1941. The reply of the Ministry, given by Mr Noel-Baker in the House on Wednesday, was that this did not constitute a ground for revising the agreement.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yields	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
June 22...	5,271	4,416	112.7	134.4	3.16	3.74
" 23...	5,152	4,562	112.6	134.4	3.16	3.75
" 26...	4,230	5,984	112.6	134.2	3.16	3.75
" 27...	4,885	5,284	112.8	134.2	3.16	3.74
" 28...	2,317	4,981	112.9	134.2	3.16	3.74

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 112.9 (June 28); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 5).

New York

STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
June 16...	126.1	2,517,000	June 20...	128.4	1,619,000
" 17...	127.0	1,064,000*	" 21...	128.5	1,516,000
" 19...	127.4	2,371,000	" 22...	128.2	1,279,000

1944: High, 128.5 (June 21). Low, 113.8 (Feb. 8). * Two-hour session.

(WEEKLY AVERAGES) (1935-36=100)

	1944		June 7, 1944	June 14, 1944	June 21, 1944
	Low Mar. 15	High June 21			
37 Industrials.....	95.1 (a)	105.5	100.8	103.5	105.4
32 Rails.....	88.9 (a)	102.2	97.9	99.8	102.2
40 Utilities.....	85.0	90.0	88.6	88.9	90.0
419 Stocks.....	93.6 (a)	102.8	98.8	101.0	102.8
Av. yield %.....	4.84 (b)	4.54	4.77	4.63	4.54

* Common Stocks. (a) Feb. 9. (b) May 3.

Capital Issues

Week ending July 1, 1944	Nominal Capital £	Conversions £	New Money £
Particulars of Government issues appear on page 32.		Including Conversions	Excluding Conversions
Year†			
1944.....	861,322,488		850,224,007
1943.....	1,094,946,378		1,078,210,729

Stockholders were, however, given one crumb of comfort in that Lord Leathers promised to look into the question whether conditions justified the granting of special allowances for abnormal wear and tear beyond the provisions of the agreement. With that the stockholders will, presumably, have to rest content.

Company Results

Bleachers' Association.

	Years ended March 31,		
	1942	1943	1944
Trading profits and dividends.....	538,253	516,504	659,596
Repairs and maintenance.....	185,088	150,614	188,464
Depreciation.....	140,000	140,000	140,000
Debt interest.....	101,250	101,250	101,250
Directors' fees.....	2,610	2,610	2,610
War Damage premiums.....	36,000	40,000	20,000
Preference dividend.....	68,406	68,406	285,219
Ordinary Shares:—			
Earned.....	Dr. 63,507	Dr. 54,782	Cr. 70,460
Carry forward.....	80,862	94,486	96,539
Net fixed assets.....	6,726,422	6,606,626	6,504,285
Net inter-company items.....	2,223,438	2,189,909	2,279,613
Net liquid assets.....	538,869	693,123	670,176
Gross liquid assets.....	1,361,005	1,454,269	1,642,681
Investments.....	929,327	939,502	1,144,002

† After charging one year's preference dividend. Payments were six month's in 1942 and 1943 and 18 months' in 1944. The amount earned on the ordinary in 1943-44 was rather less than 3.7 per cent.

The £1 5½ per cent preference shares at 22s. yield about 45.7. 10d. per cent. The £1 ordinary stand at 11s. 3d.

FINANCE AND BANKING

THE MONEY MARKET.—The position in the money market

prior to the turn of the half-year is discussed in a note on page 23. The Bank return, apart from the movements referred to in that note, shows an expansion of £2,152,000 in the note circulation. In recent weeks the rise in the circulation has fallen behind the comparable movement last year; although the reserve of unissued notes, at £19,375,000, is small, it may be possible to avoid a further increase in the fiduciary issue for some weeks. The movement of troops to the Continent is probably exerting an important influence on the circulation.

MONEY RATES, LONDON.—The following rates remained unchanged between June 22nd and June 29th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 22nd and June 29th (Figures in brackets are par of exchange).

United States. \$ (4.86½) 4.02½-03½; mail transfers 4.02½-03½. **Canada.** \$ (4.86½) 4.43-47; mail transfers 4.43-47½. **Switzerland.** Francs (25.22½) 17.30-40. **French Empire.** Francs 197½-200½. **Syria.** p. 8.81-85. **Sweden.** Krona (18.159) T.T. 16.85-95. **Dutch West Indies.** Florin (12.11) 7.58-62. **Portugal.** Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. **Panama.** \$ (4.02-04); mail transfers 4.02-04½. **Brazil.** 85.64½ cr. (buying); mail transfers 83.56½. **Uruguay.** 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. **Turkey.** Piastres 520. **Italy.** 71.25 lire.

Market Rates.—The following rates remained unchanged between June 22nd and June 29th.

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-1. **China.** National 35-3½. **Iran.** Rl. 128-130. **Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.16 pesos.

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

(Continued on page 33)

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1943					
June 25	90.0	165.2	90.0	20 0-47	42
Mar. 24	90.0	176.9	90.0	20 0-36	36
" 31	90.0	180.5	90.0	20 2-20	25
April 6	90.0	211.8	90.0	20 2-74	27
" 14	100.0	209.1	100.0	20 2-58	30
" 21	110.0	216.8	110.0	20 2-83	35
" 28	110.0	208.3	110.0	20 0-25	37
May 5	110.0	209.1	110.0	19 11-81	32
" 12	110.0	198.2	110.0	20 0-32	41
" 19	110.0	202.4	110.0	20 0-35	40
" 26	110.0	195.7	110.0	20 0-98	46
June 2	110.0	216.1	110.0	19 11-89	28
" 9	110.0	203.4	110.0	20 0-45	38
" 16	110.0	197.5	110.0	20 0-49	40
" 23	110.0	199.5	110.0	19 11-93	35

On June 23rd applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 35 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday of following week were accepted in full. £110 million of Treasury Bills are being offered on June 30. For the week ending July 1 the banks will be asked for no Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1952-54
April 18	4,593	1,613	6,903	13,566
" 25	5,275	5,302	7,520	15,559
May 2	6,025	3,918	14,936	30,377
" 9	7,491	6,159	22,509	20,613
" 16	9,138	6,249	16,911	23,294
" 23	9,724	6,057	15,919	18,144
" 30	7,689	5,043	11,743	12,166
June 6	8,051	5,126	11,415	12,750
" 13	8,077	5,310	13,097	19,798
" 20	9,935	5,056	12,649	15,591
" 27	...	...	8,629	15,870
Totals to date	1,146,837*	728,530*	1,675,079*	618,465*

* 239 weeks. † 182 weeks. ‡ 43 weeks. § Including all Series.

Interest free loans received by the Treasury up to June 27th amounted to a total value of £68,309,833. Up to May 27th principal of Savings Certificates to the amount of £159,222,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 234½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold per Fine Tola	Silver per 100 Fine Tolas
June 22	73 2	129 8
" 23	72 13	128 8
" 24	72 6	129 2
" 25	72 5	129 10
" 26	72 10	130 0
" 27	73 1	129 14

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended	Aggregate from Jan. 1 to
	June 25, 1943	June 24, 1944
Working days	6	149
Birmingham	1,984	1,763
Bradford	1,895	1,511
Bristol	570	627
Hull	337	641
Leeds	1,572	919
Leicester	729	737
Liverpool	4,384	4,753
Manchester	10,670	2,813
Newcastle	1,774	1,549
Nottingham	408	440
Sheffield	864	754
Southampton	88	178
12 Towns	25,215	16,775
Dublin*	5,678	7,165

* June 19, 1943, and June 17, 1944.

BANK OF ENGLAND RETURNS

JUNE 28, 1944

ISSUE DEPARTMENT

Notes Issued	£	Govt. Debt	£
In Circulation	1130,866,956	Other Govt.	11,015,100
In Bank of England	19,374,762	Securities	1138,113,788
		Other Secs.	858,400
		Silver Coin	12,712
		Amt. of Fid. Issue	1150,000,000
		Gold Coin & Bullion (at less. per oz. fine)	241,718
	1150,241,718		1150,241,718

BANKING DEPARTMENT

Props. Capital	£	Govt. Secs.	£
Rest.	14,553,000	Other Secs.	255,282,151
Public Deps.*	3,300,973	Discounts & Advances	1,217,926
	12,518,767	Securities	26,953,556
Other Deps.		Notes	28,171,782
Bankers	217,732,151	Gold & Silver Coin	898,127
Other Accts.	55,601,931		19,374,762
	273,334,082		303,706,822
	303,706,822		303,706,822

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

COMPARATIVE ANALYSIS

(£ millions)

	1943	1944
Issue Dept.:		
Notes in circulation	946.5	1132.8
Notes in banking department	53.9	17.5
Government debt and securities*	999.2	1149.2
Other securities	0.8	0.8
Silver coin	0.0	0.0
Gold, valued at s. per fine oz.	168.00	168.00
Deposits:		
Public	9.5	11.5
Bankers	238.0	168.2
Others	55.3	58.2
Total	302.8	237.9
Banking Dept. Secs.:		
Government	233.4	216.9
Discounts, etc.	4.9	5.2
Others	27.5	15.4
Total	265.8	237.5
Banking depart. res.	54.8	18.2
" Proportion "	18.1	7.6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,100 million to £1,150 million on March 4, 1944.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

12 U.S.F.R. BANKS	June 24, 1943	June 15, 1944
Resources		
Gold certifs. on hand and due from Treasury	20,610	18,687
Total reserves	20,610	19,306
Total cash reserves	384	259
Total U.S. Govt. secs.	6,748	14,869
Total loans and secs.	29,253	35,890
LIABILITIES		
F.R. notes in circ.	13,635	18,649
Excess m. bank res.	1,300	800
Mr. bank res. dep.	12,243	13,358
Govt. deposits	294	262
Total deposits	13,903	15,553
Total liabilities	29,253	35,890
Reserve ratio	74.8%	56.4%
BANK AND TREASURY RESOURCES		
Monetary gold stock	22,387	21,212
Treasury & bank currency	4,079	4,101
LIABILITIES		
Money in circulation	17,154	22,255
Treasury cash and dep.	2,562	2,592

RESERVE BANK OF INDIA

Million rupees

	June 11, 1943	May 26, 1944	May 10, 1944	June 2, 1944	June 2, 1944
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	154	139	140	138	138
Balances abroad	7631	1,856	1,888	1,848	1,779
Sterling securities	5,525	8,048	8,048	8,098	8,202
Ind. Govt. rup. secs.	1,207	583	583	583	583
Investments	75	108	108	108	108
LIABILITIES					
Notes in circ.: India	7,217	9,096	9,103	9,170	9,271
Burma	211	710	748	742	742
Deposits: Govt.	532	1,105	1,103	1,032	1,032
Private	31.4%	92.2%	92.2%	92.2%	92.2%
Reserve ratio	81.4%	92.2%	92.2%	92.2%	92.2%

BANK OF CANADA

Million Can. \$'s

	May 26, 1943	May 10, 1944	May 17, 1944	May 24, 1944
ASSETS				
Reserve: Gold	18.4	0.16	4.66	6.2
Other	1145.7	1392.34	1414.21	1412.1
LIABILITIES				
Note circulation	744.8	917.62	916.01	911.6
Deposits: Dom. Govt.	64.1	74.04	105.23	112.8
Chartered banks	336.2	376.39	373.43	346.0

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

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	May 10, 1943	April 24, 1944	May 1, 1944	May 24, 1944
ASSETS				
Gold and English ster.	35.14	46.79	46.79	46.79
Other coin, bullion, etc.	11.03	13.43	11.75	13.16
Call money, London	47.24	87.36	93.19	90.4
Securities and Treas. bills	216.59	244.80	238.80	240.7
Discounts and advances	21.71	20.95	20.53	22.0
LIABILITIES				
Notes issued	138.36	183.26	183.76	184.5
Deposits, etc.	183.00	176.64	174.68	173.1

CENTRAL BANK OF TURKEY

Million Turkish pounds

	April 3, 1943	Mar. 18, 1944	Mar. 25, 1944	April 8, 1944
ASSETS				
Gold	180.5	238.6	238.6	238.6
Clearing and other exch.	67.4	94.3	96.4	104.0
Treasury bonds	133.7	130.8	130.8	130.8
Commercial bills	455.2	500.9	494.2	456.4
Securities	60.8	60.1	60.1	64.9
Advances	258.0	252.5	254.0	258.9
LIABILITIES				
Notes in circulation	721.6	870.8	868.4	870.7
Deposits	261.3	200.9	200.0	190.7
Clearing and other exch.	24.6	26.1	23.2	28.4

CENTRAL BANK OF IRELAND

Million £'s

	May 27, 1943	June 3, 1944	June 10, 1944	June 17, 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	24.13	24.13	24.13	24.13
Sterling balances	1.27	1.37	1.26	1.4
LIABILITIES				
Notes in circulation	28.17	28.30	28.21	28.1

SOUTH AFRICAN RESERVE BANK

Million £'s

	May 7, 1943	April 21, 1944	April 28, 1944	May 5, 1944
ASSETS				
Gold coin and bullion	67.72	87.84	88.21	88.6
Bills discounted	8.66	21.65	21.83	21.8
Invest. and other assets	83.63	83.25	84.79	83.8
LIABILITIES				
Notes in circulation	41.79	48.71	51.99	50.9
Deposits: Government	7.77	10.30	9.49	60.9
Bankers	99.41	125.51	125.94	129.4
Others	7.42	5.64	5.04	5.2
Reserve ratio	43.5%	46.3%	46.2%	46.3

SWISS NATIONAL BANK

Million Swiss Frs.

	June 7, 1943	May 15, 1944	May 23, 1944	May 31, 1944
ASSETS				
Gold	3749.1	4371.9	4368.8	4372.2
Foreign exchange	59.0	76.3	87.5	93.5
Discounts, etc.	90.2	55.1	52.5	47.7
Advances	16.2	15.6	15.8	15.5
Securities	64.8	64.2	64.2	64
LIABILITIES				
Notes in circulation	2572.8	2884.7	2876.2	2945.5
Other sight liab.	229.9	242.5	246.4	249.9

(Continued from page 31)

NEW YORK EXCHANGE RATES

New York on	June 21	June 22	June 23	June 24	June 26	June 27	June 28
Cables	402½	402½	402½	402½	402½	402½	402½
London	90.180	90.310	90.250	90.310	90.250	90.250	90.180
Montreal	25.00	25.00	25.00	25.00	25.00	24.50	24.50
Zurich	24.88*	24.88*	24.93*	24.93*	24.87*	24.87*	24.87*
Buenos Aires	5.16	5.16	5.16	5.16	5.16	5.16	5.16
Rio de Janeiro	4.09	4.09	4.09	4.09	4.09	4.09	4.09
Sao Paulo	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Stockholm	23.86	23.86	23.86	23.86	23.86	23.86	23.86

* Official Buying Rate 29.78. † Free Rate. § Bid.

INDUSTRY AND TRADE

United Nations Standards Committee.—A United Nations Standards Co-ordinating Committee has been established to provide a co-ordinating centre for standards in the field of communications and to develop standards for use in international trade. These will include dimensional standards as well as symbols, terms and definitions to express the properties of materials. The Committee will maintain offices in London and New York to provide the maximum possible co-ordination and unification of standards necessary for the war and immediate post-war periods. The Committee will consist of representatives of the national standards bodies organised in any of the United Nations, and it is these bodies who are responsible for promulgating the agreed standards. Approval of the scheme has already been received from Australia, Canada, South Africa and the USA, and the London office has already been opened.

Bedding and Floor-Covering Priorities.—Since June 22nd the utility furniture scheme has covered the issue of priority dockets for bedding (blankets, sheets and mattresses) and floor coverings (substitute linoleum and felt base), which guarantee the supply of these articles. Only about one-quarter of the total supplies of bedding, and about half the supplies of substitute linoleum and felt base are required to meet priority dockets. The remaining supplies can be sold to the general public in the normal way.

Fur Apparel.—The quota restriction on supplies of fur apparel by registered manufacturers will be discontinued from July 1st, since it has achieved its purpose of facilitating the withdrawal from the fur trade of labour suitable for more important work. The register of Manufacturers of Fur Apparel, however, remains in being with a view to the issue of further fur apparel Directions on a different basis. The Board of Trade is engaged in discussions with the Fur Trade Delegation on the form of the future Directions, which it is hoped to make at an early date. From to-day and until further notice, registered manufacturers of fur apparel may supply, remodel or repair fur apparel without restriction. The Board of Trade will in future call for periodical returns of labour in order that a watch may be kept on the labour position of the industry. Unregistered persons who were manufacturers of fur apparel on September 1, 1941, are still restricted to supplies of £100 in any month, but applications

for licences to supply additional amounts will be considered and they may repair fur apparel without restriction.

INDUSTRIAL PROFITS

TABLE I
544 FIRST QUARTER COMPANIES' GROSS PROFITS—
NEW BASIS (IN £'000's)
(All figures gross)

	Year 3 Preceding (1941)	Year 2 Preceding (1942)	Year 1 Preceding (1943)	Latest Year (1944)
All interest	6,540	7.6	6,430	7.5
Preference divs.	14,520	16.8	14,263	16.6
Equity divs.	52,170	60.3	49,939	58.0
Sub-totals	73,230	84.7	70,632	82.1
Free reserves and carry forward	11,810	13.7	13,788	16.1
Other savings*	1,417	1.6	1,530	1.8
Profits before tax, after E.P.T.	86,507	100	85,950	100
Per cent. of Year 3 preceding	100.0	99.3	97.9	98.3
Rate of tax applied in grossing up	8/6	10/-	10/-	10/-

* Redemption funds, deferred repairs, etc. (grossed up at corresponding rates of tax).

TABLE II
GROSS PROFITS NEW BASIS
BY ACCOUNTING PERIODS (IN £'000's)

Accounting Date Falling in	No. of Cos.	1939	1940	1941	1942	1943	1944
1st Quarter	605	62,633	65,588	59,735	61,834	62,132	7,235
2nd Quarter	425	39,151	38,025	39,491	38,418	37,481	...
3rd Quarter	369	43,630	44,192	41,814	40,347	40,623	...
4th Quarter	918	156,295	146,820	149,342	150,192	150,192	...
Whole Year	2,317	301,076	294,625	290,352	290,791	290,791	...

TABLE III
INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS
(Four Quarters; 1938=100. Geometric Basis)
Based on Table II

	Accounting Period ended in	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939	98.6	98.6	98.0	99.0	99.0
1940	101.4	100.6	101.6	99.2	99.2
1941	95.8	97.5	95.5	97.3	97.3
1942	100.7	100.0	101.4	101.5	101.5
1943	100.9	101.3	104.0	103.3	103.3

* Provisional.

TABLE V
DISTRIBUTION OF PROFITS AND RETURN UPON CAPITAL†

	Proportion of Gross Profits	Rate of Payment (Gross)					
	Prof. Div.	Ord. Div.	To Free Reserves	Deb.	Prof.	Earned on Ord.	Paid on Ord.
1st quarter 1941	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd "	23.4	65.9	10.7	4.6	6.8	10.6	9.0
3rd "	25.7	65.0	9.3	4.5	6.9	12.1	10.6
4th "	29.5	54.1	16.4	4.6	6.4	10.9	8.4
Whole Year	23.4	65.8	11.1	4.5	6.8	12.4	10.6
1st quarter 1942	19.9	71.3	8.8	4.2	6.9	17.0	15.1
2nd "	23.8	63.4	12.8	4.3	5.9	9.9	8.3
1st quarter 1943	17.6	63.8	18.6	4.7	6.0	17.3	13.4
2nd "	21.3	54.6	24.1	4.6	6.0	11.6	8.6
3rd "	20.8	59.5	19.7	4.8	6.3	12.0	10.0
4th "	25.6	50.0	24.4	4.9	6.4	14.1	9.4
Whole Year	20.9	56.8	22.3	4.7	6.2	13.9	10.6
1st quarter 1944	18.3	60.3	21.4	4.7	6.2	18.5	13.3
2nd "	23.0	60.5	16.5	4.4	6.5	10.6	8.3
3rd "	18.4	61.4	20.3	4.6	6.2	15.9	11.9
4th "	24.0	48.1	27.9	5.0	6.3	15.8	10.0
Whole Year	20.6	57.7	21.7	4.7	6.3	14.8	10.6
1st quarter 1944	18.5	61.1	21.4	4.2	6.3	18.0	13.5

† Original 1941-42 figures based on adjusted net profits old basis. Subsequent figures on gross profits, new basis, as given in Table I.

TABLE IV

INDEX OF NET REPORTED PROFITS, OLD BASIS,
BY DATES OF PUBLICATION

(Revised Geometric Basis)

(Four Quarters ended June; 1936=100)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939	129.3	125.2	124.4	121.6
1940	120.7	120.8	116.8	115.1
1941	112.9	104.7	101.0	98.6
1942	96.5	94.4	95.4	93.1
1943	93.8	93.5	93.8	94.3
1944	97.1	...	...	...

TABLE VI

PROFITS BY INDUSTRIAL GROUPS

Group	No. of Cos.	Reported Net Profits (£000's) Old Basis		Computed Gross Basis (£000's) New Basis 544 Cos.	
		Preceding Year	Latest Year	Preceding Year	Latest Year
		£	£	£	£
Financial Land	41	2,083	2,031	3,784	3,905
Trusts	80	2,783	3,039	7,132	7,358
Canals and Docks	1	38	45	80	100
Electric Supply	4	857	839	1,873	1,858
Gas	1	32	30	64	60
Hotels, Restaurants	6	92	95	238	220
Newspapers, Publishing	18	1,608	1,625	3,297	3,263
Shipping	7	380	250	969	780
Telegraphs and Telephones	1	111	113	355	381
Tramway and Omnibus	9	1,050	1,065	1,151	1,508
Warehousing	12	574	494	896	727
Oil	4	445	397	1,106	1,010
Rubber	57	Dr. 447	62	Dr. 514	200
Tea	5	36	30	12	19
Breweries and Distilleries	11	1,107	907	2,180	1,692
Food, Confectionery	22	1,425	1,340	2,419	2,332
Shops and Stores	29	4,617	4,264	7,960	7,538
Textiles	34	2,946	2,761	5,559	5,208
Tobacco	6	11,304	11,599	21,668	22,317
Building Materials	15	856	754	1,298	1,132
Electrical Equipment	7	1,486	1,528	2,765	2,839
Coal	8	502	505	936	964
Iron and Steel	20	3,744	3,815	6,845	7,222
Motors, Cycles, Aviation	8	706	656	1,397	1,317
Shipbuilding	3	596	579	1,235	1,158
Engineering	17	703	715	1,344	1,365
Entertainments	7	60	130	107	261
Waterworks	6	498	520	896	771
Other Companies	87	3,875	3,660	7,623	7,604
Totals	524	44,067	43,868	84,675	85,048

THE ECONOMIST PROFIT FIGURES

The defects of company accounts and the complications of income-tax make it impossible to present statistics of profits in a simple, standardised form. The following definitions may assist the reader:—

(a) **Gross and Net Profits.**—Gross profits are profits before payment of standard income-tax (but after such other taxes as EPT and NDC). Net profits are profits after tax. In many cases, figures of gross profits can be calculated only by adding back what appear to be the appropriate amounts of tax to the net figures published.

(b) **Accounting Period and Reporting Period.**—Company reports are published some time after the end of the period in which the profits were earned. The figures can be grouped by the quarter in which they are published (i.e., by the reporting period) or by the quarter in which the company's financial year ends (i.e., by the accounting period).

(c) **Old Basis and New Basis.**—On the old basis the net profit consisted of preference and ordinary dividends as published, whether gross or net, plus actual allocations to free reserves. Total profit was the largest figure of the profit and loss account, excluding capital profits and transfers from reserves. The figure was struck before depreciation if that was disclosed. On the new basis no net profit figure is provided. It can be obtained by deducting from the gross the appropriate rate of tax. The gross profit is the gross total of interest and dividends plus additions to free reserves and other savings, both grossed up at the stated rate of tax.

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.														
Prices, Year 1943		Prices, Year 1944		Name of Security	Price, June 20, 1944	Price, June 27, 1944	Yield, June 27, 1944	Prices, Year 1944		Last Dividends	Name of Security	Price, June 20, 1944	Price, June 27, 1944	Yield, June 27, 1944
High	Low	High	Low					Jan. 1 to June 27	High					
British Funds														
83 1/2	78 1/2	79 1/2	78 1/2	Consols 2 1/2%	79	79	3 3/4	51/7 1/2	48/6	%	Babcock & Wilcox £1...	51/-	51/6	4 5/8
100 1/2	100 1/2	100 1/2	100 1/2	Consols 4% (after 1957) ..	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Bolsover Colliery Ord. £1	53/6	54/-	5 1/8
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 2% 1943-45	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Brown (John) Ord. 10/-	29/9	29/3	4 1/2
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 2 1/2% 1944-49	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Cery (Wm.) £1	97/6	97/6	5 1/4
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 3% 1948-53	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Dorman Long Ord. £1 ..	31/6	31/6	5 1/4
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 3 1/2% (after 1961) ..	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	East Keen & Co. £1 ..	38/6	38/6	5 3/8
100 1/2	100 1/2	100 1/2	100 1/2	Funding 2 1/2% 1952-57	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Hadfield's Coal Ord. £1	53/6	54/-	6 1/8
100 1/2	100 1/2	100 1/2	100 1/2	Funding 3% 1959-69	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Stavell's Coal Ord. £1 ..	33/3	33/3	6 1/8
100 1/2	100 1/2	100 1/2	100 1/2	Funding 4% 1960-90	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Stewart & Lloyds £1 ..	56/6	57/-	6 7/8
100 1/2	100 1/2	100 1/2	100 1/2	Nat. Def. 3 1/2% 1945-47 ..	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Swan, Hunter Ord. £1 ..	42/6	42/6	5 1/2
100 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2% 1949-51 ..	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Thomas (Richard) Ord. 6/8	10/10 1/2	10/9	6 3/8
100 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2% 1952-54 ..	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	United Steel Ord. £1 ..	27/-	27/-	5 1/8
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3% 1945-65	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Vickers Ord. 10/-	19/9	20/-	5 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3% 1960-70	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Textiles			
100 1/2	100 1/2	100 1/2	100 1/2	Victory Bonds 4%	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Beauchers Association £1	11/-	11/6	3 1/8
100 1/2	100 1/2	100 1/2	100 1/2	War Loan 3% 1955-59	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Bradford Dyers Ord. £1	24/-	24/-	3 9/8
100 1/2	100 1/2	100 1/2	100 1/2	War Loan 3 1/2% (aft. 1952) ..	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	British Celanese Ord. 10/-	31/6	30/6	3 1/8
100 1/2	100 1/2	100 1/2	100 1/2	Local Loans 3%	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Coats, J. & P. Ord. £1 ..	49/3	49/3	3 1/8
100 1/2	100 1/2	100 1/2	100 1/2	Austrian 3% 1933-53	100 1/2	100 1/2	3 3/4	51/7 1/2	48/6	%	Courtaulds Ord. £1	56/9	57/-	3 5/8
100 1/2	100 1/2	100 1/2	100 1/2	Dom. & Col. Govts.				80/1 1/2	72/6	16 1/2	20	5	5	3 10/8
100 1/2	100 1/2	100 1/2	100 1/2	Australia 5% 1945-75	102	102	4 18	0 7	112/6	99/-	5	15	15	3 13/8
100 1/2	100 1/2	100 1/2	100 1/2	New Zealand 5% 1946	103	103	3 8	7	52/6	26/9	7 1/2	15	32/3	3 9/8
100 1/2	100 1/2	100 1/2	100 1/2	Nigeria 5% 1950-60	112	112	2 16	1	96/9	88/4	17 1/2	17 1/2	96/-	3 12/8
100 1/2	100 1/2	100 1/2	100 1/2	Corporation Stocks				1 18	11	39/9	38/6	3	5	3 16/8
100 1/2	100 1/2	100 1/2	100 1/2	Birmingham 5% 1946-56	93	93	3 4	2	42/4	39/6	3	5	42/-	3 17/8
100 1/2	100 1/2	100 1/2	100 1/2	L.C.C. 3 1/2%	106	106	2 18	9	21/10 1/2	18/1 1/2	1 1/2	2 1/2	20/9	3 17/8
100 1/2	100 1/2	100 1/2	100 1/2	Liverpool 3 1/2% 1954-64	99	99	2 18	9	34/10 1/2	32/6	2 1/2	4 1/2	34/-	4 2/8
100 1/2	100 1/2	100 1/2	100 1/2	Middlesex 3 1/2% 1957-62	106	106	2 18	9	41/3	39/6	5 1/2	3	40/6	4 2/8
100 1/2	100 1/2	100 1/2	100 1/2	Foreign Governments				3 16	6	24/4	24/4	10	10	4 13/8
100 1/2	100 1/2	100 1/2	100 1/2	Argentina 3 1/2% Bds. 1972 ..	96 1/2	94 1/2	4 16	5 1/2	31/3	28/3	7	7	30/-	5 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Brazil 5% Funding 1914	70	70	6 16	0	28/10 1/2	22/3	10	10	28/-	6 19/8
100 1/2	100 1/2	100 1/2	100 1/2	Chile 6% (1929)	48	47	5 16	13/9	15/6	13/9	6	6	14/6	3 3/8
100 1/2	100 1/2	100 1/2	100 1/2	Chinese 5% 1913	24	24	3 8	3/3	38/9	32/3	6	6	38/-	3 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Portuguese 3%	91 1/2	91 1/2	5 7	7	19/4 1/2	16/9	17 1/2	15	18/-	3 14/8
100 1/2	100 1/2	100 1/2	100 1/2	Spanish 4%	74 1/2	74 1/2	3 5	7	82/9	75/-	2 1/2	12 1/2	81/3	3 18/8
100 1/2	100 1/2	100 1/2	100 1/2	Railways				45/10 1/2	40/4 1/2	17 1/2	10	20	45/3	3 15/8
100 1/2	100 1/2	100 1/2	100 1/2	Antofagasta 5% C.Stk.Pf.	35 1/2	39	4 1	0	25/-	21/3	6	2	22/9	4 5 9/8
100 1/2	100 1/2	100 1/2	100 1/2	B.A. Gt. Sthn. Ord. Stk.	12	11	3 13	0	27/-	23/3	6	6	26/9	5 10 6/8
100 1/2	100 1/2	100 1/2	100 1/2	San Paulo Ord. Stk.	49 1/2	47 1/2	4 4	3	41/6	33/9	6	2	39/-	4 2 0/8
100 1/2	100 1/2	100 1/2	100 1/2	U.Havana 5% Cum. Pf. Stk.	8 1/2	8 1/2	3 2	6	26/3	22/-	6	6	25/6	5 3 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Can. Pacific Com. Stk.	16 1/2	16 1/2	3 2	6	24/6	17/3	5	5	23/6	4 6 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Great Western Ord. Stk.	119 1/2	119 1/2	4 3	8	14/6	14/6	2	2	19/-	5 0/8
100 1/2	100 1/2	100 1/2	100 1/2	G.W. 5% Cons. Pref. Stk.	62 1/2	61	6 10	1	39/9	35/-	2 1/2	2 1/2	39/3	5 0/8
100 1/2	100 1/2	100 1/2	100 1/2	L.N.E.R. 4% 1st Pref.	32	31	4 3	8	2/10	1/10 1/2	6	6	2/9	2 9/8
100 1/2	100 1/2	100 1/2	100 1/2	L.M.S. Ord. Stock	62	61	6 10	1	23/-	17/6	Nil	Nil	22/6	Nil
100 1/2	100 1/2	100 1/2	100 1/2	L.M.S. 4% Pref. 1923	32	31	7 17	6	34/3	27 1/2	Nil	Nil	33/-	Nil
100 1/2	100 1/2	100 1/2	100 1/2	London Transport C.Stk.	72	72	4 10	3	108/9	15	5	5	121/10 1/2	3 6 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Southern Def. Stock	25 1/2	25	7 16	10	89/3	76/10 1/2	2 1/2	10	88/9	2 17 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Southern 5% Pref. Ord.	79	79	6 6	7	76/10 1/2	70/10 1/2	12 1/2	12 1/2	82/6	1 4 6/8
100 1/2	100 1/2	100 1/2	100 1/2	Banks and Discount				103/3 1/2	80/-	5	10	100/-	101/3	2 19 3/8
100 1/2	100 1/2	100 1/2	100 1/2	Alexanders £2, £1 pd.	88/-	88/-	4 1	0	14/9	10	7 1/2	7 1/2	18/6	5 0 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Bank of Australasia £1	71	71	3 19	6	62/-	59/6	7 1/2	7 1/2	66/9	2 19 3/8
100 1/2	100 1/2	100 1/2	100 1/2	Bank of England Stock	379 1/2	379 1/2	3 3	0 1/2	71/9	56/10 1/2	10	10	68/9	2 18 6/8
100 1/2	100 1/2	100 1/2	100 1/2	Bank of Montreal \$100	£42 1/2	£42 1/2	3 10	6	50/7 1/2	41/1 1/2	24	30	50/3	3 0 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Bank of New S. Wales £20 ..	22 1/2	22 1/2	3 9	6 1/2	48/9	46/9	3	7	47/9	4 3 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Bank of New Zealand £1	32/-	32/-	3 12	0	129/4 1/2	105/-	11 1/2	11 1/2	116/3	1 12 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Barclays Bank 'B' £1	79/-	77/6	2 4	9	83/6	79/-	7	8	82/6	3 12 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Barclays (D.C.&O.) 'A' £1 ..	58/6	58/-	2 7	6	83 1/2	77 1/2	4	4	80	3 19 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Barclays of India £5	10 1/2	10 1/2	3 16	9	156/3	137/6	12 1/2	12 1/2	152/6	3 8 6/8
100 1/2	100 1/2	100 1/2	100 1/2	Lloyds 'A' £5, £1 pd.	61/-	60/6	3 7	6	47/6	39/1 1/2	8	8	47/-	45/6
100 1/2	100 1/2	100 1/2	100 1/2	Martins Bank £1, fully paid ..	89/6	89/6	3 16	6	35/-	27/4 1/2	6	6	35/-	34/3
100 1/2	100 1/2	100 1/2	100 1/2	Midland £1, fully paid	93/6	94/6	3 16	6	21/-	15/9	6	6	20/3	21/-
100 1/2	100 1/2	100 1/2	100 1/2	Nat. Prov. £2 1/2, fully paid ..	75/6	75/6	3 18	9	39/9	32/9	12 1/2	12 1/2	38/-	35/6
100 1/2	100 1/2	100 1/2	100 1/2	Stan. of S. Africa £20, £5 pd.	17 1/2	17	4 2	3	40/9	37/6	7 1/2	7 1/2	40/6	35/6
100 1/2	100 1/2	100 1/2	100 1/2	Royal Bank of Scotland	69/6	60/6	3 17	9	61/9	58/9	10	10	61/9	58/9
100 1/2	100 1/2	100 1/2	100 1/2	Union Discount £4, £1 pd.	92/6	92/6	3 17	9	37/9	35/-	5	5	36/3	33/6
100 1/2	100 1/2	100 1/2	100 1/2	Westminster £4, £1 pd.	92/6	92/6	3 17	9	37/9	35/-	5	5	36/3	33/6
100 1/2	100 1/2	100 1/2	100 1/2	Insurance				3 6	0	66/10 1/2	52/6	15	20	66/-
100 1/2	100 1/2	100 1/2	100 1/2	Alliance £1, fully paid	27 1/2	27	3 13	0	106/10	99/6	12 1/2	12 1/2	105/7 1/2	3 16 0/8
100 1/2	100 1/2	100 1/2	100 1/2	Commercial Union £1	98	98	3 6	9	39/4 1/2	27/0 1/2	10	15	39/4 1/2	36/3
100 1/2	100 1/2	100 1/2	100 1/2	Gen. Acced. Int. £12 1/2 pd.	115/-	112/6	3 10	6	108/6	102/3	7 1/2	7 1/2	38/-	38/-
100 1/2	100 1/2	100 1/2	100 1/2	Lon. & Lancs. £5, £3 pd.	30 1/2	30 1/2	3 5	0	73/3	66/9	10	10	71/6	71/6
100 1/2	100 1/2	100 1/2	100 1/2	Pearl £1, fully paid	15	15	3 11	0	44/-	35/9	10	10	43/-	41/3
100 1/2	100 1/2	100 1/2	100 1/2	Phoenix £1, fully paid	27	27	3 11	0	98/3	91/4 1/2	10	10	97/6	97/6
100 1/2	100 1/2	100 1/2	100 1/2	Prudential £1 'A'	24 1/2	24 1/2	3 4	9	85/3	77/-	8 1/2	8 1/2	85/-	84/6
100 1/2	100 1/2	100 1/2	100 1/2	Royal Exchange £1	94	94	3 7	6	35 1/2	29/6	7 1/2	7 1/2	35/-	35/-
100 1/2	100 1/2	100 1/2	100 1/2	Royal £1, 12/6 paid	98	98	3 7							

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1858)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIATHE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies
The Bank offers a complete Banking Service and provides
exceptional facilities for financing every description of trade with
the East.Deposits for Fixed Periods or repayable at call or at short notice
are received at rates which may be ascertained on application.
The bank also undertakes Trusteeships and Executorships.

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West End Branch:

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Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

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Bankers to the Government in Kenya Colony and Uganda.

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BRANCHES:

Aden and Aden Point	Cochin (B. India)	Madras Mandalay	Kisumu Mombasa	Kenya Colony
Amritsar	Colombo	Nuara	Nairobi	British E.A.
Bombay	Delhi	Rangoon	Nakuru	
Calcutta	Kandy	Entebbe	Jinja	Uganda
Cawnpore	Karachi	Tuticorin	Kampala	
Chittagong	Lahore	Zanzibar		
Dar-es-salaam	Mwanza	Tanga		Tanganyika Territory

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK, LTD.

Head Office: 5 Gracechurch Street, E.C.3

Subscribed Capital	£5,000,000
Paid-up Capital	3,000,000
Further Liability of Proprietors	2,000,000
Reserve Fund	1,785,000
Currency Reserve	1,585,000

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With its widespread connections, this Bank offers every facility
for the conduct of all classes of Banking and Exchange business
with Australia.

J. A. CLEZY, London Manager and Secretary.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £35,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

UNIVERSITY OF LONDON.—The Senate invite applications
(1) for the University Chair of Economic History tenable
at the London School of Economics and (2) for the Cassel Chair
of Economics (with special reference to Banking and currency),
tenable at the London School of Economics. Salary not less than
£1,250 a year in each case. Applications for the Chair of Economic
History must be received not later than July 17, 1944, and for
the Cassel Chair not later than August 14, 1944, by the Academic
Registrar, University of London, Richmond College, Richmond,
Surrey, from whom further particulars should be obtained.

B. Sc. (ECON.). Statistician seeks suitable post. Box 17, THE ECONOMIST,
Brettenham House, Lancaster Place, London, W.C.2.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000

RESERVE FUNDS STERLING - £7,125,000

RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

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

Chief Manager: A. MORSE, C.B.E.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND
THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED,

9, Gracechurch Street, E.C.3, a company incorporated in England and
an affiliate of The Hongkong and Shanghai Banking Corporation, is
prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

COMMONWEALTH BANK OF AUSTRALIA

Guaranteed by the
Australian Government.Branches and Agencies
throughout Australia.Banking and Exchange Business of every description transacted.
Bankers to the Government of the Commonwealth of Australia, the
Government of the State of Queensland, the Government of the State
of South Australia, the Government of the State of Western Australia,
the Government of the State of Tasmania, Commonwealth Savings
Bank of Australia, 8,921 Agencies at Post Offices in Australia.
As at 30th June, 1943—General Bank Balance ... £287,578,848

Savings Bank Balance ... £21,004,681

Note Issue Department ... £149,406,943

Rural Credits Department ... £2,464,150

Other Items ... £1,900,375

£662,529,446

A. H. LEWIS, Manager.

London Office: 2, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

THE ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with Limited Liability.

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E. B. McInerney, Manager

West End Branch: 2-4, Cockspur Street, S.W.1.

C. H. Hunt, Manager

HEAD OFFICE: MONTREAL

Agency in New York

THE NATIONAL BANK OF SCOTLAND LTD.

Head Office:

EDINBURGH

Branches throughout

SCOTLAND

ESTD.

1825

LONDON OFFICES: 27 Nicholas Lane, E.C.4; and

18-20 Regent Street, Piccadilly Circus, S.W.1

Every description of Banking Service undertaken.

THE ECONOMIST

ESTABLISHED 1843

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

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The Low Countries

ALL along the seaward frontiers of Holland and
Belgium the Germans have flooded the land. The
sand dunes are mined. The Belgian frontier has been
closed. Daily propaganda reminds the peoples of the Low
Countries of the "horrors" inflicted by the Allies on
Normandy. The Nazis expect invasion; or at least, they
say they are ready for it. Yet it is not certain that libera-
tion will come in that way. A rapid disintegration in
France would create a military situation in which sea-
borne invasion might be unnecessary. However, whether
liberation comes by sea or by land, or whether it comes
merely from a general collapse of the Nazis' power, it is
obvious that before very long, the Low Countries will be
free and the Allies will have to deal with the problems
of liberation.

In most of the countries of Europe, liberation is bound
up with very involved and inflamed political problems.
In Italy a long-established Fascist regime had to be
liquidated. In France, a collaborationist Government is
still in power and has received in the last four years a
measure of support. In some of the Balkan countries
there are rival centres of power, roughly coinciding with
the Government in exile and resisters on the spot. In
Italy, Yugoslavia and Greece, the problem of the dynasty
has yet to be solved. In all the eastern and south-eastern
states, as in France and Italy, the future constitutional
form of the state is still in doubt. Compared with these,
the Low Countries enjoy the advantage of an uncompli-

cated and almost serene political outlook. The ease with
which agreement was recently reached between the
British and American Governments and the Dutch and
Belgian Governments on the question of civil administra-
tion in the Low Countries reflects the straightforwardness
of their political and administrative situation. Of all the
countries in Europe, Holland and Belgium are likely to
cause the Allies the least political inconvenience in the
hour of liberation.

In neither of the two states did the Germans succeed
in setting up a quisling Government. The German mili-
tary governor is the supreme authority in Belgium, the
German Commissioner, Seyss-Inquart, in Holland. The
civil servants and the local authorities in both countries
have carried on, neither collaborating fully nor resisting.
In cases of open opposition, the Germans made changes,
introducing into office men picked from among the col-
laborationists; but, by and large, the administrative struc-
ture of both states has been neutral, under supreme
German control.

The scale of active collaboration is very small indeed.
The Dutch Nazis under Mussert are a discredited and
hated minority group, their ranks thinned by assassina-
tion. In Belgium, there are two collaborationist groups.
The French-speaking Walloons follow Degrelle and his
Rexist, the Flemings the *Vlaamsche National Verbond*.
Both movements are small. For example, Degrelle's efforts
to recruit a *Waffen SS* to fight beside the Germans pro-

duced barely 2,000 volunteers. Both movements are split between "moderates," who are ready only for collaboration, and Extremists—Degrelle himself among the Walloons and the organisation known as the *Deutsch-Vlämische Arbeitsgemeinschaft* among the Flemings—who preach the incorporation of Belgium in the Reich. Latterly, all the collaborationist movements have disintegrated and many of their members are more busy creating alibis for themselves than co-operating with their German masters. At no time have they secured anything like a popular hold.

On the other hand, although there has been resistance, it has not been on a scale such as would lead to the setting up inside each country of an underground Government whose authority could clash with the Governments in London. Effective mass resistance depends on the existence of two pre-conditions—mass organisations such as trade unions, co-operatives and political parties or a *maquis* from which partisan activity can be developed. In the Balkans, Poland, Northern Italy and parts of France the geographical conditions for a *maquis* exist. In the flat, densely populated plain of the Low Countries, they do not. Only in the Ardennes does geography favour resistance and here a small *maquis* has come into being.

The alternative—mass institutions—was destroyed by the German invaders. The Dutch and Belgians must not be thought less valiant than the Danes because they cannot organise a general strike. The Danes were allowed to keep their trade unions and political parties. The Low Countries lost theirs. Only two organisations retained anything like an independent institutional life—the Churches and the Universities, and it is significant that in both countries, but particularly in Holland, they have within the limits imposed by their function organised effective opposition—for example, the intransigence of both students and professors has compelled the Nazis to close the Dutch Universities.

One last reason for the uncomplicated political outlook in the Low Countries is the absence of any profound constitutional conflict. In both countries, the monarchy has survived the conflict with its authority undiminished. The House of Orange is the great symbol of Dutch resistance, and loyalty to the Queen is absolute from Right to Left. The Germans speak ruefully of "Orange-Communists." In Belgium, the position of the King seemed equivocal for a short period in 1940, but his bearing through the years of occupation, in which he has been a silent and uncompromising witness to the injustice of the German occupation, has restored his prestige. It is undoubtedly the connection of both monarchies with constitutional and democratic institutions which has spared them the crisis facing the authoritarian dynasties in Italy, Yugoslavia and Greece. Their popularity after the war will depend largely on their continued fidelity to these institutions.

The other great political pitfall avoided by Holland and Belgium is uncertainty over the future constitution of their countries. Both are committed to the model of western constitutional parliamentary democracy and no rival system of government has much appeal. The doubts raised in Belgium by the parliamentary deadlock which preceded this war have been stilled by the direct experience of totalitarianism. In both countries, freedom, however "bourgeois," is a thing of infinite attraction. Differences about political forms may come later. They are unlikely to bedevil the political situation in the hour of liberation.

The relative lack of political difficulties is amply compensated by the formidable task of economic reconstruction which awaits the returning Governments. In every sphere of economic life—industry, agriculture, finance, foreign trade, manpower—the German occupation has turned the Low Countries upside down and ruined them in the process. The basic reason is the same in each case. By forcibly incorporating the two countries into its European war economy, Germany has undermined the

foundations of their prosperity. Both Holland and Belgium were outward-looking. They traded with the western world and were in no way the economic prisoners of Europe. The process of fitting them into the German war economy has meant drastic reorganisation and drastic impoverishment. Holland's prosperous light industries, which processed raw materials from overseas, have been closed down. German concerns have acquired majority control in many Dutch firms. Factories have been moved from the west to the east of Holland and even over the border into Germany and have been subordinated to the rôle of subsidiaries to German industrial groups. In agriculture, the rich dairy farming industry, based on imported fodder, has been restricted to give place to cereals, hemp, flax and all kinds of oil seeds. The recent inundations, swamping agricultural land with salt water, will reduce still further the productivity of Dutch farming. In Belgium, similar processes have had the same result—basic impoverishment, amounting to severe undernourishment. Agriculture has been diverted from livestock and dairy farming to cereals and oil seeds and flax. As the German economy became less and less able to supply the raw materials needed to carry on Belgian heavy industry, output everywhere declined. For example, the greatest steel concern, SA Ougrée-Marihaye, now operates at 27 per cent of its pre-war capacity.

Finance and currency have been disrupted by the one-way traffic in goods set up by the Nazis. Raw materials, finished articles, foodstuffs were despatched to the Reich. The guilders and francs paid out for these supplies are, in theory, backed by the mark balances standing to the credit of Holland and Belgium in Berlin. In fact, there is nothing for them to be spent on. This monetary "favourable balance" has been swollen by the costs of occupation. The result in both countries has been an enormously expanded national debt which, as soon as the controls—price control, rationing and so forth—imposed by the Germans break down, will result in dangerous inflation. So far, the German controls have worked, but an enormous black market exists in both countries and the system is constantly being disrupted by the theft of ration cards, forgeries, the destruction of lists and other acts of sabotage.

Finally in the field of manpower, so drastic has the drain of labour been that some observers believe only a minority of Holland's adult men to be still living in their own country. The number of Dutchmen working abroad has been put as high as half a million. The inundations have meant further transfers of population, possibly to the Reich. In Belgium, the figure is about the same. Belgian workers have been mobilised for work in Germany, and as industrial activity declined in Belgium, more and more men were transferred to mines and plants further east.

To reverse all the trends introduced by the Germans, to unscramble the independent economic groups and interests which have been swallowed up in Germany's global economic plan; to restore agriculture on the basis of imports and by so doing to recover old markets and find new ones, to resettle a large proportion of the population—these are only a few of the problems awaiting the Governments of the Low Countries on their return. Obviously this legacy of dislocation and ruin will require from them the utmost energy, unity and activity. Though even though no grave political problems face them, it would take a very bold prophet to say that in stress of reconstruction, the political fabric of both countries will not be tested to the full. The issue may well be that of the proper use of state power and degree to which the urgency of the crisis should override the ordinary constitutional methods of democracy. There has already been a hint of this in the controversy which has arisen over the Dutch Government's decision to declare a state of martial law during the first days of liberation. It is rumoured that some members of the Queen's entourage wish to extend the period of emergency over many months to secure an "orderly" re-

to democratic government. Others see in this a threat to the whole idea of democratic government.

In Belgium before the war, there was a strong body of opinion on the Left demanding more vigorous state intervention. The splitting of the Left by the defection to the Germans of some of its leaders, such as Henri de Man, may have only a very temporary effect, and the revival of parliamentary government may soon revive the earlier *impasse* between a Right and a Left, neither possessing an effective majority.

In short, the Low Countries face a problem very similar to the problem awaiting this country. Can a democratic community use the state power in such a manner that it ensures a stable and expanding economy while retaining personal freedom and the rule of law? The degree of devastation and destitution in Holland and Belgium make the problem at once more difficult and more urgent, but on its solution depends, there as here, the continuance of political freedom, national unity and internal peace.

Five Year Plans for All?

FOR far too many years the world chose to ignore the economic achievements of the Soviet Union. When Hitler attacked in 1941, it was the almost universal belief that Russian industry was insufficient to maintain in the field an army that could resist the Nazi columns. The judgment, as all the world now knows, was about as false as it could be. In a very short span of years, it is now evident, the backward empire of the Czars has been converted into an industrial power of the very first magnitude, and when this great productive force can be turned to peaceful purposes, the Soviet state will have an opportunity to show how rapidly the standard of living of nearly two hundred million people can be raised. Russia has lifted itself by its own bootstraps.

Under the impression of these mighty events, there are signs that opinion in the outside world is now rushing to an extreme as ridiculously wrong as its previous scorn for Russian methods. The opinion is growing up that there can be Five Year Plans for all, that it is easy for any and every country to follow the Russian example and double or treble its national income in ten or fifteen years. All that is necessary is to discard capitalist prejudice, to nationalise the banks, and to recruit a planning staff. The Bombay Plan, recently reviewed in *The Economist*, is a case in point, praiseworthy in its object, but hopelessly naïve in its calculations. Some of the current talk of the speed with which China, once redeemed from the Japanese invader and free to start its Plan, is to become a strong industrial power, provides another example. To many people, it is treason and heresy to suggest that any more than, at the most, twenty years should be allowed for China to attain, in fact, the status of a Great Power which is now conferred on paper. Look at Russia. They rose in twenty years from the chaos of civil war to be a nation of Hitler-beaters. Why not China too? Or again, some of the more impatient of the colonial reformers sometimes talk as if it were only the antediluvian prejudices of the capitalist order that prevented Nigeria from becoming, overnight, another California.

That public attention should be turned to the possibility of speeding up the rate of economic progress is all to the good. But there is only disillusionment in store if

the limiting conditions are not realised. For the truth is that the conditions which made Stalin's methods a success in Russia are not very easy to reproduce elsewhere. Together with a mass of contributory circumstances, there are four primary conditions that were essential, two economic and two political. It is well worth while identifying them.

★

The essence of the Soviet Five Year Plan is the massive investment of capital. The direction of the investment may change as the plan develops—from heavy industry to light industry to social services—but at every stage, the essence of the Plan is that capital shall be invested—that is, labour and materials devoted—to dams, mines, mills, roads, railways, canals, factories, schools, hospitals and the like on a far larger scale than would happen in a free economy. If the word had not already been pre-empted for another meaning, one would be tempted to say that the Soviet economy is capitalist, since its basic premise is that the productivity of the whole economy can be most rapidly expanded by the extra-rapid and extra-large creation of capital resources.

But the labour and the materials devoted to this accretion of capital have to come from somewhere. Poor and undeveloped countries invariably have "full employment"—they have to—so that there is no margin of unused resources that can be mobilised for the purpose. Loans can be raised abroad, but they are likely to be small relatively to the size of a whole national economy. And in any event this was not the Russian method.

There is only one other source from which the labour and materials needed for the capital construction can be drawn. That is from the consumption of the people. The theory of the Five Year Plan is that, by cutting down consumption in the present and devoting the resources thus saved to a very rapid growth of capital equipment, the total output of the economy can be expanded and, in due course, the absolute level of consumption can be restored—that is, provided it is not necessary to step aside to prepare for defence against Nazi attack. In the



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end, the standard of living of the people is raised to a level not only higher than it was before the Plan started, but higher than it would have been if there had been no Plan. But the first stage is one of cutting down consumption in order to liberate resources for capital formation*. This was, most decidedly, the pattern followed by the Russian experiment. It was no accident that the years of the first Five Year Plan coincided with one of the worst famines in Russian history. A reduction in the level of consumption was an essential part of the whole scheme, without which it could not proceed.

From this analysis can be deduced the first economic pre-condition of a Five Year Plan, Soviet-style. There must be a possibility of compressing the level of consumption. Whether the compression be done by an inflation of prices or by direct physical measures, it must be possible, before a Five Year Plan can start, for resources to be diverted from consumption to the building of capital. This is as much as to say that, in the poorest countries, such as India or China, or the tropical colonies, a self-supporting Plan is next to impossible. In India, despite the fabulous wealth of a handful of maharajahs and industrialists, there is no margin; in China even less. The resources that could be obtained by a compression of consumption in those countries would be so small as to have no perceptible effect on the total output. Countries such as these necessarily rely on external assistance to get their start, and external assistance—apart from such windfalls as India's war-time sterling balances—is inevitably small. Other countries, where there is a margin, can hope to implement an autonomous plan only to the extent that they do, in fact, mobilise that margin. Dams and factories can only be built by labour and materials, and no amount of paper planning or of financial manipulation will provide the labour and materials if they continue to be used for current consumption.

The second economic pre-condition is sufficiently obvious. After the resources have been provided by cutting down consumption, there must be reason to hope that their application to the formation of capital will raise the total output quickly. It may be reasonable to impose sacrifices of consumption for ten or fifteen years provided they can then be put back with interest, but if the process were spread over many more years of lowered standards of living, it might be very difficult to justify. In short, the yield on the investment, calculated in real terms, must be good. Or in technical language, the marginal productivity of capital must be high. In Russia, clearly, it has been very high. But it does not follow that it would be equally high elsewhere. It could hardly be expected to be so high in an economically mature country, already equipped with the more obvious forms of capital. Nor would it necessarily be high in an undeveloped country. Russia, after all, has enormous natural resources which other countries do not enjoy, and the Russian people are at such a stage of development that they can quickly adapt themselves to new methods. This

* The argument can be illustrated numerically. The following figures do not purport to be a representation of what naturally happened in Russia or elsewhere. They are rather a schematic representation of the theory of Five Year Planning. The figures are intended to be units of real resources, and they show the distribution of a nation's output between the three categories of consumption, of Government requirements (other than capital) and of capital formation. The year P is that in which the Plan begins:—

	P Year: minus 1	P plus 1	P plus 5	P plus 10	P plus 15
Resources devoted to:					
Consumption . . .	88	70	75	85	105
Government . . .	10	12	15	20	20
Capital	2	18	25	30	35
Total output	100	100	115	135	160

These figures assume, as is not unreasonable, that the investment in capital equipment of as much as 18 per cent. of a nation's total output would raise the total of that output by 15 per cent in the first five years. Thereafter the proportionate return, in increased output, for the investment of resources in capital, gradually declines. The essential point to notice is that the increase in total output is only achieved at the cost of a severe reduction of consumption in the early years which, in this example, is not recouped until the third five-year period.

is a subject that has been insufficiently explored, but before a country adopts a Five Year Plan it should at least enquire what the marginal productivity of capital is likely to be in its particular circumstances.

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The two political conditions follow from these economic principles. In the first place, there must be a government willing to impose the Plan on the people. Imposition is, of course, a necessity. If the people wanted to save so large a part of their incomes—that is, to consume so small a fraction of what they produced—they would have done so and the necessity for a Plan, at least in this form, would not arise. It is the essence of the Plan that, for a period, it makes the people invest more, and consume less, than they would freely wish. The end may be approved by the people, but the means are necessarily those of compulsion. For short periods and under the manifest pressure of external danger, even democratic peoples can be persuaded to accept the compulsory reduction of their standard of living (though, in the present war, only one people, the British, can be said to have freely accepted a substantial reduction for more than a very short time). It is highly doubtful whether, over much longer periods and without the obvious compulsion of peril, a free electorate would be resolute in thinking that the end justified the means. This cannot, of course, be dogmatically asserted; but at least the Planners should realise that they must assume either a dictatorial regime or the willingness of a free electorate to put up with a substantial lowering of the standard of living for quite a long time.

The second political condition is that the Government must be not only willing, but also able, to impose a reduction in consumption. Whether or not the electorate—that is, the collectivity of individuals—approves the policy, the means must be compulsion—that is the single individual can be given no choice. This lesson has been so clearly taught by the war that it requires no further proof. But the restraint of consumption is an extremely difficult administrative operation. Not only must the limited supplies be parcelled out equitably—which means that the black market must be stamped out—but steps must also be taken to prevent a surfeit of unspendable money causing inflation—which means heavy taxation and all the paraphernalia of a savings campaign. These are tasks that can only be carried out in countries where there is a large, efficient and honest body of public servants. Once again, it is a requirement that cannot be met everywhere.

All four of the necessary conditions were present in Russia. The method of the Five Year Plan was admirably, if ruthlessly, suited to Russian conditions, and the world now admires the results. Nazi Germany is another case in point and the world, if it hardly admires the result, is nevertheless put to considerable trouble to batter down the very efficient and productive machine that was built by the Nazi planners.

But it is difficult to think of many other cases in which all the requirements could be met. The need for rapid progress is certainly greatest in countries like India and China, and it would be very pleasant to believe that there was an easy solution for their economic problems. But unfortunately it is precisely in these countries that the conditions are most difficult to create. And in those richer countries where the economic conditions can be met, the political difficulties are great. Some people will draw from an analysis of the facts the conclusion that democratic methods must go if they hamper planning on the Russian scale. Others will prefer to conclude that a democracy must be content with the slower pace of economic progress (albeit possibly faster than under *laissez faire* conditions) that is possible when the planning does not abrogate freedom of choice for the individual. Either of these positions is logical. The one illogicality is to hold that the Russian pace of economic progress (even if, on other grounds, it were possible in the country concerned) can be combined with the methods of agreement and consent.

The Trumpet Blowers

TIMES have changed since the Ministry of Information was Public Whipping Boy Number One, the butt of press, Parliament and public. To-day it is not only accepted as part of the wartime furniture, along with rationing, controls and fire-watching, but is regarded, if not with affection, at any rate with tolerance by those who come in contact with it. This is partly the result of growing up. The Ministry, as Mr Bracken said, is no longer "a nest of amateur singing birds"; it now has a song worth singing, and above all it has a Minister who knows how to deal with Fleet Street. One of the most remarkable features of last week's debate in the House of Commons—the first for two years—was the unanimity with which Members of Parliament, including the journalist MPs, showered bouquets on Mr Bracken and his staff, bouquets which the Minister, in a witty, almost Churchillian speech, acknowledged and gracefully passed on to his colleagues.

Most of the Members who had come to praise the Ministry had also come to bury it. Led by Mr Burgin, whose main theme was "We don't want to lose you, but we think you ought to go," there was a strong demand that the Ministry should disband with the cease-fire order. Wartime information has necessarily become a commodity, subject if not to rationing, at least to control. Journalists, especially news editors, while appreciating the security reasons for control, feel that official hand-outs and censorship cramp their style and are nostalgic for the days of the free-for-all scramble for news. Many of the people, including powerful sections of the press, who are most anxious for the demise of the Ministry of Information, are also in favour of a speedy lifting of all Government controls.

It seems clear, however, that some form of news control will have to be continued after the war. The war against Japan, outrunning the German war, will not only require a censorship, probably less rigid since the enemy will be farther away, but may also need "putting across" to the people, war-weary, anxious to get back to normal and, unless they have friends and relations in the Far Eastern theatre, not intimately affected. Further, and this is a more important factor, the public has already been warned that controls and rationing will have to last for some time after the war. To explain the reasons for continued restriction, for possible shortages of food and materials, in short, the need for continued discipline and ordered transition, the Government will still need its channels of publicity.

But as soon as the safety of the state is no longer in question, the censorship functions of the MOI will, and should, wither away. By far the largest proportion of the Ministry's staff is engaged in censorship, either of letters (the Postal and Telegraph Censorship employs over 12,000) or of news. The prolongation of any censorship of either kind for a day longer than was necessary would be intolerable. There is, it is true, often a tendency to exaggerate the degree of press censorship. What goes into a paper is, rightly, left to the good sense of Editors—the fact that editorial policy is often dictated by newspaper proprietors is irrelevant to this argument. The extent to which freedom of the press has in fact been preserved in wartime—freedom to print, comment, interpret and criticise—has been remarkable, but the sooner the complete freedom of the press from Government control can be restored, the better.

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Once the Ministry of Information has been shorn of its negative, censorship functions, what would there be left for it to do? The Ministry's tasks in the field of home publicity might be described broadly as being, first, to tell the public what the Government wants it to know, and secondly, to tell the Government what the public thinks.

Into the first category fall the majority of the Ministry's Home activities; book publications, press relations, lectures and meetings, films, advertising, and the reference division. It acts, theoretically at least, as a funnel for Government information. At one stage there was a tendency to wish all types of Government publicity on to the Ministry, which would have turned the funnel into a hopeless bottleneck. But the day-to-day handling of publicity is much better left to the appropriate public relations departments of the various Ministries. These have been greatly expanded since the war and perform a very necessary function, releasing news to the press, answering enquiries, arranging conferences, providing facilities and in general maintaining liaison between their department and the public. These functions are performed with varying degrees of efficiency and courtesy. Sometimes a newspaperman is made to feel that a great favour is being conferred on him, sometimes he has information thrust upon him, often he meets a stone wall of reticence, while some PROs seem to regard it as their main mission in life to boost their Ministers. The MOI has in practice little to do with these day-to-day departmental activities, though it has to know broadly what is going on. It generally handles news of a wider or non-departmental character—the Hot Springs Conference, the Beveridge Report and the Employment White Paper are instances. On balance the various relationships involved in this rather complex system—those between the public relations departments and the press, between the PROs and MOI, and between the MOI and the press, have worked satisfactorily. But if, after the war, the Departments retain their own publicity organs, the need for a separate Ministry of Information, except for co-ordinating or reference functions, will be correspondingly smaller.

Two fields in which the Ministry of Information has been pre-eminently successful are the production of books and films, and the advantages of having a central body for this type of publicity are indisputable. The Ministry's books, commissioned by and written for different Service or Home departments, have been best sellers—over 23 million have been sold in this country alone—they are imaginatively produced, readable, often brilliantly illustrated and have done a great deal to stimulate popular interest and knowledge of the Services. The work of the Crown Film Unit rightly earned high praise in the debate. Though Mr Bracken rejected the title "documentary" as "dreary," British film producers have been the pioneers of the documentary technique. Both the books and the films should continue in peacetime, if the public is to be adequately informed of the state's activities. In particular, there is a strong case for state subvention and production of the right kind of short films, which have a far-reaching educational and social value, and should not be left entirely to commercial enterprise. But these two activities by themselves would not justify the existence of a special Ministry.

The Ministry's activities in arranging lectures and meetings, mainly through its regional offices, will hardly be necessary after the war. As and when the black-out is lifted, halls become available and political activity is revived, there will be less demand for Government-sponsored enlightenment. Such matters are best left to individual initiative and to the Workers' Educational Association, debating societies and organisations of various political complexions. The extent to which Government control should be exercised over broadcasting in peacetime is an enormous subject in itself. But if there is to be such control at all, it should be remote and indirect, through the nomination of the Governors of the BBC. This also hardly requires the existence of a Ministry.

About the other side of the Ministry's work, interpreting the public to the Government, much less is heard. After the outcry over "Cooper's Snoopers" early

in the war, the Ministry took fright, but its Wartime Social Survey does an honest and useful job for the Government. The Survey's services are available to any department, but its main investigations have been for the Board of Trade and the Ministry of Food, testing consumer reactions to food and clothes rationing, shopping difficulties, quality and supplies of goods. Its staff are all trained social science investigators. The Survey does not touch "morale" or politics. If the Government is to assume an increasing responsibility for social welfare, health, housing and employment generally, it will clearly need to pay attention to consumer research.

There are thus a number of domestic information functions which can and should be performed after the war, both centrally and regionally. They would, however, hardly justify the existence of a whole separate Ministry, which might be too like creating a permanent Ministry of Propaganda. But there is no reason why a central information department should not be set up, as a part of the Cabinet Secretariat, including on its staff competent professional journalists, publicists and social science experts, equal in status and working on similar lines to the Central Statistical Office. The question of salaries will obviously have to be reviewed, if the best men are to be attracted, but this point applies generally to Civil Service recruitment. Such a solution would give the best of both worlds. As part of the Cabinet Secretariat, the Central Information Office would speak with authority on Government policy and plans, and it would be small enough not to become bureaucratic or unwieldy.

On the foreign side, there is an even stronger case for retaining the overseas functions of the Ministry of Information. In wartime the Ministry has had to tell the world about Britain's war effort and achievements and has had to work not only in neutral countries, to counter the blast of the German propaganda machine, but in Allied countries which have only a vague idea about this country.

The British Information Service in the United States has, on the whole, worked effectively. Originally there

was a tendency to "write up" this country, which was not well received in sophisticated American newspaper offices, but latterly more effective and subtler methods have been used, and the main reliance now is on the prompt and efficient answering of requests for information. In Russia, too, the Ministry's efforts have been well rewarded. "British Ally" now sells some 50,000 copies. The building up of international understanding is important in wartime. After the war, when the bonds of fighting a common enemy have disappeared and political and economic friction may develop, it will be even more vital.

Again, it is probably not necessary to have a special Ministry to look after foreign press and propaganda, functions which fall properly within the sphere of the Foreign Office. The most logical course would be to reorganise the Foreign Office, setting up separate departments for publicity, trade and intelligence, under the general aegis of the Foreign Secretary, but allowing to each a considerable degree of executive independence.

But whatever form of machinery is evolved for stating Britain's case, the really important thing is to have a case to state, and to state it in the right way. The end of this war, to judge from the example of Italy and the French popular movement, will see a revival of liberal, left-wing, progressive—possibly intensely nationalist—Governments in Europe. Publicity aimed at the type of Government which ruled Europe after the war, or designed to interest limited aristocratic or ambassadorial circles, would not only fall flat, but would do this country untold harm. Publicity should also be truthful. A description of England in the 1930's, which failed to mention Jarrow or Merthyr Tydfil, would have been untruthful, but the real story would not have enhanced this country's reputation. Wartime social achievement has been creditable, and can be faithfully recorded, without gloss or embellishment, and, provided that the right aims and policy are pursued after the war, the national trumpets can be blown fearlessly and with pride.

NOTES OF THE WEEK

The Russian Offensive

The Soviet offensive in Byelorussia has developed into one of the most decisive campaigns of the war. The historian will probably class it with the battle of Stalingrad and the crossing of the Dnieper. A fortnight after their first attacks on Vitebsk, Orsha and Mogilev, the Russians now stand roughly two hundred miles to the west of their starting points. Minsk, the capital of Byelorussia, fell to the attackers with surprising speed; and the drive from Minsk westwards began immediately after the city's capture. There is no doubt that large German forces have been routed. This is shown by the high number of prisoners—including many German generals—taken by the Russians. The morale of the German soldiers seems to have given signs of being even below the standard of last winter. The advance from Byelorussia gives the Soviet Command the chance to strike in two main directions. One thrust southwards towards Baranowicz opens the way to Brest Litovsk, on which a second from Kowel, now evacuated by the Germans, may soon converge. These operations may be regarded as the first moves in the battle of central Poland. The other direction is from Minsk and Polotsk towards Vilna and Dvinsk, the two bases from which the Russians may attempt to drive a broad wedge between East Prussia and the German forces in the Baltic area. It has still to be seen for how long the present rate of the advance—15 miles a day—can be kept up. But there is no reason why their "conveyor belt" system of supply should not enable the Soviet armies to press forward continuously during the greater part of the summer.

"A Somewhat Lengthy Affair"

The Prime Minister told the whole story of the flying bomb on Thursday, or rather the story of a major battle that has been going on, unseen, for over a year—engaging

a large part of Allied air strength and of Germany's industrial resources—ever since it was learned that the enemy was developing a large long-range rocket. Bombing upset his preparations for the discharge of both the rockets and the smaller flying bombs; and in the event, still under bombing, he has been reduced to the discharge of about 100 to 150 of the latter every twenty-four hours. Each weighs a ton, and when it is considered that a very considerable proportion of those discharged are intercepted, the relatively light weight of this "trying and worrisome" attack is evident. Even casualties, though grievous, are not heavy. Deaths amount to one per bomb (that is, per ton) dispatched, and the ratio of deaths to hospital cases is 1:3. Mr Churchill did not underestimate either the effect or the duration of the attack. It may be "a somewhat lengthy affair." But life in London (née Southern England) will go on as it has done since the bombardment started—unless bigger missiles perhaps raise bigger problems. People with no ties in London may leave if they will; but for the most part, as Mr Churchill advised, they will carry on and make the best of it under this "harassing fire."

A Victory for the Danes

In a trial of strength between the Danish people and the German forces of occupation, the Danes have secured a remarkable victory. After a series of acts of sabotage, which grew in intensity when the news of the Allied landing in France reached Denmark, the German authorities in Copenhagen decreed a curfew, policing the streets with Germans and with Danes from the notorious *Schalburgcorps* and firing on those who evaded the curfew order. This seems to have been the last straw to a population whom the criminal activities—murder, looting, arson—of the *Schalburgcorps* had already driven to the verge of violence. Led by their trade unions, the workers began to

come out on strike. The Germans postponed the curfew from 8 until 11 p.m. on June 29th, but this small concession had no effect. The strike spread, and by June 30th it had become general, involving 400,000 people, and it was spreading to the provinces. The Germans attempted to force the people back to work by terror. A state of siege was declared; the city was cut off from the countryside; all the services—gas, water, electricity—were suspended, and fighting broke out in the streets. At the same time the German authorities tried to negotiate a return to work with the Danish leaders. By this time, although the body representing Denmark's small resistance movement, the Danish Freedom Council, had not been responsible for declaring the strike, it had started to back it and had formulated four demands as a condition of a return to work. The *Schalburgcorps* must go; the state of emergency must be lifted; Copenhagen must be free to communicate with the outside world, and the municipal services must be restored. Finally, no one should be penalised for their part in the strike. Negotiations continued between the Germans and the Danish leaders. When, on July 2nd, Dr Best agreed to call off the emergency and restore the services, the leaders of the Employers' Federations and the Trade Unions together with the Mayor of Copenhagen appealed to the people to end their strike. They preferred to follow the lead given by the Danish Freedom Council, and only when the Germans accepted all four conditions did the general strike come to an end.

The German Defeat

How can one explain so complete a local defeat for the German authorities in Denmark? They, after all, had all the advantages of overwhelming military strength on their side. The first reason is, of course, the fact that the Germans are on the verge of defeat in the war. They know it and the Danes know it, and the knowledge vitally affected the psychological atmosphere in which the strike took place. Another reason is the important rôle Denmark plays in the German economy. As the strike spread outwards from Copenhagen, it began to affect farms, co-operatives, dairies and agricultural processing plants. Had it spread further and lasted longer, it might have affected Germany's food supply. The decisive reason, however, is the fact that in Denmark the old forms of democratic society survived the German occupation. The Nazis are paying the price for trying to make Denmark into a model protectorate. They left the trade unions, they left the employers' federations and the municipal authorities. The Danes did not feel that their whole way of life had been pulverised out of existence and, with it, the power to react in the accustomed manner of free men. When the provocations offered by the occupying authorities and their Danish jackals in the *Schalburgcorps* became intolerable, the Danish workers possessed, in their trade unions, instruments through which to organise mass action. Thus their successful strike has a moral beyond the immediate issue of military occupation. One of the greatest safeguards of freedom is the existence of a plurality of institutions expressing the purposes of the citizens and independent of the state. When they disappear, the power to act independently goes with them.

To Balance or Not

The references to budgetary policy in the White Paper on Employment Policy were described in *The Economist* as the fruit of the Treasury's wrestling with its conscience. The struggle goes on and it is still difficult to tell which doctrine is on top. The White Paper, it will be recalled, stated, among a great many other things, that the policies proposed in this Paper . . . certainly do not contemplate any departure from the principle that the Budget must be balanced over a longer period.

But the effect of this was largely nullified by a succeeding paragraph suggesting that it was the relation of the debt burden to the national income that really mattered. The second round came with the Chancellor's speech in the employment debate. Once again, there was a flat-footed statement qualified by an aside. The flat-footed statement was that it was a cardinal point in Government policy that budgets must be balanced over a period, whatever happened to them from year to year. The aside was an underlining of the advantages to be derived from increasing productive

debt while dead-weight debt was being written off—which leaves in the mind the query whether the service of "productive" debt is supposed to come into the balanced budget. Another variant came when Sir John Anderson spoke on the third reading of the Finance Bill.

I developed this matter to some extent [said the Chancellor] in a speech on the Government's employment policy, and I then pointed out, and I think it is worth repeating, that we ought to look at the National Debt in relation to the growth of the national income. We ought, in turn, to consider the growth of the national income in relation to the growth of automatic burdens. Expansion of the national income might render us indifferent to a proportionate expansion of the National Debt, but we must beware, because we have to consider how far the national income may be already mortgaged. I pointed out the increasing burden which the taxpayers of this country will, inevitably, have to bear, in consequence of the increasing proportion of aged persons in the community.

Here, then, would appear to be a new doctrine: that all is well provided the sum of the debt charge plus other "automatic burdens," especially old age pensions, does not rise relatively to the national income. This variant, it is hardly necessary to point out, would permit quite a lot of deficit financing, and in the long run as well as the short. What is one to make of these various utterances? The purpose of setting them down here is not in the least to embarrass the Chancellor or to challenge him to play the futile game of verbal consistency. Somewhere in these equivocations there is embedded a principle that may well be vital to the whole policy of full employment, which (unless we are uncommonly lucky) cannot be pursued to success within a regime of balanced budgets—at least in the ordinary meaning of the words. It is very important that the public should know what the Government really means.

Resettlement

Mr Bevin announced last week, in reply to a parliamentary question, that a special service, under the control of the Ministry of Labour, was to be set up to give advice

The merry
monarch
had a bright
idea . . .



He made good the deficiencies in his budget by personal borrowing from those early bankers, the City goldsmiths, on terms which were highly satisfactory—to His Majesty! No wonder the limits of the Royal Prerogative took so much thrashing out in Charles II's days. Subsequent and more enlightened Governments have deemed it wise to encourage the Banker, with the result that today the advantages of a complete banking service are available to every citizen. The Westminster Bank with its network of branches offers you the security and convenience of a Current or Deposit Account, while its Trustee Department offers the testator the advantages of corporate executorship. Call and discuss these and other services with your local Manager.

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on the resettlement of men and women in civil life. It has long been urged, by Lord Nathan in particular, that the question of resettlement is a matter that ought not to wait until the end of the war. Lord Nathan has asked for a Ministry of Welfare, or at least a Department of Welfare, presided over by a Minister of Cabinet rank, and has urged that the local machinery should be set up well in advance so that people would be used to it when they came to need it. It is satisfactory that something is now being done. But it is not clear from Mr Bevin's reply whether the machinery that is to be set up will be adequate to cope with the problem or whether the extent of the problem itself has been fully foreseen. He said that the function of the resettlement advice offices

will be to give advice and information to all men and women released from the Forces or from other forms of war service, and to render every possible assistance to them in dealing with their resettlement problems.

But it will not be only a question of the resettlement of ex-Service men and women. The underlying emotion of every citizen at present, whether he or she is in the forces, on war work or evacuated, is the desire to go back home. But it is essential for the Government's plans for reconstruction that this desire should not get the upper hand; otherwise even the dubious principle of "first in, first out," will be lost in "all change." The longer the war lasts, the more necessary it is to bring home to every individual citizen the fact that the order to "stay put" with the "cease fire" applies to him or her. In this atmosphere of being at school in the holidays the Government will have to contend with a host of civilian problems—the re-establishment of family life; the provision of homes and furniture for the bombed and those who have never had them; the reopening of small businesses as well as those belonging particularly to the armed Forces, including the great band of prisoners of war. Resettlement is not, therefore, simply a matter of helping those on war service to settle down in peacetime occupations. It will be a major armistice problem, affecting in one way or another the whole nation. The Minister of Labour may be the best Minister to be responsible for policy, and his Department has the advantage of having a local staff with wide experience in welfare work. But he would do well to have advising him a committee of men and women who have made social welfare a speciality. The resettlement that will be necessary is a task that no Government Department has had to undertake before, and it will require a skilled staff.

"They" and "We"

It is satisfactory to learn that the resettlement advice Officers are to be specially selected and trained for the job. They will be expected to have a good knowledge of the social sciences and economics, of central and local government, and of the range of statutory and voluntary social services (the kind of subjects in fact that are included in the London School of Economics Social Science course). Recruitment to the service, though mainly from the Ministry's present staff, will not be confined to it. People with experience of social service work may also be taken on and special consideration will be given, as Lord Nathan in fact emphasised, in his earlier welfare and resettlement proposals, to ex-Service men and women, who are likely to handle the problems of other ex-Service people with tact and sympathy. It is also especially important—and consultations are now going on with the National Council of Social Service and other voluntary organisations—that the new service should neither overlap nor compete with the work of the Citizen's Advice Bureaux. The CABs are voluntary agencies; one of their main functions in the early stages of the war was to help evacuated people find their feet in strange surroundings. Since the war, they have grown rapidly and widened their scope. They now not only act as a kind of post office between the different departments, but also deal with a great variety of questions, touching all sections of the community, many of which would never be taken to Government officials. The Citizens' Advice Bureaux will be the first to welcome the official recognition that there is need to advise the citizen; to help him find his way in the maze of Government and local departments; to understand and fill up forms; and to give advice on personal problems in a friendly and non-bureaucratic manner—in other words to bridge the gap between "They" and "We."

The Monetary Conference

The International Monetary Conference was formally opened at Bretton Woods last Saturday and this week has got down to business with commendable speed. A welcoming message from President Roosevelt set the key for the discussions by emphasising the infectious nature of economic instability in any one country and by arguing that "the economic health of every country is a proper matter for the concern of all its neighbours, near and distant." The President went on to stress the fact that any international monetary mechanism must serve a dynamic and soundly expanding world economy, for only in such a framework "can the living standards of individual nations be advanced to levels which will permit the full realisation of our hopes for the future." The opening address was made by Mr Morgenthau, who had previously been unanimously elected president of the Conference. It was, in the main, a plea for creating some ordered system of international monetary relations because there was no greater menace to world peace than monetary instability, which destroyed the basis of world trade, created unemployment and depression and led to economic aggression. After these preliminaries the Conference split itself up into three Commissions: the first to deal with the monetary proposals, taking as its agenda the proposals for setting up an International Monetary Fund; the second to discuss the proposals for setting up a United Nations bank for reconstruction and development; the third, a "remnants department," to cover any subject outside the scope of the first two commissions—for example, the place of silver in the new international monetary order.

White and Keynes Commissions

The first Commission is under the chairmanship of Mr Harry White, of the US Treasury. It has itself been split up into four committees, each of them dealing with a particular aspect of the Monetary Fund scheme. Mr Harry White, in a speech to the first plenary session of the Commission, spoke for the Fund as a permanent co-operative institution designed to promote exchange stability, to assure multilateral payment facilities, to help lessen international disequilibrium and to give confidence to member countries. The second Commission, dealing with the reconstruction bank proposals, has been put under the chairmanship of Lord Keynes. In launching his Commission on its labours Lord Keynes gave a brief summary of the reconstruction bank project which, he said, owed much to the initiative and ability of the US Treasury. It would be the duty of the proposed bank, by wise and prudent lending, to promote a policy of expansion in the world economy—but "expansion" in a sense in which that term was the exact opposite of inflation. The bank would make direct loans to member countries, but the greater part of its capital would be used to serve as a reserve fund to guarantee private loans, thus making exceptional loan risks attractive to the open market and securing reasonable terms for the borrowers. Lord Keynes emphasised that the proceeds of such loans would be available for purchases in any member country. He admitted that the United States would probably have to provide most of the actual "cash" involved in these loan operations, but added that the risk would be shared by all participating countries and pointed to this distinction between the subscribers of money and the takers of risk as one of the attractive novelties of the scheme. He was also at pains to point out that the bank would not tread on any toes. It would not compete with UNRRA because it would come into the reconstruction picture only after UNRRA had provided the first aid of relief and rehabilitation. It would not compete with private investment banks or with public financial markets, since no transaction would be undertaken without the approval of the banking authorities of all the countries concerned. Unanimous governmental consent would also be required. Indeed, it is apparent that so much attention has been paid to safeguards that it is legitimate to wonder how large a volume of capital will actually be provided. But, within the measure of the possibilities, it may be that the world bank will be even more valuable than the currency fund, since the resources it provides can be directly applied to productive purposes.

The Place of Silver

The third Commission is under the chairmanship of Señor Eduardo Suarez, the head of the Mexican delegation. If only for this reason, it is likely to be very much concerned

with the problem of silver. The Mexican delegation has tabled proposals for giving silver a recognised place in the Monetary Fund scheme. The Mexicans, on this issue, have found allies in the silver lobby of Congress. A letter sent to President Roosevelt by the chairman of the Senate Silver Committee asserts that the plan for post-war monetary stabilisation published by the US Treasury suffers from the "basic organic defect" that no place is assigned in it to silver. It is urged that parities for the currencies of member countries should be fixed in terms of silver as well as of gold. This proposal has already been opposed by the US delegation. The principal Chinese delegate, for his part, has explained that China was not particularly interested in silver as an international currency stabiliser, pointing out that China had done without silver since 1935, and that the managed currency system operated after the demonetisation of silver had worked efficiently, until it was dislocated as a result of Japanese aggression. The chances of silver emerging from the Conference with increased monetary status are less than slender; but everything suggests that it will occupy more than its fair share of the discussions.

Finland's Fatal Hour

Of all the satellites of Germany, Finland was until recently the only one that could attempt to justify its policy on the ground that it was waging a "separate war" against Russia—still remaining independent from the Reich, and even at heart hostile to the New Order. The Finns had a genuine grievance against Russia after the war of 1939-1940. Even so, their participation in Hitler's crusade was a grave and grievous error, to say the least, whatever mitigating circumstances they may hitherto have been able to plead. The new Finnish-German agreement, concluded during Ribbentrop's visit to Helsinki, and the appearance of new German troops in southern Finland have radically changed the situation. By refusing to conclude a separate armistice with Russia, the Finns have themselves entirely exploded the excuse of their separate war. With suicidal folly the Linkomies Government has chosen this moment, when the Russians threaten completely to cut off the Germans in the Baltic area, to assert their solidarity with Berlin. The double-faced role of the Finnish Social Democrats is striking. At first, they registered a verbal protest against the new commitments of the Government. Then they decided not to withdraw their Ministers from the Cabinet, which means that, in fact, they agreed to share in the responsibility for continuing the war. This decision can in no way be justified by invoking "the will of the people." Neither the people nor Parliament had been consulted by the Government about the fatal step it decided to take. The rupture of diplomatic relations between the United States and Finland may perhaps still act as a last minute warning and restraint. It may bring home to the Finns what they stand in imminent peril of losing.

Polish Citizenship

A recent decree issued by the Soviet Government declares that all Poles coming from eastern Poland (from western Ukraine and western Byelorussia), and serving with the Soviet armies, will have the right to choose Polish citizenship. This may perhaps be regarded as a step towards a Polish-Russian agreement. Wherever the new frontier between Poland and Russia may ultimately be drawn it is essential that the population of the disputed territory should be given the right to choose Polish or Soviet citizenship. The right of option is an elementary principle of justice observed in all the territorial transfers that have taken place in modern times. But the meaning of the Soviet Government's decree is not quite clear. It contains a great many qualifications. First of all, the right of choice is granted to Poles who serve with the Red Army. This may be interpreted as an inducement for Poles to join the Soviet Army or, more accurately, the Polish units under General Berling. Properly, of course, the right of choice should not be regarded as a reward for military service; either it belongs to every Pole in eastern Poland or to none. Secondly, those Poles who were Soviet citizens even before 1939, are that is, before the Soviet occupation of eastern Poland, are now to be given the right of choice. There has always been a fairly large Polish minority in the Soviet Union proper: but it is doubtful, to say the least, whether the Soviet Government really means to give those Soviet Poles the

right of exit. It is more likely, perhaps, that the measure is meant for the benefit of those Soviet officers of Polish descent who have been detailed to serve with the Polish Army in Russia. If this is so, then again the decree may be interpreted as reflecting the desire of the Russians to make the Polish-Russian army attractive to Poles. In that case, the decree might not have much to do with the more fundamental issue of the choice of citizenship. Finally, who is going to grant Polish citizenship to those who choose it? At present the Russians recognise no Polish Government; and, in any case, all that the Soviet Government can do in law is to free individuals from Soviet citizenship. Only a Polish Government can recognise them as Polish citizens. The crux is still the absence of diplomatic relations between Russia and Poland.

Brake on Planning?

Apart from complaints that the proposed procedure for acquiring sites is still not sufficiently speedy, the objection of local authorities to the new Town and Country Planning Bill is largely financial. Here their doubts fall under two heads. In the first place, there is the argument which Lord Latham has summarised by saying that the 1939 prices which were promised as a ceiling have turned out to be a floor. Some land has fallen in value since 1939, but authorities will apparently have to pay the full 1939 price for it. But on the other side of the account must be set the land which has appreciated during the war, but which is not covered by the Bill's special provisions for rises in value. The justice done by the Bill to both owners and authorities is rough, but justice none the less. The second objection of the local authorities is that the aid to be given by the Treasury is inadequate, and this is perhaps worthier of consideration. The authorities are faced with the fact that the more spacious they make their plans, the more slowly will they get a full return for their outlay—and in some cases the less return will they get. If a "blitzed" area in the centre of a town is rebuilt in a broad and ambitious way, with wide roads and plenty of open space, much of the "betterment" thereby created will accrue not merely to the "overspill" areas, where it would be automatically recovered, but to a much wider region. No doubt the White Paper's proposals on compensation and betterment, when implemented, will cover such cases. But, even under those proposals, betterment will take a long time to harvest, and the argument is that local authorities should not be cramped in their style through financial stringency. A case can also be made for extending the same amount of Treasury aid to "blighted" areas—those containing slums or obsolete housing—as to "blitzed" ones. The redevelopment of the former districts is less urgent, but still very urgent, and when undertaken will prove just as costly. The views of the local authorities deserve respect, but they will commit a most serious mistake if, as seems not unlikely, they range themselves stubbornly against a Bill which, on balance, gives them very considerable and admittedly much-needed powers.

Control of Building

In order to ensure the success of planning schemes it is necessary to have the right to prohibit changes in the use of land while the plans are being prepared. By legislation last year the whole of the land in this country was placed under "interim" control. The Ministry of Town and Country Planning has now made a new Order, setting out the types of development for which permission cannot ordinarily be refused by local authorities. This Order is to last only for the period of the war. The main classes of

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permitted development are schemes already sanctioned by a Government department; the restoration of war-damaged property and the maintenance of existing buildings, so long as there is no change in size or in use; and essential schemes for public utilities. In special circumstances—for instance, in areas scheduled for wholesale reconstruction—control may be stricter. This measure should ensure that none but admittedly necessary works are undertaken without there being the option of refusal by the planning authorities. It is, however, to be hoped that the flexibility of these powers will not incline some local authorities, as has happened in the past, to prefer this piecemeal method of procedure to the more formal and effective method of working to a definite scheme. Control is no substitute for some set plan for the use of land in each area. The "interim" powers should be necessary for only a short interval; they should not linger on as "the pale platitude of the meantime" for the next twenty years.

* * *

An Ambassador Recalled

The American decision to recall the United States Ambassador at Buenos Aires to Washington for consultation has been followed by the recall of Sir David Kelly, the British Ambassador. Neither the American nor the British Government recognises the Farrell regime in Argentina, and the new step merely underlines that disapproval. The British Government hesitated for a week before deciding to recall Sir David. It is doubtful whether this way of expressing disapproval has any effect on an obstreperous Government other than to stiffen its intransigence. Such action would be likely to be effective only if there were in the country itself strong opposition forces which could be galvanised into action by a singular mark of disapproval from the democratic Powers. At present such an opposition exists in Argentina as little as it did in Eire last March. However, there are far too many critics in the United States, and far too many wish-fulfillers in Argentina, waiting to spread the rumour of a rift between Britain and America in their Argentine policy to make it worth while for a minor British scruple over the wisdom of the course to be allowed to play into their hands.

* * *

Herring Bill

The general decline in the fishing industry in the years before the war was most keenly felt in the herring trade. The quantity of herrings landed in the United Kingdom fell from 12 million cwts in 1913 to 5½ million cwts in 1937. Overseas markets were lost to other countries, particularly to Germany. Some Government assistance was given to the industry by the Herring Industry Acts of 1935 and 1938, and the Herring Industry Board was established. The war intervened before the effect of this assistance could be felt, and the Board ceased to function. The Government has now shown its intention of fostering the industry again, by the introduction of the Herring Industry Bill, which was given its second reading on July 5th. The Bill proposes to resuscitate the Herring Board and to enable it to make grants to assist people proposing to engage in the industry, to purchase boats and equipment, especially to those who were previously engaged and those who have served in the armed forces and the mercantile marine. In addition, the Board will itself be authorised to purchase boats and equipment for charter by fishermen, and to arrange for the refrigeration and processing of herrings. The Bill proposes to empower the Board to operate local schemes whereby, with the consent of a majority of the fishermen concerned, levies would be imposed on the first wholesale sales of the catches, with a view to obviating as far as possible any undue difference in earnings. The Bill sets up the Board to act for five years, and the amount it can spend is limited to £2,770,000, of which £2½ million may be borrowed. The majority of the provisions, together with one providing for loans in connection with exports, suggest that the Government intends to assist the industry in a full scale attempt to recapture lost markets. The proposals constitute a thorough attempt to arrest the decline of one of the most important branches of British fisheries, and one which, directly and indirectly, provides considerable employment, particularly in Scotland.

Scottish Agriculture

The Secretary of State for Scotland, introducing the Votes for the Scottish Departments of Agriculture and Education last Tuesday, gave some figures to show the great contribution Scotland has made to wartime food production. According to the Ministry of Food, Scotland produced enough to be self-sufficient, and exported nearly a million tons of oats, beef, sheep and potatoes, as well as 150,000 tons of fish in 1943. Scotland's share of agricultural produce amounts to no less than 14 per cent of the United Kingdom total of over 22 million tons. The Scottish acreage under crops in 1943 was 2,120,000, an increase of 43 per cent over the last pre-war year, and an increase of more than 21,500 acres over 1918, despite a loss since then to housing and aerodrome developments of 300,000 acres. There are more than four times as many allotments as in peace time, and twice as many as in the last war. Dairy cattle has increased by 9 per cent, and a third of the milk produced is T.T. That Scottish agriculturists are more concerned with the future than with the present was fully borne out by the debate, and Mr Johnston's speech indicated that the Government realises this. Hill sheep farming, which occupied much of his speech, has been an aggravating problem for decades—greater even than the general agricultural one. This has been recognised, and last January the Balfour of Burleigh Committee on hill sheep farming submitted its Report (Cmd. 6494). It has been discussed in detail, and its main recommendations accepted by hill sheep farming interests. The Report's proposals for the disposal of surplus store lambs has not, however, met with the same accord, and the problem is being discussed with the National Farmers' Union and those concerned. Other aspects, such as the proposal of a Wool Marketing Board and the conversion of the most depressed hill sheep farms to forestry, are being discussed with the appropriate authorities. The Scottish Department is tackling the problem of the productivity of deer forests. Already these have been stocked with 127,000 sheep and 4,000 cattle, and there is room for another 72,000 sheep and 3,000 cattle. For the future, little or no increase in the acreage under crops can be expected—indeed, there may be a decline under normal conditions, however favourable they may be to agricultural interests. But a development of livestock husbandry is desirable and urgent if Scotland is to have a full share in a general scheme of agricultural prosperity after the war.

* * *

Overseas Forces' Leave

The question of leave for soldiers who have served long periods overseas was again raised in the House this week. It is a plea which, even when headlines are devoted to other more immediate battle themes, is hard to deny. At present the maximum period of overseas service, except in the case of volunteers offering to stay abroad, is five years. It has already been reduced by stages from the seven years which was the rule for the peacetime regular army. It can be argued, however, that the circumstances for the wartime soldier are different, and, particularly in the case of married men, or those suffering from periodic breakdown in unhealthy climates, it is the sense of isolation and frustration, rather than the physical hardships of a battle area, which are hardest to bear. These factors may in the end out-balance the military advantage of troops well-trained to the type of warfare which is suited to the far-off country, whether jungle or desert. The Government has already given the assurance that every possible effort will be made to reduce the maximum period of overseas service and to extend the exchange system. Naturally, with the main war effort concentrated on the invasion of France and the conquest of Italy, exchanges are more difficult to arrange than ever; but the number of men who have been continuously abroad for four years, or even three, may not be unmanageably large. Though it may not be practicable to effect complete equality in this matter with the American overseas forces, there can be no excuse for not making every effort to follow this generous example. Moreover, this matter is, in a sense, one first practical instalment of the problems—and the psychology—of demobilisation itself.

AMERICAN SURVEY

His Own Man

It is nothing new for Presidential candidates to modify or disown the party platform, either after their election or even during the campaign. Mr Dewey's first statements make it clear that during the next few months he intends to interpret the programme adopted at Chicago, which he candidly admitted was a thing of "inevitable compromises." Already, in his first press conference, he has endorsed the reciprocal trade treaty programme of Mr Hull as a "Republican policy," although he said nothing about the platform's insistence that such treaties be approved by Congress. In both his first meeting with newspapermen and in his speech of acceptance, he made a good impression, both by his affability and the skill with which he turned aside difficult questions. The address to the Convention was a nicely calculated fusion of generalities and forthrightness. On foreign policy he had little to add to the party's plank, beyond his determination to keep the conduct of the war out of politics, and his guarantee that the Republicans would make a secure peace. But he laid about the Administration's domestic policies with shrewdness and vigour. This is good political sense. The Roosevelt regime is most vulnerable on its domestic side. Governor Dewey promised new talent in government, and that real delegation of authority which has always proved so difficult for President Roosevelt to achieve. Competent administration by experts is the foundation of Governor Dewey's reputation in New York; and this is what he will offer to the nation in the coming months, combined with reassurances to business that the problem of full employment will be solved with the accent on free enterprise rather than on Government spending and controls. There is another reason for this domestic emphasis. With the invasion of Europe there has been a revival of President Roosevelt's popularity. What Mr Dewey must hope is that by November the war takes a less prominent place in people's thinking, for in international reputation, in experience and statesmanship, he cannot hope to beat Mr Roosevelt. In his acceptance speech Governor Dewey was at great pains to point out that he had no outstanding commitments to any one; that he was, in effect, his own man. He can write his own ticket, up to the point of alienating substantial numbers of his party, for he is the G.O.P.'s main instrument for a return to power after twelve hungry years. As Mr Willkie pointedly reminded him, he has before him one of the great opportunities of history, that of developing a constructive alternative to the New Deal. Even the *Herald Tribune*, while conveying its admiration, intimated that more precise guidance on the rejuvenation of the free enterprise system would be welcome. But so far for Mr Dewey, silence has proved golden indeed. His political

adroitness is so great that he may be tempted to confine himself to variations on what he said at Chicago.

* * *

The Republican Governors

If Governor Dewey intends to take a progressive stand on foreign policy or domestic issues, there is no lack of allies in his own party. At the Convention, as at the Mackinac Conference last year, there was ample evidence of a new spirit in the fresh crop of Republican state governors. With some truth they can claim to be closer to current feeling than the old hands of the party, who have not fought and won an election for years. At Mackinac it was the efforts of a small group of progressive governors which, despite the resistance of the Old Guard, made the pronouncement less isolationist than it would otherwise have been. At the Convention there was another attempt by the younger governors to liberalise the domestic programme and put more teeth into the foreign policy plank. It was owing to their labours that the foreign trade plank paid at least lip-service to the desirability of continuing reciprocal trade treaties, though by giving way to the protectionists in the matter of Congressional approval, the liberals gave back with one hand what they had taken with the other. Even stronger words have been spoken on foreign policy. Fifteen governors backed up Mr Willkie's blast against the draft adopted, and a small group of young Republicans are reported to have written a platform of their own, although they were not prepared to force the issue. Governor Edge, of New Jersey, Governor Sewell, of Maine, and Senator Ball were all prominent in demanding a stronger wording. What these progressive Republicans need is a leader capable of taking over the management of the party from the old hands, and opening its doors to younger talent. Mr Willkie would have had no hesitation in seizing the opportunity. Governor Dewey will be more cautious, not only because of Mr Willkie's lamentable example, but because he cannot afford to imperil the unity of the party. But neither can he campaign convincingly on the issue of youth *versus* quarrelsome old age with his own party still in the hands of weary elder statesmen. If the party is to win in November, some way must be found of letting in the new blood which Governor Dewey finds so badly needed in national government. The new men are there; the problem is to find some way of persuading the Old Guard to let go.

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Service Warning

Once more the Services, this time in a report from General Marshall, Admiral King and General Arnold, the



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three U.S. members of the Combined Chiefs of Staff, have issued a warning to the public about the urgency of war production. Noting that the recent favourable course of the fighting "seems to have persuaded some people that the war is nearly won, and that they can go back to civilian life," the military commanders pointed out that heavy losses in material are certain to be maintained, and that any slackening in production would delay victory. The War Department has followed up this warning by an announcement that the tank production in 1945 would be stepped up by 12 per cent; and by the news that in June war production was down 8 per cent from May, with the most serious deficits in lorries and radio devices. This is not entirely unexpected. In May the heavy lorry programme was dragging, principally because of lack of manpower in the foundries and forge shops; and other war industries felt the lack of specialised labour themselves or in plants producing components. It appears that Mr McNutt's priority referral system for labour has gone into effect none too soon. Both employers and employees are heartily opposed to its restrictions, and the penalties for "black marketing" of labour are so slight that it may prove a less than complete cure for the tendency to get back into civilian occupations. There are no indications, however, of any more drastic measures. A National Service Act at this stage is out of the question, and Congress has adjourned without taking any action to draft the 4-Fs into essential work.

Income for Full Employment

Some estimates and assumptions by Federal Reserve Board economists about the post-war employment problem have been made public by Mr Joseph Keenan, of the War Production Board. The basic assumption is that in the first year after the post-war transition has been completed, there will be 60 million people available for work. This is allowing for 2.5 millions still in the armed forces, and frictional unemployment of 2 million. To maintain full em-

ployment will require an unprecedented volume of production, not only because of the normal population increase, but because of expected increases in the output per worker. In terms of 1943 prices, the Federal Reserve Board estimates that a gross national income of \$170 billion will be necessary for full employment. This is \$30 billion less than the war-time peak income, which, also in 1943 prices, is put at \$200 billion. This contraction is based on the belief that hours of labour will decline, that some persons will leave the labour force, and that the average volume of output per man-hour may decline, owing to the fact that many workers will return to trade and service occupations and industries where the output is less than that in highly mechanised industries like munitions. Were production to return to the 1939 level, which in 1943 dollars was \$108 billion, unemployment of from 15 to 20 million might be expected. This is a threat comparable to the unemployment in the early thirties. The average citizen does not picture the enormity of the problem in precisely these terms, but unquestionably there is a very widespread anxiety about post-war jobs, which is not limited to what are known as the "cutback jitters," and helps to explain the restlessness of workers in war factories anxious to assure their futures.

Publicity for Reverse Lend-Lease

Some timely publicity for reverse lend-lease from the British Commonwealth is contained in a report issued by the Foreign Economic Administrator this week. The total for the first quarter of 1944 is put at \$500 million of supplies and services to American forces and shipping overseas. Figures on raw materials, commodities and food-stuffs furnished for shipment to the United States have not yet been compiled, nor are full figures available for aid furnished to American forces in India. It is pointed out that the quarterly totals have been steadily rising; for the United Kingdom alone they were \$116 million in the third quarter of 1943, \$224 million in the fourth quarter, and \$260 million in the first quarter of this year. In the first three months of this year aid from Australia and New Zealand exceeded Lend-Lease shipments to those two countries. The report stresses the contribution of Great Britain to the common pool for the liberation of Europe, citing the waterproofing of tanks and trucks, the railway transport for American troops, the jettisonable petrol tanks for Thunderbolt fighters, the 2 million pairs of woollen socks, and 25,000 miles of steel landing mats. To some extent, at least, the report compensates for the most unfortunate result of Mr Lyttelton's recent gaffe—the complete submergence of the facts on Lend-Lease which his speech was intended to convey. It may even help to discourage the belief in certain quarters that the liberation is very largely an American affair.

The Free Philippines

President Roosevelt this week signed two Congressional resolutions affecting the Philippines. The first makes it possible to give the islands their independence as soon as practicable after their liberation, instead of waiting until July 4, 1946, the date originally fixed. This measure also provides for the acquisition of adequate land and air bases, in addition to the naval bases and fueling stations already allowed. The second resolution brings into effect a Joint Economic Commission to consider the economic and financial rehabilitation of the Philippines. Of the two, the second may well be of greater importance to the Filipino than the first. The islands have, during the period of inclusion within the American tariff wall, become so dependent on the American market, particularly for the disposal of sugar, that complete independence, economic as well as political, might easily be disastrous. The Commission will have to consider, not only the reconstruction of the islands after their occupation, but modification of their economy to make them less dependent upon the American market. Most Americans will regard Filipino independence as a well-earned reward for their gallant co-operation against the Japanese; but the fact remains that independence has also been advanced as a means of freeing American beet sugar interests from a serious competitor, and it may be politically impossible to give the Philippines free access to the American market.

THE WORLD OVERSEAS

The Polish Scene

(By a Correspondent)

IN the fifth year of the war the life of the Polish people in the German-controlled "General Gouvernement," that is, in Central Poland, presents a picture of extreme physical and spiritual weariness, if not exhaustion. Five years of starvation, terror and humiliation, unknown in the rest of occupied Europe, have sapped the energies of the nation that so proudly rose to defend its independence in September, 1939. Rarely has a nation been bled so white and lost so many of its spiritual leaders and its best sons in so short a time.

It is on Polish towns that the deepest wounds have been inflicted. The "General Gouvernement"—the rump of Poland—was never economically self-sufficient. Poland's larder lay in the West in the present German-annexed "Warthegau," from which central Poland has been cut off. The agriculture of the "General Gouvernement" has had to feed not only the towns, but also numerous German garrisons. After the loss of the Ukraine the Germans have tried to replace the Ukraine as a source of foodstuffs by this part of Poland. They even claim, and have announced, that the region has now changed from a deficit area into one producing a surplus.

Polish reports do not bear out that claim. The Nazi grip on Polish agriculture has certainly been tightened since the loss of the Ukraine, and this has worsened the food position in the towns even further. Bread has become a luxury in Warsaw, and the population of the Polish capital now lives on potatoes. In 1943 the annual ration of potatoes was about 100 lb. per person. The price of one pound of potatoes on the free market was about 1s. 3d. (if the price in Polish zlotys is calculated at the nominal rate of exchange before the war). In relation to the earnings of the people the price was, in fact, much higher. According to calculations made by the agencies of the Polish Government in Poland, the index of the cost of living last winter was over 5,400 (August, 1939 = 100).

The German Terror

Copied with starvation, an incessant feeling of uncertainty is created by the sudden and indiscriminate round-ups by the Gestapo as well as by press gangs. A street or a whole district is suddenly surrounded by SS men; hundreds or thousands of people are driven straight from the pavements into lorries and carried away to prisons, labour corps or concentration camps, either in Poland or in Germany. Public executions have become a common sight not only in villages and small towns, but in the capital itself. The social fabric of life has been destroyed. All classes of society have been thrown into the melting pot of the Terror. For five years the system of education has been abolished, and the young generation has grown up wild and illiterate.

In the background are the ruins of the Jewish ghettos. For eighteen months the extermination of the Jews has been going on with a monotonous cruelty for which there is no parallel in history. In Warsaw alone the ghetto housed between 400,000-500,000 Jews in the first years of the war. Except for a handful who have been saved and hidden by the Polish population, or who have joined the partisans, not a single Jew is left in the ghetto since the tragically hopeless struggle of 30,000 survivors against the German garrison of Warsaw in the spring of last year.

What happened in Warsaw happened also in many other towns of the "General Gouvernement." The disappearance of the Jews led to a wild scramble for the remnants of their property by a minority of the Polish population. The greatest crime of the war has paradoxically given birth to the mushroom-like growth of a new Polish middle-class consisting of the most diverse elements, but mainly of a social and moral Lumpenproletariat.

In this atmosphere there could hardly develop any collaboration between Poles and Germans. Such chances of col-

laboration as might in theory have existed were wasted by the Nazis during the first years of the occupation, when the conquerors hoped for a quick victory, and saw no benefit for themselves from any concessions to the Poles or from any mitigation of the rigours of their rule.

Approaches were recently made by the Nazis to certain Polish personalities. Appeals for a common front against Russia were issued. But the gulf between conqueror and conquered was already too wide to be bridged by "anti-Bolshevism." And the Germans' own daily warfare against the Polish people went on uninterrupted, even while appeals to wage common war against the Russians were being made. The terror frustrated all chances of collaboration. People who, under different circumstances, might just possibly have become collaborators more often than not travelled from the conference tables in high German offices straight to German prisons.

The Underground State

The underground movements in Poland have been faced since the beginning of the war with the most difficult dilemma. The organisation of mass activities, strikes, and demonstrations has involved the most terrible risks for the non-political mass of the people, as well as for the active resisters. Every act of resistance has called forth the most massive reprisals. On the other hand, no movement of resistance can exist in passivity, since the penalty for passivity is internal disintegration. And passivity—because it could never be complete—could not prevent the terror from raging.

The dilemma is still unsolved. The Polish underground movement has developed a conception of its rôle which is somewhat different from the conceptions prevailing in the movements of other occupied countries. It does not regard itself as an organ of popular resistance, but as an underground state in being. Thus it is officially said that the underground state employs 30,000 officials. How correct this figure is it is difficult to say, and it is not very important. What is interesting is the emphasis laid upon the "state" aspect of the underground. The core of the movement seems, in fact, to consist of the more courageous elements of the former civil and military services, and that core is itself surrounded by the illegal organisations of the political parties.

This follows a traditional pattern inherited from past Polish experiences. But it seems to have resulted in a some-

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what one-sided and limited form of resistance. The underground "state" tends to act in a "bureaucratic" way. It directs acts of sabotage, condemns traitors to death, and carries out sentences. It also directs the activities of quasi-professional military cadres. But it does not give the resistance a broad and popular character. There has developed a striking contrast between the intense activity of the narrow cadres of the "underground state," and the apathetic passivity of the broad masses of the people in the face of German call-ups, expulsions and mass executions.

This implies not the slightest reflection on the courage, devotion and heroism of the cadres of the Polish "underground state." The point is simply that the methods adopted do not seem to have provided any antidote against the despondency and feeling of helplessness bred among the people by the prodigious German persecution.

The next months or weeks will put the Polish "underground state" to a trying test. The Poles may see the entry of the Soviet armies into central Poland before a Polish-Soviet agreement has been reached. It is hardly necessary to explain the new and painful dilemmas which such a position is bound to create for the fighters of the Polish underground. The Polish Government, it will be remembered, has instructed them to co-operate unconditionally with the advancing Soviet armies in expelling the German invaders. To what an extent the Poles will be able to carry out these orders will now largely depend on their treatment by the Soviet authorities. The Russians will no doubt find that the Polish "underground state," whatever its limitations, is the decisive political factor in central and western Poland.

The Canadian Indian

[FROM OUR OTTAWA CORRESPONDENT]

To a greater extent than for many years, an awakening interest in the native Indian population of Canada is manifest. Examination of post-war problems over the whole field of rehabilitation has led to the discovery that a neglected problem of this kind had existed inside Canada long before the war. The handling of native peoples throughout the world will be one of the foremost problems of the post-war settlement, and it is a matter of surprise to Canadians to find that their policies with respect to the aboriginal native peoples of Canada, numbering 120,000 persons, scarcely bear comparison with progressive policies developed in other countries in recent years. In particular, the new Indian policies of the United States Government, and the modern treatment of the Maoris by the New Zealand Government, offer a striking example to Canadians.

In Canada, the Red Indian, the noble red man of the romantic novel of Canadian history and the Hollywood screen, has been segregated on reservations, bound by a policy of perpetual wardship and denied the status of citizenship and the ordinary opportunity of economic advancement. "In one law," said an Indian chief recently, "we are classed with the Eskimos and the insane. In another they tell us we are not a 'person,' a term describing an individual other than an Indian. In one law, compulsory service regulations apply, as we are held to be British subjects. In another, the electoral act, we are not British subjects, and cannot vote, hold office, drink in a tavern, and have intoxicants on the reserve." Some 3,000 Canadian Indians are serving in the armed forces, a fact which has injected the problem of Indian policy directly into the field of post-war plans.

Within the terms of traditional policy toward the Indian, the Canadian Government has fulfilled its obligations. Many tribes have had ancient treaties with the British Crown, dating from the conclusion of the Indian wars. The Government has spent several millions of dollars each year in Indian administration. But the result has been that the Indian has been walled in by a policy of paternalism. The Indian school system, operated largely on denominational lines, has been out-moded. The Indian has not risen, except in a few special cases, beyond a position of inferiority. He has been unable to secure a voice in parliament or in public life with which to press his just claims. This is the policy that has recently begun to come under scrutiny in Canada.

The war has brought, for the first time, a temporary measure of economic opportunity to the Indian. The Indian Affairs Branch recently reported:

There has been a steady decline during the year in the production of basketry, hand-loom weaving, wood carving

and other types of handicraft work. This decline took place despite the increased demand for handicraft products, particularly basketry. The decline was due wholly to the number of Indians, particularly Indian girls, who had become employed in essential war industries.

At best, the basket and beadwork type of employment has produced only a very low standard of living for Indians. On the other hand, recent developments in northern Manitoba and Saskatchewan—regions of muskrat conservation projects—have elevated and stabilised the economic situation for several hundred Indian families. Since most of the Indian men in Canada are trappers, the conservation of wild life represents a direct approach to the Indian problem.

But on the whole, conditions on Indian reservations and in villages in the northern wilderness have remained, as some members of the Parliament Committee on Reconstruction recently observed, in the category of slums. The reservations do not, indeed, support the Indian population. Medical and other services, even the provision of food in some cases, are provided by the Government. Reservation areas are generally poor land, without mineral or other resources. It is not surprising that many Indians, especially the older population, cling to the reservations which are the only prospect of security open to them. For the younger people, the failure to open up the pathway of improvement and assimilation into the economic life of Canada represents a tragedy to them and a national loss to Canada.

The root of the trouble lies in the Indian educational system. It has been called a national disgrace by students of Indian affairs. Official records showed that in 1943 there were 352 schools to which Indian children went, and enrolment was only 16,800. Fewer than a hundred of these pupils had advanced beyond elementary school stage. Higher education for talented children has not been available. Judging from the record. About half of those attending school go to residential or church mission schools. This system, followed in Canada, is being abandoned in the United States because of the inevitable reversion of Indian children back to the barren, initiative-killing life on the reservations.

To modernise Canada's Indian policy, a thorough transformation of public attitude will be required. The argument that the Indian should be treated as a free and equal citizen immediately arouses antipathy and scorn, so long has the public neglected the Indian, and so fixed has become the idea that he is an inferior person. But up to now Canadian Indian policy has done little beyond save the Indian from extinction. It has done little to open the way for his assimilation into Canadian society. The young and intelligent Indian objects that he is being forced to remain within an old and obsolete mode of living. In the wake of this war, however, the first evidences of change in Canadian attitude have appeared.

Price Control in India

[FROM A CORRESPONDENT]

EUROPEANS and Indians alike have been keenly interested in the effectiveness or otherwise of the Government's somewhat belated measures for combating inflation. There is considerable gratification, in which the large numbers of British Servicemen here share, that the steep rise in prices has been halted.

The Government has taken various measures to check the rise. Most prominent and popular in the public eye is the Profiteering and Hoarding Prevention Ordinance, the effects of which are now becoming visible in large reductions in prices over a wide range of everyday articles to conform to controlled maximums. The prices of certain categories of consumer goods have fallen substantially in Delhi, Bombay and Lahore, moderately in Calcutta, Lucknow, Nagpur and Karachi, and slightly in South India.

Sir Jeremy Raisman, Finance Member, in presenting his latest Budget, pointed out that, apart from primary items of food and clothing, there are a thousand and one other consumer goods which have been placed out of reach of the ordinary man by the anti-social practices of profiteering and hoarding, and it was to combat these that it had been necessary to frame this all-embracing enactment. The measure thus operates in a double-barrelled manner: (1) forcibly and arbitrarily reducing prices; (2) forcing supplies on to the market, thus also tending to lower prices.

Every dealer is required to maintain complete lists of

controlled prices on display in his shop, and these must be shown to customers on demand. The selling price of an article, for which Government has not fixed the maximum price, must not exceed by more than 20 per cent its cost on landing (in the case of imports) or its cost of production. The public are urged to demand cash memos., which dealers must furnish if the amount of the purchase is Rs. 10 or more, except for fruit, vegetables, fish, meat, eggs.

In late November, under the Ordinance, the Controller-General called upon all importers of a large variety of specified goods to supply the following information in respect of their transactions: licence numbers and dates of import licences; quantities arrived since January 1, 1943; quantities expected during the next six months; names of wholesalers and retailers to whom the articles imported have been sold and prices at which sold; landed cost including duties; normal profit margin before the war in 1939; and profit margin now charged, giving reasons where it exceeds 7½ per cent.

In early December this was followed up by a notification that twenty-three articles of wide consumption were subject to the provision of the Ordinance that no person other than a dealer or producer shall have in his possession at any one time more of such articles than are necessary for the reasonable needs of his family for a period of three months. Throughout December, the Controller-General toured the country contacting commercial bodies with the object of taking the trade into confidence and securing their co-operation.

The Ordinance has been amended to make it self-contained by providing, *inter alia*, for the summary trial of offenders and for the refund of excess price charged. Most of the Provincial Governments have set up advisory committees to administer the Ordinance.

The Government is to open model shops which will sell articles at controlled rates. Among the further goods which are to be controlled are silk, radios and parts, second-hand motor cars (by making them saleable only to authorised dealers) and boots and shoes (by appointing licensed dealers).

The Example of Cotton

It was the cotton cloth control which pioneered the way for the successful application of the dual principles embodied in the Ordinance. This control came into operation in June, 1943; under it maximum prices were fixed, and all cloth manufactured after August 1st had to be stamped with the controlled price and the date of manufacture (to prevent hoarding, as all cloth should be disposed of within six months of manufacture). All stocks of unstamped cloth (i.e., made before August 1st) had to be sold (to the public) before January 1, 1944 (originally October 31, 1943), or they would either be confiscated or stamped at a heavy fee, which would relieve the hoarder of any profit he hoped to get by hoarding. In August a stock declaration was called for, and its results startled the market. Merchants had accumulated eight months' supplies. As a result of the control order more than 2,500 million yards of hoarded cloth were forced on to the market. Ceiling prices (reviewed quarterly) for over 20,000 varieties of cloth have been fixed, although when the scheme was started it was thought the number would not exceed 3,000.

In mid-February the Indian Woollen Goods (Control) Order was published, providing that only recognised dealers might sell controlled woollen goods and then only at prices not exceeding the maximums fixed by Government, while other Indian woollen goods cannot be sold at more than 25 per cent above cost of production. Individual purchases of controlled woollen goods in a year are also limited. Again, with effect from March 1, coal distribution came under Government control, with fixed prices for all coal and coke.

Rationing of rice, wheat and sugar now exists in more than 50 cities and towns, and in the case of Bombay and Travancore is being extended to rural areas. By the beginning of April, however, it was hoped that all-India statutory price control over rice would have come into force. One uniform price for all-India was not envisaged; but it was intended to fix prices on a regional basis, one for South India, including Orissa and Bombay, another for Central India, and a third for Bengal and Assam.

All these measures represent the tackling of inflation from the supply side. On the demand side, Government is making powerful efforts to mop up surplus purchasing power by various means. These include: a fourth Defence

Loan issue; a small savings campaign; the Prize Bonds scheme; increased taxation; gold sales; and a proposed 25 per cent rail fare increase, which is expected to deflate currency at the rate of Rs. 1 crore a month. Market speculation has been checked by banning forward transactions, with floor and ceiling prices for raw cotton hedge contracts. Subscriptions to Defence Loans for the year to February 1, 1944, reached the record figure of Rs. 115 crores, nearly three times the figure of the previous twelve months.

This year's Budget drew the net still tighter round profits and incomes increased by the war and reduced the dividend-paying capacity of companies. Corporation tax and income-tax are expected to bring in Rs. 174 crores (including Rs. 78 crores from EPT) against Rs. 18 crores before the war. While there is no change in the 66½ EPT rate, the compulsory deposit is raised from 1-5th to 19-64ths. Agricultural incomes are also to be taxed by Provincial Governments. Because the normal 1,000 tola gold bars (worth Rs. 71,000) are beyond the reach of all but the wealthy classes, in order to absorb the purchasing power of the masses, Government Mints were ordered to make small bars for local markets. These are available in weights of one tola (worth Rs. 71) and five tolas (worth Rs. 355), the former being like a 4-anna coin and the latter rectangular.

Books Received

- The Netherlands Indies and Japan 1940-1941.* By H. J. Van Mook. (London) Allen and Unwin. 114 pages. 6s. net.
- Colonies.* By E. A. Walker. (London) Cambridge University Press. 168 pages. 3s. 6d. net.
- The Future of Economic Society.* By R. Glenday. (London) Macmillan. 320 pages. 16s. net.
- The Structure of Soviet Wages.* By A. Bergson. (Cambridge, Mass) Harvard University Press. 255 pages. \$3.50 net.
- Inter-American Affairs, 1941.* Edited by A. P. Whitaker. (London) H. Milford. 240 pages. 20s. net.
- New Zealand Official Year Book, 1943.* (Wellington, N.Z.) The Government Printer. 712 pages. 7s. 6d. net.
- Italy's Struggle for Liberation.* By P. Nelli and others. (London) International Publishing Company. 32 pages. 9d. net.
- Britain and the Independence of Latin America 1812-1830.* By C. K. Webster. (London) H. Milford for the British Council. 79 pages. 4s. net.
- Canada's Financial System in War.* By B. H. Higgins. (New York) National Bureau of Economic Research. 82 pages. No price stated.
- The Price of Full Employment.* By B. Seebohm Rowntree. (London) Liberal Publications Department. 12 pages. 3d. net.
- Railway Traffic Expansion and Use of Resources in World War II.* By T. Hultgren. (New York) National Bureau of Economic Research. 31 pages. No price stated.
- Family Allowances and Social Security.* Lady Rhys-Williams' Scheme, with the Report of a Liberal Committee thereon. (London) Liberal Publications Department. 24 pages. 4d. net.
- Design for Britain.* No. 27. *Post-War Building.* By A. C. Bosson. No. 35. *Housing Societies.* By R. Browne. No. 36. *A Hundred New Towns?* By A. T. Edwards. No. 37. *Twelve in Search of a House.* (London) J. M. Dent. 31 pages. 6d. net each.

ECONOMIC DESTINY

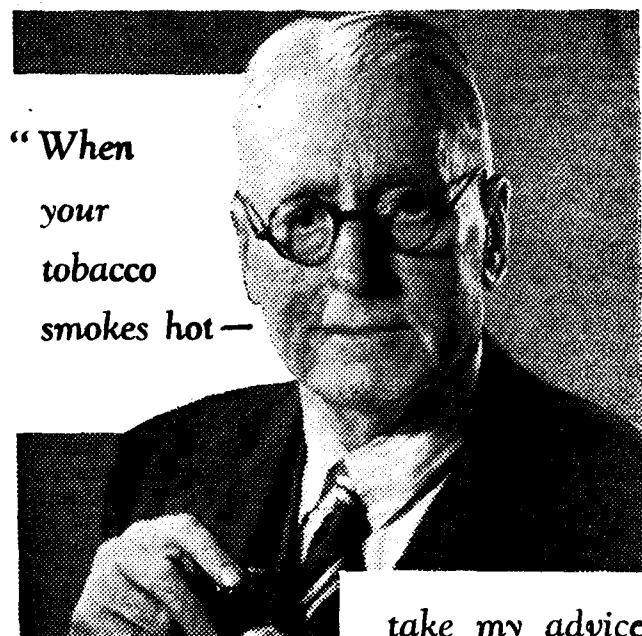
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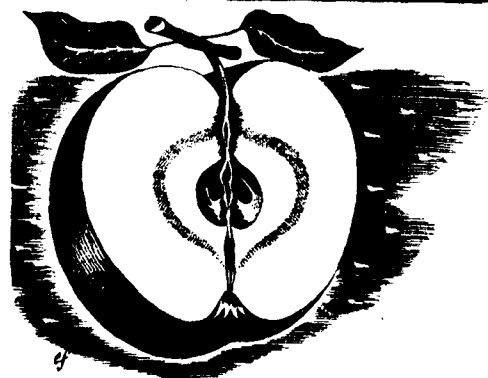
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ROWNTREES

THE BUSINESS WORLD

Rubber Prospect—II

THERE will be room after the war for both natural and synthetic rubber. Natural rubber will probably continue to hold a substantial advantage in price and quality for general purposes, at least for some years. There will be a growing outlet for synthetic rubber in special uses; as a result of further technical improvements in its quality and in ease of handling, it may also tend to encroach upon fields formerly held by natural rubber. For example, it may find a growing usefulness for duties that require a high degree of resistance to petrol, oil, chemicals and abrasion, even if it remains more expensive than crude rubber. In such uses it will command a premium measured by its qualitative superiority. Some Buna-S enthusiasts, perhaps optimistically, envisage a standard tyre with a Buna-S tread, a natural rubber base and sides, and a bead of reclaimed rubber.

But, in the calculable future, there will hardly be room for the whole potential output of crude rubber and the present productive capacity of synthetic rubber, even on the most optimistic assumptions about prospective demand.

On Mr K. E. Knorr's admittedly tentative calculations—these are reproduced in Table I—the world's combined annual productive capacity of crude and synthetic rubber is likely to reach some 2,750,000 tons after the rehabilitation of the Far Eastern plantation industry. During the first ten months of 1941, when restrictions on crude rubber shipments were virtually suspended, an average price of about 13½d. a lb. in London gave rise to exports at the rate of more than 1,500,000 tons a year. Obviously, it will not be possible to resume shipments at this rate immediately after the liberation of the territories now occupied by the Japanese. But if restoration is pressed ahead and there is no restriction, the industry's productive capacity may well regain its former level within about two years. Moreover, if restoration is accompanied by a drive for efficiency, something like the former volume of shipments might be forthcoming within a few years of the liberation at half the real cost of 1941—at a profit to producers and with wages and working conditions among the best in South-Eastern Asia. In addition to this prospect of 1,500,000 tons of natural rubber, there may be a synthetic rubber capacity of nearly 1,250,000 tons a year—though, of course, its costs will be substantially higher than those of plantation rubber, at any rate initially.

The consumption of rubber showed a steady increase during the inter-war period with the growth of motoring, which accounted for about two-thirds of the total demand. As Table II shows, the consumption of crude rubber was in 1937 amounted to 1,100,000 tons, which was a double the consumption of the middle 'twenties. A further increase in consumption is as certain as the further expansion of the world's road traffic;

moreover, there is a growing market for rubber—especially for cheap rubber—in other uses. Although greater durability may bring economies in the use of rubber—still better tyres, for example—it would not be surprising if the consumption of crude and synthetic rubber together were to approach 2,000,000 tons a year at the end of the forties. But, for a few years at any rate, it might be safer to reckon with a combined demand for crude and synthetic of about 1,600,000 tons, as suggested by Mr Knorr.

Pending the rehabilitation of the crude rubber industry, that is, for a year or two after the liberation of the Far-Eastern sources of supply, the world is likely to absorb all the rubber it can get. The replacement demand for tyres will be very great. But once the productive capacity of natural rubber is fully restored, combined crude and synthetic rubber capacity will be greatly in excess of prospective demand for a few years, perhaps by as much as one million tons a year, or about a third of the capacity.

The main problem after the war is therefore to create the conditions in which natural and synthetic rubber can both play their part to the best advantage of the consumer at prices that yield a reasonable return to efficient producers. More precisely, it is one of adjusting total supplies of rubber to demand at the lowest prices that will satisfy total demand. This involves the fullest possible equality of opportunity, not only for crude and synthetic rubber, but also between estate and native producers of crude rubber.

*

Any proposals for the solution of the problem must take account of the economic facts that the United States is by far the most important consumer of rubber—it accounted for half the world's total intake during 1937-39—and that consumers' purchases and prices have been very unstable in the past. Nor must they overlook the political facts that the bulk of the supplies of natural rubber are derived from British and Dutch territories and that the greater part of the newly created synthetic capacity is in the United States.

Neither of the two extreme solutions that command a body of followers—completely uncontrolled competition or all-embracing cartelisation—is likely to satisfy the economic criteria and to prove politically acceptable.

To the economic purists, inevitably, free competition is the perfect solution of the problem. A free market, so they say, would automatically ensure the adjustment of total supplies to demand at the lowest possible prices; it would also regulate the proportions in which natural and synthetic producers are to meet the world's needs of rubber, as well as the relative shares of estate and native producers in the

TABLE I—POSTWAR SUPPLIES OF NATURAL AND SYNTHETIC RUBBER

Natural Rubber:	Long Tons
Malaysia	1,400,000
Latin America, Africa	100,000
U.S.S.R.	40,000
Total	1,540,000
Synthetic Rubber:	
United States and Canada	1,000,000
U.S.S.R.	90,000
Germany	70,000
Other countries	50,000
Total	1,210,000
Grand Total	2,750,000

Source: Rubber After the War, by K. E. Knorr. Food Research Institute, Stanford University, California. 46 pages. Price 25 cents.

CONSUMPTION OF CRUDE RUBBER PER HEAD IN 1939*			
	Lbs.		Lbs.
United States.....	10.0	Rest of World.....	0.6
United Kingdom.....	5.8	World.....	1.2
Continent of Europe.....	1.6		

* This does not take into account rubber which is exported after manufacture.

* This does not take into account rubber which is exported after manufacture.

TABLE II—CONSUMPTION OF CRUDE RUBBER

Consumption of Crude Rubber					USA Motor Industry		
United States	United Kingdom	Continent of Europe (a)	Rest of World (a)	All Importing Countries	Number of Motor Vehicles in use	Petrol Consumption per Vehicle	Production of Motor Vehicles
Thousand Tons	Thousand Tons	Thousand Tons	Thousand Tons	Thousand Tons	Thousands	Gallons	Thousands
1926	366	40	88	543	22,001	516	4,301
1927	373	45	119	595	23,133	551	3,401
1928	437	49	130	684	24,495	584	4,359
1929	467	72	175	804	26,501	619	5,358
1930	376	75	187	709	26,546	623	5,356
1931	355	77	167	684	25,833	649	2,390
1932	337	78	174	690	24,115	620	1,371
1933	412	80	215	822	24,952	660	2,753
1934	463	90	239	920	26,227	677	3,947
1935	492	95	237	1,040	28,166	710	4,454
1936	575	99	234	1,095	29,705	721	4,809
1937	544	115	287	934	29,486	701	2,489
1938	437	107	279	1,101	30,615	729	3,577
1939	592	123	255	1,084	32,025	742	4,469
1940	649	147	130				

(a) Net imports.

The question "where" residential construction should take place raises few problems as between regions. In the main it should and will follow population growth, from whatever cause resulting. The only question that arises in this connection is whether the hitherto unchallenged virtue of home ownership is appropriate for a country in which mobility of population is so pronounced; the individual stands to lose much if he owns a home under such conditions.

Within metropolitan areas, however, the location of housing is important. City planners agree that the only hope for the fiscal and social structure of American cities is to reduce the density of population and business in city centres in an orderly fashion, and in such a way as to reduce the cost of living and doing business there. In addition, the area of city government must be enlarged to enable cities to assess part of their costs against dwellers on their outskirts who take advantage of their services but do not pay for them. The alternative, which is rapidly becoming reality, is depopulation of the core of cities. Since use values based on lower densities would be considerably below present land values and since condemnation at these lower values is impossible under the American constitution, cities seek a way of bringing land values down to a level where building

and rebuilding in city centres is economically feasible.

Out of this welter of controversy emerges the following rough range of prediction for American housing in the post-war period. The number of units required each year in the first ten post-war years, to house the net growth in the number of families, to meet migration and to replace worn-out housing, may run anywhere from 500,000 to 2,000,000 with most estimates in the area of 1,000,000 to 1,500,000. Most of these units will be built by private enterprise, and prefabrication, partial as well as complete, will play its part in pushing down the "floor" for private construction, which will be the "ceiling" for public enterprise. A five-room \$2,500 house (pre-war price level), complete with land and utilities, seems to be a practical possibility within five years after the war.

The same kind of houses will be built as before but more efficient methods will be used to reduce costs of constructing them. No radical change in mortgage finance is foreseen, although many would like to see reduced initial payments and monthly payments reduced by longer periods of amortisation.

Finally, since urban redevelopment plans are still in the discussion stage, building will, at least initially, proceed on the outskirts of metropolitan areas just as it has in the past.

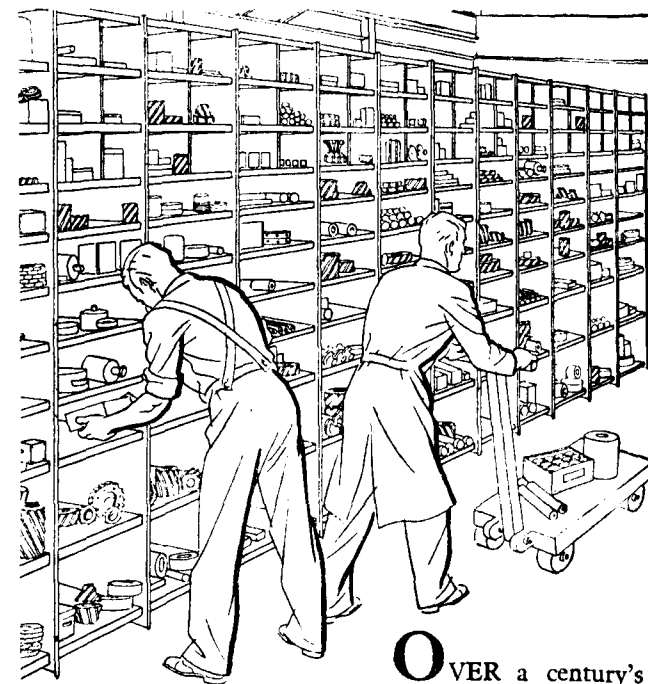
Business Notes

Monetary Agreement with France

It was announced by Mr Eden in the House of Commons this week that negotiations had been proceeding in London between officials of the British Government and the French Committee of National Liberation on the administration of civil affairs in liberated areas and on the currency question. These negotiations have been held at the expert level, but the official approval of the agreement is likely to prove no more than a formality. When ratified, the agreement will be submitted to Washington; as this

step should coincide with General de Gaulle's visit to President Roosevelt, there is every reason to hope that it may provide the corner stone of a practical recognition of the Committee of National Liberation as the Provisional French Government by the two Allied Powers. The agreement on currency would give to the Provisional Government in Algiers the responsibility for the issue of currency in liberated France. The military franc notes would still be used, but their issue would be canalised through the French authorities, which would thus be in possession of all the facts about the monetary circulation, though not necessarily in control of it. The French authorities would thus be able to co-ordinate their policy in the matter of control of prices and wages with the relevant facts in the situation and would not suffer, as they must do in existing conditions, from divided responsibility for what are different aspects of essentially a single problem.

The issue of military currency in France has hitherto caused little dislocation. President Roosevelt has issued an appeal against excessive spending by the Allied forces, and instructions to the same effect have been given to the British troops in Normandy. The military notes are not circulating very freely. Their unimpressive appearance and the fact that they bear no signature or other proof of the authority responsible for their issue or redemption will ensure that they do not become a true part of the circulating medium. They are finding their way back to the banks much more rapidly than the old Bank of France notes which also formed part of the Allied armies' stocks of French currency. There have even been cases of current taxes being paid by Norman peasants in the military currency. That must be the nearest indication yet available that the notes in question may be standing at something less than par. Meanwhile British banks have been given instructions regarding the encashment of franc notes—both military and Bank of France—brought back from Normandy by the Forces or sent here on French account. For the former, they will be converted at the official rate of 200 francs to the £. For the latter they will be converted without limit at 202 francs to the £. The ultimate redemption of these notes will probably be left to the grand balancing of accounts that will take place after the end of the war. The mutual aid agreement between this country and the French authorities is, as far as operations in metropolitan France are concerned, working in a one-way manner. There is still no organised authority on the spot with which Allied bulk purchases of commodities such as milk, for which the Forces would normally depend on local supplies, can be transacted. In each case, the transaction has to be settled direct with the seller and paid for in cash. In such transactions it has, on the whole, been found that even when paying the controlled prices, the franc is considerably overvalued at 200 to the £. In other words, the debt being accumulated by the Allies in respect of currency issued by them in France is appreciably larger than



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the volume of goods represented by these issues would warrant. Fortunately, the amount in question is as yet small. The main purpose of the 200 francs rate, that of keeping down the local expenditure of the troops, is being achieved, and if, in the process, abnormal sterling balances are being increased rather faster than they would otherwise be, consolation must be found in the minute proportions which the debt to France will occupy in that aggregate liability of Britain. If and when it serves French interests to change the 200 francs rate, the change will no doubt be made.

Reconstruction Equities

Despite an undoubted decline in the volume of business, the general tone of the stock market remains firm, with a quite appreciable rise in the general level of industrial equities. *The Actuaries' Investment Index*, of which some particulars are given on page 63, has risen by two and a half per cent on the month and by almost exactly 12½ per cent on the year. In detail, the improvement on the year is very close to that figure for the miscellaneous group, over 18 per cent for the distributive, and only just over 10 per cent for productive. So far as home industrials are concerned, the feature is a jump of 7.2 per cent on the month, and of 24.6 per cent on the year for stores and catering. This gives the key to the cause of the buying, namely, that the investor has made up his mind that the cessation of hostilities is not very far off and that all reconstruction shares will be permitted to reap a substantial benefit. Thus, the other groups, showing rises well above average, are building material shares, electrical manufacturing and the important miscellaneous group, which includes representatives of many of the newer industries. Exceptions to the rise are motors, home railway stocks and shipping shares, all of which had recently been the object of distinctly speculative buying. Another rise which calls for particular mention is one of 3.9 per cent on the month, and 28.5 per cent on the year, in oil shares. The index is made up to Tuesday, June 27th. Since then, the story has to be continued by the figures of *The Financial News*, whose indices are given in a chart on page 66. These show a further appreciable rise to date in equities, with a sagging tendency in fixed interest stocks. The figures of *The Actuaries' Index* suggest that the actual weakness in this section is restricted to long dated Government securities. This is, of course, the classical reaction to a promise of higher earnings for industry, but virtually the whole of the adjustment has taken place by a rise in equities. In view of the widespread belief that some further considerable rise in prices will occur, the strength of all fixed interest securities is to be considered as a tribute to the power of the authorities to keep down the rate of interest.

Unit Trust Accounting

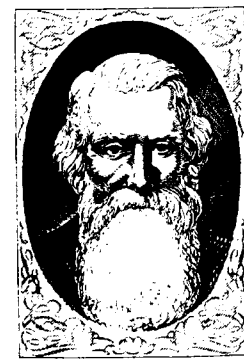
The last few days have brought the publication of two further sets of unit trust accounts, making with those of the Municipal and General three attempts to solve a difficult new problem. The two new competitors are the Trust of Insurance Shares group and the Orthodox Unit Trust. All three are independent of the Association in which most of the trusts are grouped and, unfortunately, all three present different solutions. The Orthodox may, perhaps, be regarded as a less informative version of the M. & G. type of account and the lack of information is in part due to the fact that the managers have only one trust, so that fuller information would give the size of the trust. All managers appear to be agreed that the size must not, normally, be disclosed, but it would seem that special concessions ought not to be given to managers of a single trust merely on that account. Some details of the M & G accounts have been given in *The Economist* on various occasions—most recently on April 15th—and it has to be admitted that the figures are numerous and their meaning difficult to grasp unless one understands the inner workings of the various types of unit trust. The TIS group attempt to overcome these difficulties by presenting much simpler accounts than those of M & G. They present, as accounts of the managers, a balance sheet and profit and loss account and, as accounts of the managers disclose particulars about their financial standing and the profit earned, but it is with the accounts of the trust that the unit holder is primarily concerned. It is there that he must look to see

what is the cost of performing the various functions—creation and issue of new units, purchase and resale of units, jobbing in units and liquidation of underlying securities. Further, there should be disclosed any profit or loss from the rounding off of sub-unit prices and, last but not least, the remuneration for management. A little consideration will show that it is by no means easy to be dogmatic about the proper definition of certain items. Broadly, however, it is clear that no pronouncement can be made on the conduct of a unit trust unless something very like this information is available.

Standardisation Essential

By this criterion the accounts of the TIS fail to qualify. The fact that no units can be created in wartime removes some causes of complication, but even so there is no functional division of profits provided. A good deal of information is given outside the accounts, but that is an unsatisfactory method. The reason for rejecting the M & G method is the very natural desire to secure simplification, but the plain fact is that the matter is both complex and unfamiliar. Over-simplification merely obscures the facts, and the facts must be made clear if the unit trust movement is to gain in reputation and take the place it might in encouraging investment in equities. The TIS accounts may be an excellent statement of the managers' profit. They provide no means of saying how that profit is made and when economies are necessary. But, if it could be conceded that all three sets of accounts were excellent, there would still remain the fact that all are different—two completely different in conception. It will be sufficiently difficult for all those concerned to digest and explain one complicated set of accounts. If each group of managers is to have its own set, the task will become herculean and it is fairly safe to say that most people will not attempt it for more than one or two groups. The Prevention of Fraud (Investments) Act, which is supposed to come into force this month, makes the publication of accounts obligatory, but the relevant schedule fails to prescribe any form. The same is true of the constitution of the Unit Trusts Association. It is essential,

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if the movement is to reach its full development and provide service to a large number of investors, that a standard form of accounts should be prescribed which will give the information necessary to show that the funds are being administered with at least honesty, competence and economy. The preparation of such accounts should be entrusted to the leading firms of auditors who are familiar with unit trust accounts and they should be given specific instructions that there must be no question of concealing either the total or the details of the managers' profit. After due consultation with the managers, this form should be incorporated in the Act.

To Let or to Buy

The generally recognised need for a wider choice between houses to let and houses to buy can be met, at least in part—as was suggested on page 25 of *The Economist* of July 1—by constructing for letting a substantial proportion of the additional houses that will be required after the war. It is, of course, impossible to estimate in advance precisely the relative demand for houses to let and for houses to buy. This demand will be strongly influenced by the trend of building costs and of the price of houses. During a period of falling prices the relative demand for houses to let is likely to be greater than during one of rising prices. During the 'thirties, for example, when building costs and the price of houses tended to decline, a substantial number of people who bought houses might have preferred to rent them if they had had the choice. But even if the trend of prices is upwards after the war, it is doubtful whether the construction of a substantial proportion of houses for letting will provide a stock of houses to let commensurate with the need, measured by consumer preference. Further steps will be necessary to meet this need at all adequately. For example, it should be possible, either for local authorities or for private institutions, to buy part of the existing stock of houses and to make them available for letting. Far too little thought has yet been given to the practical measures that will have to be taken to meet the need for a wider choice between houses to let and to buy.

Survey of Post-War Markets

The Committee for Economic Development in the United States—an organisation set up by American business men—is organising a study of post-war markets, in collaboration with 581 trade associations, on a scale never attempted either across the Atlantic or in this country. The study has three aims. First, it is intended to assess the general level of business activity in 1947 (on the assumption that it would be the first full peace time year) on the basis of a consensus of industrial opinion. Secondly, the results are to be tabulated on the basis of census classifications in order to enable each manufacturer to estimate the post-war prospects of his industry as a whole, and to plan his own activities accordingly. Thirdly, the study is designed to familiarise manufacturers with the methods of appraising with some accuracy the factors likely to affect their businesses. The practical value of such an appraisal will obviously depend on its

quality. But in conception it is a reflection of a high degree of collective enterprise that should benefit not merely the individual manufacturer, but the community. It goes far beyond the kind of market research that has hitherto been undertaken. The collective organisation of such a study for this country would seem to deserve serious consideration. It would enable manufacturers to see more clearly ahead, and to plan their productive schedules for longer periods and with less uncertainty; and it would assist the Government in its aim of maintaining "a high and stable level of employment after the war."

Home and Colonial Changes

The preliminary results of the Home and Colonial, Meadow Dairy and Lipton group, given in *The Economist* of June 10th, disclosed an increase in net profit for the year 1943-44 of some £31,000. The full reports of these companies show that this rise was due solely to better results at home and that it was secured in face of declining earnings overseas and further restriction of supplies in this country. The explanation is to be found partly in actual economies and partly in the rather wider margin permitted between buying and selling prices. The decline in overseas earnings is explained by the chairman, Sir George Schuster, as being due mainly to conditions in the Indian tea trade. The inflationary set-up in India resulted in higher "dearness allowance" being paid to coolies. The Government arrangement made no provision for varying the price paid for teas, with the result that profits declined. This matter has now been remedied and current results should be better to that extent. A further trouble arose from the hoarding of domestic stocks of tea by Indian dealers. The resultant scarcity caused prices to soar and supplies were further restricted by transport difficulties arising from labour shortage. In these circumstances the group, in collaboration with another firm, decided to cut the selling price instead of raising it as the speculators had hoped. The manoeuvre was successful, and it may be hoped that it will not have to be repeated. Meanwhile, however, the policy resulted in some loss to the company.

Sir George also discloses certain changes in the assets of the whole group which may be of considerable interest to shareholders. It transpires that certain of the Lipton interests had already been sold in 1941, including some rubber plantation holdings. During the year the holding in T. J. Lipton, Inc., a company which controls the manufacture and sale of Lipton products in North America, has also been sold. It appears that the holding did not confer control and that the sale will not disturb mutual trading agreements. It results in a profit to the group of £123,000, of which £53,000 accrues in cash and the remainder represents Ceylon properties still retained. The net result of these various transactions appears to be to reduce the Lipton plantation assets to three Ceylon tea estates with an area of 3,400 acres. These sales have been effected in pursuance of a policy which considers the home retail trade as the main purpose of the group. This may well be sound, but the readiness of so many British concerns to reduce, or abandon, overseas interests is a little disturbing.

John Brown Re-financing

The latest example of a large-scale conversion of debt by British industry is that of John Brown, who are repaying on October 31st £1,939,082 to 4½ per cent debenture stock at a premium of 6 per cent. The operation calls for some £2,055,000, but the company proposes to raise only £1,800,000, finding the balance from its own resources. The money is to be raised by the issue of £550,000 3½ per cent debenture stock and 1,250,000 4½ per cent cumulative preference shares of £1 each, both at par. Holders of the existing debentures are offered the right to convert 30 per cent into the 3½ per cent debentures and 70 per cent into 4½ per cent preference shares. The latter is permanent capital and the former is repayable over a period of 20 years. Thus, the company will save some £12,839 per annum in interest and a similar sum in sinking fund provisions. Some play is made with the latter point, but it has to be observed that, if the arrangement permits the company to retain its liquid resources, the first stage of the transaction calls for the disbursement of some £255,000 net. In view of the fall in the rate of interest, the conversion was to be expected. As in other recent cases, the main interest attaches to the alternative form of security chosen. In the context of post-war uncertainties, the arrangement adopted has many advantages. The company will have £1,950,000 of preference capital of three categories, £2,153,893 of ordinary capital, and only £550,000 of debentures. It secures a sound capital structure and opens up the possibility of new borrowing on a substantial scale should conditions suggest such a course. This is a fact which those who consider taking the new securities offered will doubtless bear in mind. At the same time this arrangement preserves more of the attraction inherent in all equities than has been possible in these cases where debentures have been converted into ordinary shares. It would be interesting to learn what dictated this particular choice of capital structure. The whole question of the gearing of capital structure needs discussion, and the views of leading industrialists would be a welcome contribution.

Integration in Coal Mining

Active steps are about to be taken by the Coal Commission in the exercise of its legislative powers to extend the scope of geographical integration in the coal mining industry. It may be recalled that in May, 1939, Sir Ernest Gower, in his capacity as chairman of the Commission, addressed to the colliery owners of the country a memorandum explaining the lines on which the Commission intended to proceed in the discharge of its functions and outlining the geographical areas in each of which it contemplated the eventual establishment of one consolidated undertaking. Although it possessed compulsory powers, the Commission then shared the view of its predecessor under the 1930 Coal Mines Act that amalgamations made voluntarily were to be preferred to amalgamations prescribed and enforced by authority, and it indicated the circumstances under which integration should proceed by stages rather than by drastic single steps.

The Commission's proposals were beginning to receive the consideration of the industry when war broke out, but subsequently discussions were suspended, and the only consolidations which have taken place since 1939 have been those negotiated independently. It is understood, however, that the Commission now intends to resume its task at the point where it was left off five years ago. The most important developments during the interval have been: (a) the assumption by the Government since June, 1942, of the operational control of the collieries under the supervision of group production directors responsible exclusively to the Ministry of Fuel and Power; (b) the announcement of the Mining Association last March that it contemplated reorganisation proposals "involving far-reaching plans to cover every aspect of the industry in which organised action can improve efficiency, labour relationships and commercial arrangements"; and (c) the revival of the miners' demand for nationalisation. Each of these factors must inevitably influence the final decision by Parliament on the future of the industry, but in the regional discussions which are about to be opened between the Commission and the colliery owners the sole object would be the ascertainment of the best way of carrying out "a settled policy, prescribed by Statute" (to borrow a phrase employed by the Coal Commission in its memorandum of May, 1939), for the re-

organisation of the industry into a smaller number of productive units of greater average size, and as the Mining Association is now convinced of the urgency of the need for accelerated progress in this direction, there are reasonable prospects of agreement between the Commission and the colliery owners, at any rate on the main lines of the contemplated regional consolidations, before the time arrives for Parliament to give its final decision, within the intent of the White Paper of June, 1942.

Railwaymen and the War

The main issues at the annual conference of the National Union of Railwaymen, held in Edinburgh this week, have been wages and the future organisation of transport. The union has grown in strength and influence since the war; it has over 400,000 members, of whom about 51,000 are women, and its reserves amount to over £3,000,000. Although the NUR does not include locomotive engineers and firemen, or railway clerks, who are organised in separate unions, close relations between the three unions are maintained through a joint committee, and concerted wage claims have been put forward. Railway workers occupy a key position in the national economy, and can point with pride to their industrial and strike-free record since the war. They argue, with some reason, that their efforts and skill, though accorded public praise, are still insufficiently rewarded in monetary terms. The minimum wage of a general railway worker in rural districts is 77s. 6d. a week, made up of a base rate of 47s., with a 25s. 6d. war bonus and an additional, unspecified bonus of 4s. 6d. The base rate in industrial areas is 48s. and in London 50s. Certain increases have been granted since the war, the latest being in April, when an additional 5s. on the war wage (bringing it up to 25s. 6d.) was agreed by negotiation, though the unions had asked for an increase of 12s. a week. The union



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leaders' aim is to consolidate the war advances into a minimum all-round rate, which will provide an adequate living standard and allow proportionate differentials for skill. Their claim for a fortnight's annual holiday with pay is still being discussed with the Railway Executive Committee. Mr Fred Burrows, in his Presidential address, emphasised the union's opinion that railway workers would never enjoy real economic security until the railways were publicly owned, and expressed concern lest renewed and intensified road competition after the war should lead to depressed wage standards. The conference adopted by 66 votes to 3 a motion in support of the Labour Party's Transport plan (described in the *Economist* of June 24). Nationalisation of the railways has long been the central plank of both the Labour Party and the Trade Union platform. There may be many social arguments in favour of a publicly owned transport system. But neither the Labour party nor the TUC have yet produced any good economic or technical arguments to support its case.

* * *

Hydro-Electric Power in Scotland

The North of Scotland Hydro-Electric Board, set up by the Hydro-Electric Development (Scotland) Act, 1943, for the development of Scotland's water power resources, has already published the details of "Constructional Scheme No. 1," which, if sanctioned, is to be put in hand as soon as possible. The scheme, which is estimated to involve the expenditure of £4,600,000, comprises three projects, at Loch Sloy, Loch Morar and Loch Lochalsh. The Loch Sloy project is expected to take 2½ years to complete and the others about eighteen months. In an article published in the April issue of *Water and Water Engineering*, Mr Eric Saunders expressed the view that the cost of hydro-electric power is likely to decline in relation to other forms of power, not only in Great Britain but also in other countries. Taking into account the rise in the price of coal, he estimated that, after the war, the average costs of electricity in this country are likely to be 0.30d. to 0.40d. per unit for steam plants, against 0.18d. to 0.25d. per unit for water power installations. On his calculations the difference in costs will be substantial. Unfortunately, Britain's water power resources are comparatively small and, even if fully developed, can only supply a limited proportion of its power requirements. Since power is an important cost item in a number of industries, especially some new ones, everything should be done to ensure the cheapest possible supply of energy derived from coal.

* * *

Co-operative Mail Order Business

At the July quarterly meeting of the Wholesale Co-operative Society a proposal is to be submitted to establish a mail order service in conjunction with retail societies. The Co-operative Movement has not hitherto provided its members with this type of retail service, although the idea is not new. It was first discussed at the end of the last war, but it came to nothing because of the opposition of the larger societies in the industrial areas. The idea was revived in 1936, and in 1939 the Co-operative Union surveyed the position and came to the conclusion that a federal co-operative mail order department would enable the

Society to take part in a type of retail trade which has hitherto been done exclusively by commercial mail order firms. The latest proposal provides for crediting retail societies with the amount of purchases from mail order customers living within their areas. There can be little doubt that a mail order department would provide a service appreciated by co-operators, and it is expected that turnover in dry goods would be increased by the new department. That there is scope for an increase is shown by the fact that whereas the co-operative proportion of national trade in dry goods is only about five or six per cent, co-operative sales of butter, margarine and sugar reach twenty-five per cent of the civil population. The Co-operative Society believes, therefore, that potential trade is lost to mail order organisations which they themselves could transact. The many Co-operative publications would provide first-class advertising media, and shops which do not themselves stock the goods which could be obtained by post could publicise them. The retail societies will be asked to sanction a referendum on the subject of a mail order department; if it is agreed, it is hoped to develop the scheme so that it can begin its operations as soon as possible after the war.

* * *

World's Water Power Resources

Mr Saunders gave some interesting statistics of the world's potential and developed water power resources in 1942, derived from the United States Geological Survey:—

	Horse Power		Per cent. of H.P. Developed	Per cent. of World's Potential H.P.
	Potential	Developed		
North America	77,000,000	29,610,000	42.5	11.4
South America	75,000,000	1,660,000	2.3	11.2
Europe	74,000,000	30,140,000	41.3	11.0
Asia	151,000,000	8,660,000	11.8	22.5
Africa	274,000,000	210,000	0.3	40.8
Oceania	21,000,000	1,330,000	1.8	3.1
Total	672,000,000	71,010,000	100	100

Russia's potential water power was estimated at 135,000,000 HP in 1937 and its developed HP at 30,000,000. These figures, of course, can only be regarded as rough estimates, subject to revision as a result of new surveys and technical improvements in exploitation. But they indicate not only the magnitude of the electric power already derived from water power but also the scope for further development. Compared with these figures Great Britain's potential and developed resources, estimated at about 2,000,000 HP and 641,700 HP respectively, in 1943, look puny.

Company Result

Wiggins, Teape. (Paper.)

	1941	1942	1943
Trading profit on group†	878,296	1,157,128	1,044,595
Depreciation	115,590	115,502	107,151
Taxation	274,351	589,095	497,244
War damage insurance	41,883	30,185	23,164
Pensions, etc.	36,341	41,494	39,394
War expenses	159,261	128,599	88,317
Outside shareholders' interests	27,117	27,302	26,944
Miscellaneous deductions	1,595	2,266	2,401
Parent company's net profit	222,158	222,685	259,800
Debt interest	63,766	62,801	61,787
Preference dividend (net)	48,571	50,275	49,695
Ordinary stock:—			
Earned	109,821	109,809	148,318
Paid (net)	59,594	59,536	69,259
Earned %	12.9	12.9	17.1
Paid %	7	7	8
General reserve	—	—	4,342
Contingencies reserve	50,000	50,000	74,500
Carry forward	52,380	52,453	52,670

Consolidated Balance Sheet			
Net fixed assets	3,674,523	3,461,124	3,269,135
Net associated company items	125,200	63,472	60,972
Net liquid assets	2,403,290	2,751,057	3,039,834
Gross liquid assets	3,187,876	3,846,204	4,026,390
Stock	1,321,271	1,336,474	1,126,155

† After deferred repairs. ‡ In addition a sum of £52,658, representing E.P.T. recovered for 1941, was allocated to general reserve.

The £1 units of ordinary stock, standing at 41s. 6d., ex dividend, yield £3 17s. 1d. per cent.

COMPANY MEETINGS

HOME AND COLONIAL STORES, LIMITED

GROUP'S POSITION FURTHER STRENGTHENED

SIR GEORGE SCHUSTER'S REVIEW

The forty-ninth ordinary general meeting of the Home and Colonial Stores, Limited, will be held on Friday, the 14th instant, at 179-189, City Road, London, E.C.

The following is the annual review by the chairman (Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.), which has been circulated with the report and accounts:—

For the main retail business of our group the past year has, like preceding war years, been characterised by restrictions on our scope for enterprise and a heavy burden of taxation. Nevertheless, as will be seen from the accounts and the directors' report, we have been able to strengthen our group's financial position in preparation for the future, and to recommend repeating the modest war-time dividend of 3 per cent. on ordinary shares. So long as present conditions continue, our chief aim must be to maintain the efficiency of our organisation and to prepare for developing our full strength when normal trading becomes possible again.

It may be of interest on this occasion when nothing new can be said about our home retail business if I call attention to some other portions of our very varied and complex undertaking.

OVERSEAS BUSINESS

The overseas business of Liptons is an important enterprise, including a large tea distribution organisation in India, tea plantations in Ceylon, and depots or agencies in most parts of the world. At present the export of tea normally carried on either from this country or direct from India, Ceylon, etc., has been almost entirely supplanted by the scheme instituted in 1942, under which the British Government, through the Ministry of Food, is the sole purchaser of tea, and allocates available supplies to allied and neutral countries, based on their previous imports. This scheme, initiated when the Dutch East Indies were cut off, was doubtless necessary to ensure equitable distribution of the reduced supplies; but its result has been that the valuable trade built up by British firms in the export of proprietary teas has, at least for the present, been almost entirely lost.

We are preparing to resume an active policy in all overseas markets as soon as war restrictions are removed.

Our tea sales in India showed an increase over last year, but the profits were affected by special conditions. Late in 1942 Indian market prices had been forced up by speculation, while large stocks were hoarded by dealers. Shortage of labour, too, in the docks and public warehouses was causing delays in distribution. As these factors were seriously affecting genuine consumer business, we decided, in conjunction with another firm of distributors, to take the initiative by making a series of price reductions when everybody expected a still further rise. We believe that this action was largely responsible for bringing out hoarded stocks and establishing the more healthy conditions that have prevailed since last September.

This policy, which we are convinced was right meant a substantial cost to ourselves. At the same time our expenses in India have, as elsewhere, increased with the cost of living, while the serious food shortage created a special problem. In co-operation with other British firms we purchased essential foodstuffs in bulk and resold them to our employees at a loss. We thus prevented an inflationary rise in wage rates and kept our employees sup-

plied with food which they would otherwise have been unable to obtain.

Current results in Ceylon have also been affected by special difficulties. Costs rose owing to increased rates of "Dearness Allowance" payable to coolies, and this extra cost was not fully recovered in the prices paid under last year's contract with the Ministry of Food. The current year's contract, however, recognises this factor and provides for a variable price scale.

Another difficulty has been the serious shortage of labour, which, together with a scarcity of fertilisers, has restricted our cultivation programme, and will react unfavourably on this year's results.

In spite of all the special difficulties referred to above, the total working profits from Lipton's plantations and overseas trading business amounted for 1943 to about £70,000.

REALISATION OF OVERSEAS ASSETS

While this overseas business is of importance and has potentialities for development, our main purpose must always be our home retail business. We have therefore thought it right to take every opportunity to consolidate our strength for this main purpose. War conditions have given us opportunities to realise on favourable terms some of the less essential parts of our overseas interests. One of these was the holding of Lipton, Limited, in T. J. Lipton, Inc., which controls the manufacture and sale of Lipton products in the United States and Canada. Shareholders will remember that in 1936 Lipton, Limited, exercised an option to acquire from Sir Thomas Lipton's trustees the issued capital of T. J. Lipton, Inc. (U.S.A.), and Thomas J. Lipton, Limited (Canada), together with certain properties in Ceylon. The Ceylon properties were retained, while the other two businesses were sold to a syndicate in which Lipton, Limited, took a minor participation. One of the Ceylon estates was subsequently sold, and last year a favourable chance occurred to realise the shares in T. J. Lipton, Inc., without disturbing the mutual trading agreements between that company and Lipton, Limited. The net result of all the transactions following the exercise of the option has been that Lipton, Limited, has increased its reserves by £123,000 made up of £53,000 cash profits actually realised and £70,000 representing the book value of the Ceylon properties still retained.

Apart from the above-mentioned Ceylon properties, Lipton, Limited, has always had its own extensive tea estates. During 1941 it was decided to realise the less attractive of these, especially those including rubber plantations, which are really extraneous to our normal business. This programme (which has realised in all about £143,000) has been completed. The final result is that Liptons are now left with three first-class tea estates of approximately 3,400 acres. These it is proposed to retain.

FACTORY INTERESTS

Another important undertaking outside the main retail business is represented by the factory interests of the group. Besides our large tea blending and packing warehouse in London, and our bacon warehouse, we have two jam factories with an annual capacity of 13,000 tons; two sausage factories with a capacity of 12,000 tons, and a large modern bakery which can produce 4,000 tons of biscuits and 20,000,000 loaves of bread, as well as large quantities of slab cake and other goods. In common with the other sections of the business, these manufacturing interests have also had to meet their special problems arising out of war-time conditions; but their effi-

ciency and the quality of their products have been well maintained.

STAFF WELFARE

Before concluding my review of the past year I must once again acknowledge our indebtedness to our staff in every section of the business. It has been our policy to do all that is practicable to make service in our companies worth while. As shown in the report, £37,000 has been added last year to the benevolent funds. Besides this, £55,000 was contributed to the various pension schemes, and grants of £78,000 were made to dependants of employees serving with the Forces. We are also looking ahead to the post-war period, with the aim of improving the whole status of those engaged in the distribution of groceries and provisions. In a large concern like ours there are ample opportunities for advancement. It is our desire to see that our conditions of service are such as will attract the right type of junior, and that everyone joining our staff will feel that he has a good career in front of him.

GOVERNMENT POLICY AND THE DISTRIBUTIVE TRADES

I will not attempt any detailed prophecies about the future; but in this connection a matter of special interest has been the recent publication of the Government's White Paper on Employment Policy. This has a very direct bearing on a business such as ours which is so closely affected by the general prosperity of the country.

We welcome the declaration now given of the Government's determination to promote plans for full employment, and there is one special point to which I think it appropriate to call attention. Paragraph 82 of the White Paper, after stating that the success of the Government's policy will depend on the skill shown in putting general ideas into day-to-day practice, emphasises that it is vital for the Government "to obtain, more fully and much more quickly than they have in the past, exact quantitative information about current economic movements." The Government, therefore, "appeal with confidence to industry to join with them in a task which is essentially co-operative; for only industry can provide the statistical information required and only a central authority can classify and analyse information drawn from the country as a whole." This passage, it will be noted, refers specially to "industry"—a word which is usually interpreted to mean manufacturing industry. Distribution, however, is not only an extremely important economic activity, but an essential part of effective production. Moreover, the records of companies like ours can afford valuable information as to the course of consumer demand and general economic conditions.

I therefore take this opportunity to make two points. First, I want to put on public record that our companies will be ready (as indeed they have always been) to afford full information to the Government as to our results and to give them free access to all records. Secondly, I want to urge that in framing Government plans full account should be taken of the functions of the distributive trades. I think it is important to make these points when reviewing the policy of a company such as ours. "Big Business" is a common target to-day for popular attack. It is our belief, however, that well-organised large-scale distributive business can render a distinctive and valuable public service, and we are anxious not only to allow the Government the fullest opportunity to test this by facts, but to give them by access to our own records the opportunity to acquire information which will afford guidance to their general economic policy. To say this, implies no disparagement of other types of business. We recognise fully that there is great value in the activities of efficient undertakings of smaller size. We believe further that there is room for all types of traders and that competition between the different types is good both for the traders themselves and for the public. In this spirit we look forward with confidence to the future of our own business and of our country.

HE KNOWS THAT DENTURES CAN AND SHOULD BE KEPT AS CLEAN AS NATURAL TEETH



Kolynos Denture Powder, used in conjunction with a stiff brush, has proved a reliable medium in the effective cleansing of the dental plate of all food debris. A safe and efficient stain-remover, it is harmless to all denture-bases—whether vulcanite, metal or the new 'plastic' type. From all chemists—1/3.

KOLYNOS DENTURE POWDER

Also, where gum-shrinkage has affected the normal suction grip, KOLYNOS DENTURE FIXATIVE makes false teeth fit firmly. 1/3 & 3/4.

UNION CORPORATION, LIMITED

IMPROVED RESULTS

MR P. M. ANDERSON'S REVIEW

The ordinary general meeting of shareholders of Union Corporation, Limited, was held in Johannesburg on May 30th.

Mr P. M. Anderson presided.

The Chairman said: The profit for 1943 at £710,299 is £100,167 higher than for 1942. Out of the profit £100,000 has been set aside to exploration reserve account. The remainder of the year's profits and a modest £5,700, taken from the £121,663 which stood to the credit of profit and loss account, have been absorbed in paying an interim dividend of 2s. 6d. per share and a final dividend of 5s. 6d., making 8s. for the year. We open the new year with an unappropriated balance of £115,963 to the credit of profit and loss account.

You may remember that when I addressed you in May, 1938, I explained that in the search for profitable new business, considerable outlays are incurred on the prospecting of properties over which control is secured by option or otherwise. There is no regularity in the incidence of this expenditure. In some years there may be great activity and in other years practically none, but whatever may be the expenditure it is generally unremunerative for a considerable number of years and at the time there can, from the nature of things, be no certainty as to the ultimate value of the work. Time is required to make a fair appraisal. Accordingly, all such expenditure is charged to exploration reserve account and suitable appropriation from profit and loss account is made as and when deemed necessary. By the end of 1943 the exploration reserve account had been reduced to £76,842, so your directors decided that it should be strengthened. Accordingly, as I have already mentioned, £100,000 has been transferred out of the profits earned last year, raising the balance now available to £176,842.

The increase of the book value of our holdings, including claim and land holdings, after making precautionary provisions, amounts to about £56,000. That is, of course, a balance figure indicating that we have invested somewhat more than we have realised during the year. In that regard I can mention in particular that we have increased our interest in Ultramar Company. Our realisations have been of a miscellaneous character. The balance of ins and outs on these balance-sheet items and on profit and loss account being small, it follows that there is but little change in our liquidity. Our liabilities are fully covered by our cash and cash assets.

INCREASED DIVIDEND

Having reviewed the salient features of the Witwatersrand gold-mining industry and, in particular, the operating results of the gold-mining companies on the Witwatersrand under the administration of the corporation, the Chairman said that Bay Hall Trust paid a dividend of 7 per cent. as compared with 6½ per cent. for 1942, while the balance unappropriated on profit and loss account has been raised by £13,760 to £103,772. The trust's holdings at the end of the year had an aggregate value of £2,423,182, or some £440,595 above the book value.

San Francisco Mines of Mexico had another really good year, many records being established. In spite of increased Mexican and British taxation, a dividend of 3s. was paid, as compared with 2s. 6d. for the preceding year.

The South African Pulp and Paper Industries, Limited, has made further progress. The net profit for the year, after providing for depreciation and taxation, amounted to £103,061, which was £16,500 more than the corresponding figure for 1942. After providing for a dividend of 7½ per cent., the unappropriated balance became £75,739, or an improvement of £46,811. Price control has kept the selling price of the company's paper at a figure very substantially below the price of imported paper. The paper traders in the

Union have expressed themselves in favour of the continuance of some form of control of paper for a period of two years after the cessation of hostilities to ensure that the mill's output during that period will be absorbed.

The Chairman then referred to the death of Sir Henry Strakosch and the great loss sustained by the corporation thereby.

The Chairman paid tribute to the memory of another three members of the corporation's staff who had made the supreme sacrifice on active service, and thanked the depleted staffs in London and Johannesburg for efficient service rendered throughout the year.

The report and accounts were adopted and the auditors reappointed.

A copy of the full report of the above proceedings is available for inspection at the London office.

TUNNEL PORTLAND CEMENT COMPANY, LIMITED

POST-WAR PROSPECTS

MR N. M. JENSEN'S SPEECH

Extract from speech of chairman, Mr N. M. Jensen, to the annual general meeting to be held on the 11th instant.

The profit on trading is slightly reduced, but to offset this there is an increase in the item interest received and dividends on investments, and substantially the same total profit as for 1942 is shown.

After payment of the dividends on the two classes of preference shares and the interim dividend of 7½ per cent. on the "A" ordinary shares and "B" ordinary stock, there remained, together with the sum brought forward, a balance of £280,084. Unfortunately, it has not been possible to complete the accounts by our usual time, and your directors therefore decided to pay a second interim dividend of 12½ per cent., less tax, on the "A" ordinary shares and "B" ordinary stock, making 20 per cent., less tax, for the year. When this payment was announced it was made clear that no further dividend would be recommended. The second interim dividend absorbed £57,239 and left a carry-forward of £222,845.

DEMAND FOR CEMENT

The demand for cement in the home and the export market, although slightly lower than for the previous year, has been considerably in excess of what had been expected a year ago. It is impossible to forecast with any accuracy what the demand will be for the current year, but many signs indicate that there will be a substantial reduction, and, as I have intimated before, I am of the opinion that it will take two years after the war before the building and civil engineering industry will again reach its normal consumption of cement. There is a possibility that export may increase after the war, but this is largely dependent on the amount of shipping that will be available. Everything appears to indicate, however, that during the third post-war year and the following years cement will come into its own and the industry will be called upon to deliver larger quantities than ever before.

It is only right to assume that your company will be faced with a reduction in trading profits over a period, owing to the reduction in the demand for our product. A policy of advancing our prices in the endeavour to modify such reduction would, in my opinion, be unsound. On the contrary, I am certain that the industry will wish to do all it can to reduce prices as we gradually revert more and more to normal conditions. Fortunately, your company has built up substantial reserves, and it is in a strong financial position to meet such temporary setback. Your board hold the view that past profits remaining undistributed may, to some extent, be utilised if necessary to maintain the payment of reasonable dividends.

CABLE AND WIRELESS (HOLDING) LIMITED

LORD PENDER'S SPEECH

The annual general meeting of Cable and Wireless (Holding), Limited, was held on the 29th ultimo, in London.

The Rt. Hon. Lord Pender, who presided, said in the course of his speech:—

The profit for the year 1943 is £1,220,976 which exceeds the preference dividend already paid and the ordinary dividend of 4 per cent. now proposed, together amounting to £1,197,488, by £23,488. The undistributed balance of revenue account brought forward from 1942 was £279,126 which, when added to £23,488 just mentioned and £10,000 from excess profits tax account to be mentioned below, provides an amount of £312,608 unappropriated, to be carried forward to 1944.

THE YEAR'S REVENUE

The dividends received from subsidiary companies are the same as for the previous year, and amount to £1,263,965. The dividend received from Cables Investment Trust again amounts to £50,000, whilst the income from other investments at £41,837 shows a reduction of £13,715, due to the sale of investments in 1942 in order to finance the purchase of further shares of Marconi's Wireless Telegraph Company.

Apart from the telegraph business of the Operating Company and the profits derived from the manufacturing business of the Marconi Company, the third main source of the revenue of the group is its investments. The book value of the securities held by the group amounted to £19,729,017, and that these had a market value of £19,565,260—the depreciation of £163,757 being less than 1 per cent., compared with just over 5 per cent. a year ago.

The increase in the total investments held by the group is largely due to the substantial support given by Cable and Wireless, Limited, to the Government's new loans, the total value of British Funds now held by our companies amounting to over £10,600,000.

The income received by the group from the investments in 1943 amounted to £701,230, compared with £584,881 in 1942. While gilt-edged securities have been very stable during 1943 and average yields materially unaltered, the yield on most other securities has continued to fall. In the case of our companies the increased holdings of low-interest-bearing Government Loans have to be taken into account in attempting any comparisons of the income for the year under review with the incomes of previous years.

Apart from British Government stocks our holdings are, as I have stated on former occasions, for the most part represented by investments in undertakings within the British Empire. The prosperity of these undertakings at the present time is attributable to war consumption and may be expected to be sustained for a period after the war by a world-wide demand for goods and services.

THE FUTURE

I will make no forecast concerning the future. Nevertheless, I assure you that the difficulties which the war has produced, as well as the opportunities which the peace will afford, continue to receive the earnest attention of your directors. As you know the Prime Minister has forcefully reminded us all of late that "Although great dangers lie behind, enormous exertions are before us." So may it be that, through the glorious endeavour and unrelaxing effort of the United Nations, the goal in sight will be reached more quickly than we dare to hope. Then the great undertaking which we are connected will have the opportunity, alongside other leading forces of enterprise and initiative, to play its full directive and energetic share in the solution of the post-war problems.

The report was adopted.

VIROL LIMITED

LORD LUKE'S REVIEW

The forty-fourth Annual General Meeting of Virol, Limited was held on the 29th ultimo in London, the Right Hon. Lord Luke, the Chairman, presiding.

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

I am pleased to report another successful year resulting in an increase of about £15,000 in the gross profit to £129,934. Our operating expenses, however, have also increased, due mainly to increased wages, repairs and maintenance, transport charges, etc. The resulting net profit of £16,992, is after making full provision for all taxation on profits earned to the 31st March last.

The standard years for E.P.T. profits coincided with one of our worst pre-war trading periods and the increased profit from this year's trading has been absorbed by E.P.T., leaving only sufficient to pay the preference dividend and the recommended 10 per cent. on the ordinary shares, which you will be asked to approve.

The difficulties of acquiring adequate supplies of raw materials are still very acute. Nevertheless, we have managed to keep our large number of customers regularly supplied—if only with restricted quantities. The demand for our preparations is still greatly in excess of our ability to supply.

Virol provides those essential nutritive factors likely to be lacking in the other foods consumed, and it thus brings about an adequately balanced intake as a whole. It is to this "balance-restoring" power of Virol that its outstanding ability to produce proper development and positive health in the growing child has been attributed; and certainly the clinical experience of over 40 years has proved that the theory is completely borne out by the facts.

The report and accounts were unanimously adopted.

ARGENTINE ESTATES OF BOVRIL LIMITED

SATISFACTORY RESULTS

The 36th annual general meeting of the Argentine Estates of Bovril Limited was held on the 6th instant, at 160, Old Street, E.C.1.

The Deputy-Chairman, Lord Luke, in his address circulated with the report and accounts, stated that to conform with modern practice the accounts had been drawn up rather differently this year. Provision for Taxation on profits to 30th September, 1943, was shown as a separate item in the Profit and Loss Account instead of being deducted before arriving at the net profit on trading. There was an increased net profit on trading this year, for which they had to thank their estancias.

Mr. G. A. Ellison, their Chairman, had reported from the Argentine that the result of the year's estancia working results were fairly satisfactory. For the fifth year in succession they had had no locusts. Unfortunately the severe drought and extraordinary heat from December, 1942, to March, 1943, came at a time when they had many steers fattening for the St. Elena factory, and though they did well, they did not put on flesh as they would have done in better weather.

The price of cattle had continued to rise during the year. They had sold surplus stock and bulls at very satisfactory prices. Their cattle were healthy and sound. The number of calves marked was quite up to the average.

Nineteen young employees from the Company's farms in Argentina were serving with H.M. Forces. Most of them volunteered early in the war. Moreover the other employees had contributed substantially to the voluntary British Patriotic Fund.

Lord Luke expressed the Company's thanks to Mr. Ellison for his interesting report.

WIGGINS TEAPE AND COMPANY (1919) LIMITED

INCREASED PROFITS

The annual general meeting of Wiggins, Teape and Co. (1919), Limited, was held, on the 7th instant, in London, Mr F. L. T. Barlow (chairman) presiding.

The following are extracts from the chairman's statement circulated with the report:—The outputs and sales of your company and its subsidiary companies continued to be affected by the shortage of raw material supplies, with the consequent restrictions and limitations by the Government in the uses of paper.

It has again been our policy to maintain the high quality of our products as far as is possible, and we have made every endeavour to make the best use of the materials available to us.

The available profits of £364,911, including a net refund of excess profits tax of £52,658 in respect of the year 1941, show an increase of £39,846. After providing for interest on debentures and dividends on the preference and ordinary stocks, your directors have transferred the sum of £37,000 to the reserve account, bringing the reserve up to £850,000 and the sum of £74,500 to contingencies reserve. The total distribution of 8 per cent., less income-tax, on the ordinary stock for the year 1943, is 1 per cent. more than for the previous year.

The total of the surplus and specific reserves of the group of companies, according to the summary of balance sheets shows an increase of £237,566 compared with the previous year. Current liabilities show a substantial reduction due to the reduced liability to the taxation authorities. With a reduction of £108,000 in the total of the current liabilities and proposed dividends, and an increase of £180,000 in the total of the current assets, the net liquid position of the group shows a further improvement of nearly £290,000.

The report and accounts were adopted.

RECORDS and STATISTICS

INVESTMENT Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yields	
			30 Ord. shares*	20 Fixed Int.†	Ord. Consols	Ord. Shares
June 29...	6,805	4,979	113.0	134.2	3.16	3.74
" 30...	3,417	5,174	113.2	134.2	3.16	3.75
July 3...	3,188	7,007	113.2	134.2	3.16	3.75
" 4...	5,109	5,507	113.3	134.1	3.16	3.72
" 5...	5,396	5,614	113.4	134.1	3.16	3.72

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1944: highest, 115.4 (July 5); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
June 23...	127.9	1,301,000*	June 27...	128.3	2,179,000
" 24...	127.6	558,000*	" 28...	128.7	1,746,000
" 26...	127.7	1,720,000*	" 29...	128.2	1,890,000

1944: High, 128.7 (June 28). Low, 115.8 (Feb. 8). * Two-hour session.

(WEEKLY AVERAGES) (1935-36 = 100)

	1944		June 14, 1944	June 21, 1944	June 28, 1944
	Low Mar. 15	High June 28			
37 Industrials	95.1 (a)	105.9	103.5	105.4	105.9
32 Rails	88.9 (a)	103.4	99.8	102.2	103.4
40 Utilities	85.0	90.9	88.9	90.0	90.9
419 Stocks	93.6 (a)	103.4	101.0	102.8	103.4
Av. yield %	4.84 (b)	4.54	4.63	4.54	4.54

* Common Stocks. (a) Feb. 9. (b) May 3.

Capital Issues

Week ending July 8, 1944	Nominal Capital £	Con- versions £	New Money £
To Shareholders only	125,000	...	233,750
By Permission to Deal	90,784	...	226,960
Particulars of Government issues appear on page 64.			
Year†		Including Conversions £	Excluding Conversions £
1944	...	899,170,421	888,071,940
1943	...	1,011,580,632	995,350,984

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944	887,741,219	330,721	Nil	883,668,696	2,117,789	2,285,455
1943	993,336,622	1,375,685	638,677	987,463,898	1,134,850	6,752,236

* Conversions excluded. † Includes Government issues to June 27, 1944, only. Above figures include all new capital in which permission to deal has been granted.

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)				Average Yields		
	June 29, 1943	Nov. 30, 1943	May 30, 1944	June 27, 1944	June 29, 1943	May 30, 1944	June 27, 1944
2½% Consols (1)	143.0	142.2	141.3	140.4	3.12	3.16	3.18
Home Corps. (4)	142.5	141.7	141.9	141.6	3.27	3.28	3.29
Ind. Debts, All Cl. (42)	121.2	121.3	122.5	122.5	3.92	3.85	3.85
Ind. Pfncs., All Cl. (101)	110.8	111.1	114.2	114.5	4.37	4.25	4.24
Investment Trusts (9)	47.4	48.7	50.0	51.2	4.83	4.57	4.47
Building Mats. (6)	89.9	93.0	100.2	104.1	3.27	3.07	2.95
Electrical Mfg. (13)	150.1	153.8	164.1	167.9	4.22	3.89	3.80
Motors (7)	45.2	47.5	53.2	53.1	4.20	3.98	3.98
Oil (4)	78.6	88.9	97.2	101.0	3.04	3.37	3.24
Total Productive (90)	76.7	77.7	82.9	84.4	4.59	4.50	4.43
Home Rails (4)	80.4	79.9	80.3	79.5	5.43	5.73	5.77
Stores and Catg. (17)	66.8	71.7	77.6	83.2	3.52	3.24	3.03
Breweries (20)	138.0	140.7	151.7	154.6	4.46	4.11	4.12
Miscellaneous (20)	69.5	70.1	75.1	77.8	4.05	3.82	3.71
Ind. All classes (158)	75.3	76.8	82.5	84.5	4.42	4.26	4.18

(Continued on page 66.)

GOVERNMENT RETURNS

For the 13 days ended June 30, 1944, total ordinary revenue was £109,587,000, against ordinary expenditure of £199,185,000 and issues to sinking funds of £205,000. Thus, including sinking fund allocations £2,145,027, the deficit accrued since April 1st is £821,502,000 against £867,201,000. for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to June 30, 1943	April 1 to June 30, 1944	11 days ended June 30, 1943	13 days ended June 30, 1944
ORDINARY REVENUE					
Income Tax	1300000	154,854	171,115	23,018	37,066
Sur-tax	80,000	8,022	6,756	420	320
Estate, etc.,					
Duties	100,000	24,482	27,970	1,810	2,480
Stamps	19,000	3,210	2,302	1,520	1,250
N.D.C.	50,000	5,166	6,480	495	1,257
E.P.T.		86,077	102,865	10,722	14,107
Other Indl. Rev.	1,000	120	80	...	...
Total Indl. Rev.	2000000	281,931	317,568	37,985	56,480
Customs	564,900	129,360	141,757	13,187	21,723
Excise	472,900	111,000	122,700	24,200	28,400
Total Customs & Excise	1037800	240,360	264,457	37,387	50,123
Motor Duties	27,000	1,838	2,079	...	...
P.O. (Net Receipts)		...	...	Dr.	1,550
Wireless Licences	4,850	830	850	230	210
Crown Lands	800	240	270	50	60
Receipts from Sundry Loans	7,350	867	1,278	...	129
Miscell. Receipts	24,000	13,157	14,693	1,222	4,134
Total Ord. Rev.	3101800	539,223	601,195	76,874	109,587
SELF-BALANCING P.O. & Brdcastg.					
	112,370	26,500	28,250	1,600	5,150
Total	3214170	565,723	629,445	78,474	114,737
EXPENDITURE					
Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to June 30, 1943	April 1 to June 30, 1944	11 days ended June 30, 1943	13 days ended June 30, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	97,686	103,336	2,044	3,074
Payments to N. Ireland	9,000	1,677	1,660	336	332
Other Cons. Fund Services	7,000	647	653	363	297
Total	436,000	100,009	105,649	2,741	3,703
Supply Services	5501399	1306872	1314903	140578	195482
Total	5937399	1406881	1420552	143320	199185
SELF-BALANCING P.O. & Brdcastg.					
	112,370	26,500	28,250	4,150	5,150
Total	6049769	1433381	1448802	147470	204335

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

After decreasing Exchequer balances by £248,699 to £2,601,430, the other operations for the period (no longer shown separately) raised the gross National Debt by £87,971,819 to £20,412 million.

NET RECEIPTS (£ thousands)	
P.O. and Telegraph.....	2,000
NET ISSUES (£ thousands)	
P.O. and Telegraph.....	400
Overseas Trade Guarantees.....	18

MONTH'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
Treasury Bills	70,380	5% Conv. Loan	
Nat. Sav. Certs.	45,950	1944 " Other Debt "	2,600
3% Def. Bonds	21,964	External	2,094
24% Nat. War Bds.		Treasury Deps. by Banks	68,500
1952-54	72,733		
3% Savings Bonds			
1960-70	55,403		
" Other Debt "			
Internal	7		
Ways and Means			
Advances	92,395		
Tax Res. Certs.	32,849		
	391,681		73,194

FLOATING DEBT

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1943						
June 30 1944		3028.2	244.4	55.0	925.5	4253.1
" 31		3,149.1	394.5	"	1389.5	4933.1
April 6	1170.0		Not available			
" 14	1170.0		"	"		
" 21	1180.0		"	"		
" 28	1200.0	2018.3	410.4	"	1431.0	5059.7
May 5	1220.0		Not available			
" 12	1240.0		"	"		
" 19	1260.0		"	"		
" 26	1280.0	2184.9	374.9	"	1419.5	5259.3
June 2	1300.0		Not available			
" 9	1320.0		"	"		
" 16	1340.0		"	"		
" 23	1360.0		"	"		
" 30		3536.0	437.8	29.5	1351.0	5354.2

TREASURY BILLS

		(£ millions)					
Date of Tender		Amount			Average Rate of Allotment		Per Cent Allotted at Min. Rate
		Offered	Applied for	Allotted			
					%		
1943					s.	d.	
July	2	90.0	173.5	90.0	20	0.37	38
1944							
Mar.	31	90.0	211.8	90.0	20	2.20	25
April	6	90.0	211.8	90.0	20	2.74	27
"	14	100.0	209.1	100.0	20	2.58	30
"	21	110.0	216.8	110.0	20	2.83	35
"	28	110.0	208.3	110.0	20	0.25	37
May	5	110.0	199.1	110.0	19	11.81	32
"	12	110.0	198.2	110.0	20	0.32	41
"	19	110.0	202.4	110.0	20	0.35	40
"	26	110.0	195.7	110.0	20	0.98	46
June	2	110.0	216.1	110.0	19	11.89	28
"	9	110.0	203.4	110.0	20	0.45	38
"	16	110.0	197.5	110.0	20	0.49	40
"	23	110.0	199.5	110.0	19	11.93	35
"	30	110.0	203.6	110.0	20	0.57	41

On June 30th applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of the following week were accepted as about 41 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 14s. for bills to be paid for on Saturday of following week were accepted in full. £110 million of Treasury Bills are being offered on July 7. For the week ending July 8 the banks will be asked for Treasury deposits to the maximum amount of £90 million.

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

	(£ thousands)			
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1952-54
April 25	5,275	5,302	7,520	15,559
May 2	6,023	5,918	14,936	30,377
" 9	7,491	6,749	22,509	20,613
" 16	9,138	8,249	16,811	23,294
" 23	9,724	6,057	15,919	18,144
" 30	8,669	5,043	11,743	12,166
June 6	7,051	5,126	11,415	12,750
" 13	8,077	5,310	13,097	19,798
" 20	9,935	5,056	12,649	15,591
" 27	9,899	3,820	8,629	15,870
July 4	...	...	7,658	9,235
Totals	1,155,855	718,285	1,765,555	2,450,000

* 240 weeks. † 183 weeks. ‡ 44 weeks.
§ Including all Series.

Interest free loans received by the Treasury up to July 4th amounted to a total value of \$68,467,525. Up to June 30th principal of Savings Certificates to the amount of \$164,972,000 has been repaid.

BANK OF ENGLAND RETURNS

JULY 5, 1944

ISSUE DEPARTMENT

Notes Issued :	£				
In Circulation	1134,111,040			Govt. Debt	11,015,100
In Bank				Other Govt.	
Department	16,130,678			Securities	1138,136,412
				Other Secs.	833,400
				Silver Coin	15,088
				Amt. of Fid.	
				Issue	1150,000,000
				Gold Coin &	
				Bullion (at	
				168s. per oz.	
				fine)	241,718
1150,241,718					
					1150,241,718

BANKING DEPARTMENT

Props.* Capital	14,553,000	Govt. Secs.	280,582,151
Rest	3,324,893	Other Secs.	
Public Deps.*	10,099,632	Discounts & Advances	3,452,458
		Securities	15,052,998
Other Deps. :			
Bankers	230,356,915		18,505,456
Other Accts.	57,886,096	Notes	16,130,678
		Gold & Silver Coin	1,002,251
			316,220,536
	516,220,536		

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

COMPARATIVE ANALYSIS

	(£ millions)			
	1943		1944	
	July 7	June 21	June 28	July 5
<i>Issue Dept. :</i>				
Notes in circulation	949.6	1128.7	1130.9	1134.1
Notes in banking department	50.7	21.5	19.4	16.1
Government debt and securities*	999.1	1149.2	1149.1	1149.3
Other securities	0.9	0.8	0.9	0.9
Silver Coin	0.0	0.0	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2
	168.0	168.0	168.0	168.0
<i>Deposits :</i>				
Public	7.9	9.2	12.5	10.1
Bankers	161.3	179.9	217.7	230.4
Others	52.6	55.2	55.6	57.9
Total	221.8	244.3	285.8	298.4
<i>Banking Dept. Secs. :</i>				
Government	165.9	232.1	255.2	280.5
Discounts, etc.	4.3	2.8	1.2	3.6
Other	16.8	14.8	27.0	15.0
Total	188.0	239.7	283.4	299.1
<i>Banking depart. res.</i>	51.6	22.3	20.3	17.1
<i>" Proportion "</i>	23.2	9.1	7.0	5.4
* Government debt is £1,015,100; capital £14,553,000. Fiduciary issue raised from £1,100 million to £1,150 million on March 4, 1944.				

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

		Gold per Fine Tola		Silver per 100 Fine Tola	
		Rs.	a.	Rs.	a.
June	29	73	6	129	4
"	30	73	12	160	6
July	1	73	15	132	10
"	3	73	15	132	4
"	4	74	4	132	1
"	5	74	7	132	4

PROVINCIAL BANK CLEARINGS
£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	July 3, 1943	July 1, 1944	July 3, 1943	July 1, 1944
Working days :	6	6	155	153
Birmingham	5,878	2,291	67,342	47,000
Bradford	1,945	2,358	51,861	46,624
Bristol	910	3,553	18,451	16,949
Bull	533	646	16,065	15,489
Leeds	1,643	1,816	31,259	30,911
Leicester	982	826	28,558	21,365
Liverpool	4,875	5,818	120,158	134,365
Manchester	15,196	4,528	327,325	89,135
Newcastle	1,518	1,633	40,767	45,137
Nottingham	457	442	12,988	10,851
Sheffield	1,344	1,015	26,480	24,779
Southampton	116	188	3,674	4,638
12 Towns	33,446	22,212	739,927	487,073
Dublin*	6,360	6,538	185,049	194,367

* June 26, 1943, and June 24, 1944

THE REVENUE

1.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1945, as compared with the corresponding periods of the preceding Year.

	Quarter from April 1 to June 30, 1944, compared with the corresponding Quarter of the preceding Year.					Period from April 1 to June 30, 1944, compared with the corresponding Period of the preceding Year.			
	Quarter ending 30 June, 1944.	Quarter ending 30 June, 1943.	Increase.	Decrease.	Estimate for the Year 1944-45	Period ending 30 June, 1944.	Period ending 30 June, 1943.	Increase.	Decrease.
	£	£	£	£	£	£	£	£	£
ORDINARY REVENUE.									
Inland Revenue—									
Income Tax	171,115,000	154,854,000	16,261,000	...	1,300,000,000				
Sur Tax	6,756,000	8,022,000	...	1,266,000	80,000,000				
Estate, &c., Duties	27,970,000	24,482,000	3,488,000	...	100,000,000				
Stamps	2,302,000	3,210,000	...	908,000	19,000,000				
National Defence Contribution	6,480,000	5,166,000	1,314,000	...	500,000,000	{			
Excess Profits Tax	102,865,000	86,077,000	16,788,000	...					
Other Inland Revenue Duties	80,000	120,000	...	40,000	1,000,000				
Total Inland Revenue	317,568,000	281,931,000	37,851,000	2,214,000	2,000,000,000				
Customs and Excise—								(See preceding columns)	
Customs	141,757,000	129,360,000	12,397,000	...	564,900,000				
Excise	122,700,000	111,000,000	11,700,000	...	472,900,000				
Total Customs and Excise	264,457,000	240,360,000	24,097,000	...	1,037,800,000				
Motor Vehicle Duties	2,079,000	1,838,000	241,000	...	27,000,000				
Post Office (Net Receipts)	...	...	...	...	...				
Wireless Licences	850,000	830,000	...	...	4,850,000				
Crown Lands	270,000	240,000	...	...	800,000				
Receipts from Sundry Loans	1,277,832	866,907	410,925	...	7,350,000				
Miscellaneous Receipts	14,693,188	13,157,016	1,536,172	...	24,000,000				
Total Ordinary Revenue	601,195,020	539,222,923	64,186,097	2,214,000	3,101,800,000				
			£61,972,097 Net Increase.						
SELF-BALANCING REVENUE.									
Post Office Revenue	28,250,000	26,500,000	1,750,000	...	112,370,000				
Total	629,445,020	565,722,923	65,936,097	2,214,000	3,214,170,000				
			£63,722,097 Net Increase.						

11. AN ACCOUNT showing the RECEIPTS into and ISSUES out of the ENCHEQUER in the Year ending June 30, 1944, as compared with the preceding Year.

RECEIPTS.		Estimate for the Year 1944-45.	Period ending June 30, 1944.	Period ending June 30, 1943.	ISSUES.		Estimate for the Year 1944-45.	Period ending June 30, 1944.	Period ending June 30, 1943.
		£	£	£			£	£	£
Ordinary Revenue, as shown in Account 1		3,101,800,000	601,195,020	539,222,923	ORDINARY EXPENDITURE.				
					Interest and Management of National Debt	420,000,000	103,336,012	97,685,696	
					Payments to Northern Ireland Exchequer	9,000,000	1,660,000	1,676,788	
					Other Consolidated Fund Services	7,000,000	652,572	646,854	
					Total	436,000,000	105,648,584	100,009,338	
					Total Supply Services (excluding Self-Balancing)	5,501,399,000	1,314,903,010	1,306,871,510	
					Total Ordinary Expenditure	5,937,399,000	1,420,551,594	1,406,880,848	
Self-Balancing Revenue, as shown in Account 1		112,370,000	28,250,000	26,500,000	SELF-BALANCING EXPENDITURE.				
					Post Office Expenditure corresponding to Revenue	112,370,000	28,250,000	26,500,000	
Total Revenue			629,445,020	565,722,923	Total Expenditure		1,448,801,594	1,433,380,848	
Receipts under Section 4 (4) (b) of the Overseas Trade Guarantees Act, 1939			47,156	37,305	Interest Outside the Permanent Debt Charge— Issues under Section 4 (5) (a) of the Overseas Trade Guarantees Act, 1939		47,156	37,305	
Money Raised by Creation of Debt— (a) For Capital Expenditure Issues— Under the Post Office and Telegraph (Money) Act, 1942			2,000,000	2,600,000	Issues to Meet Capital Expenditure— Under the Post Office and Telegraph (Money) Act, 1942		2,000,000	2,600,000	
(b) For other Issues (Net)			821,655,279	870,430,682					
Receipts under the War Damage Act, 1941*			...	...					
Repayments, &c.— In respect of Issues under Section 4 of the Overseas Trade Guarantees Act, 1939			97,600	...	Sinking Funds		2,145,027†	2,093,077	
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921			44,218	40,855	Issues under Section 26 (1) of the Tithe Act, 1936		875,000	1,210,000	
In respect of Issues under Section 26 of the Tithe Act, 1936			905,000	740,000	Issues under Section 1 of the Anglo-Turkish (Armaments Credit) Agreement Act, 1938		...	45,920	
			1,454,194,273	1,439,571,763	Issues under Section 4 (1) of the Overseas Trade Guarantees Act, 1939		217,000	201,000	
Balances in Exchequer on April 1— Bank of England	1944. 2,000,515	1945. 2,004,222				June 30, 1944.	June 30, 1943.		
Bank of Ireland	492,419	871,336			Balances in Exchequer— Bank of England	2,070,158	2,047,714	1,454,085,777	1,439,568,144
			2,492,934	2,875,558	Bank of Ireland	531,272	831,459	2,601,430	2,879,173
			1,456,687,207	1,442,447,321				1,456,687,207	1,442,447,321

* In addition to the sums credited to Miscellaneous Revenue corresponding to amounts paid out of the Vote of Credit to meet expenditure under the Act, the Finance Bill to meet the amount of the Statutory Sinking Funds in 1944 by borrowing.

(Continued on page 68)

(Continued from page 66.)

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to date (June 30th), and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

£ thousands		Total ordinary revenue	601,195
Total ordinary expenditure	1,420,552	Loans raised:	
New sinking funds	2,145	3% Def. Bonds (net)	54,388
Loans repaid:		3% Savings Bonds, 1960-70	158,853
3% Conversion Loan, 1944	313,198	2½% Nat. War Bds., 1952-54	224,003
5% Conversion Loan, 1944	2,600	Nat. Sav. Certs. (net)	97,500
Other debt—external (net)	4,049	Tax Reserve Certs. (net)	63,006
Miscellaneous issues	45	Other debt—internal (net)	4,230
Increase in balances	108	5% Terminable Annuity	118,520
		Floating debt (net):	
		Treasury Bills	386,702
		Public Dept. Adv.	43,300
		Bank of England Adv.	29,500
		Treasury deposits	Dr. 38,500
	1,742,697		1,742,697

INDUSTRY AND TRADE

Meatier Sausages.—The present supply position of manufacturing meat makes possible a temporary increase in allocations of meat to manufacturers. From July 9th manufacturers of pork sausage and pork sausage meat will be required to increase the meat content of their products from 37½ per cent.

to 50 per cent., and the Minister of Food has made an Order to that effect. There will, however, be an increase of 1½d. per lb. in the maximum wholesale and retail prices to cover the increased cost. The retail price of sausages will therefore be 2½d. per lb.

"The Economist" Sensitive Index.—There was no change in the index during the week ended July 5th. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

COST OF LIVING INDEX
(July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	½	12½
Sept., 1939	138	162	208	182	179	156
1940	166	164	295	212	219	187
1941	166	164	380-385	228	230	199
1942	160	164	395-400	240	265	200
1943	166	164	345	244	291	198
April, 1943	165	164	355	244	268	198
May, 1943	165	164	350-55	244	266	199
April, 1944	168	164	340-45	252	291	200
May, 1944	168	164	345	252	291	200
June, 1944	168	164	345	253	291	200

Source: Ministry of Labour Gazette.

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Planning Criticisms

THE Town and Country Planning Bill was given its second reading in the House of Commons on Wednesday by a comfortable majority. This was something of an anti-climax to an agitation against it of remarkable force and passion. The Parliamentary Labour Party had to hold four meetings before it could decide on its course of action—and the action, when decided, was the inaction of abstention.

It is very difficult to understand why the Bill should have aroused this hostility. It is by no means perfect—when it first appeared, several criticisms of it were made in these columns—but it is not the reactionary measure it is being made out to be. Indeed, the agitation against it is a depressing illustration of the way in which prejudice can be widely sown by a few fanatics. There appears to be an infinitude of people who do not understand the issues, but will nevertheless lash themselves into a passion over the "obstruction" of "vested interests." It is doubtful whether more than a fraction of those who have written heated paragraphs or drawn bitter cartoons about the Bill have understood what they were talking about.

For some reason, the Bill is believed to benefit the landowners. How this belief arose is difficult to imagine,

since it is intended to expedite the procedure by which they can be bought out and to limit the compensation they can receive. It is true that some local authorities hoped to buy land in blitzed areas at the still lower level to which values have, in some cases, been depressed by the blitz itself. In these cases, the landowners are to be given the 1939 value of their land (that is, between one-half and two-thirds of its post-war value, relative to other forms of property, the exact proportion depending on what happens to the value of money) instead of the one-third or one-quarter that would be their lot if they were bought out at the present "forced sale" prices. If to assure these landowners that they will only have half their property confiscated and not three-quarters is a reactionary protection of vested interests, then words have lost their meaning.

Mr Arthur Greenwood's case against the Bill was even harder to understand. He wished to have it withdrawn because it did not provide for the nationalisation of the land. He must have meant the nationalisation of all the land in the country, because the Bill does provide for the public ownership of land in blitzed and blighted areas—its sole purpose is to assist and expedite the buy-

ing out of private owners of this land. Mr Greenwood must therefore have been seriously contending that the reconstruction of the blitzed areas should be deferred until the whole question of the nationalisation of all the land in the country had been settled. Now *The Economist* has on several occasions expressed the view that these problems of the proper use of land will not be satisfactorily solved until the nation makes up its mind to take over the ownership of the land. But to say that nothing should be done until this vast issue is settled is to be doctrinaire to the point of absurdity.

Or again, it is made a ground of complaint by many critics that the Bill makes no provision for the "national plan" that has been promised—that is, for the unitary planning of areas much larger than existing boroughs or even counties. That the planning of land use should be tackled on a regional basis is certainly desirable. But let no one think that it can be easily contrived. If it is proposed to transfer town planning functions to authorities larger than the existing local authorities, the opposition of their associations will be far stronger and more passionate than any that they are showing to this Bill. Once again, the immediate choice is not between the present Bill and the perfect solution, but between an interim measure and nothing.

With the atmosphere of prejudice that has been created against it, the actual details of the Bill have received very little discussion. Three main criticisms were made in these columns a fortnight ago. The first was that some effort should have been made, in freezing land values, to take account of changes in the value of money. The second was that other classes of owner-occupier have as good a claim as the farmer and the small residential house-owner to exemption from the "1939 value" clause. The third was that provision should be made for giving permanent financial assistance to local authorities where the effect of re-development was permanently to reduce the money income arising from the land in a blitzed or blighted area. Mr Silkin also made a strong case out for still further

simplification of the procedure of requisition. The Minister has promised to carry out further consultations before the Committee stage—which is likely, in any event, to be both interesting and arduous.

The Bill has naturally distracted attention from the wider and even more contentious issues of compensation and betterment with which the White Paper deals. But one argument of some interest is already emerging. This is the contention that to make a levy on betterment, and particularly to do so in the way proposed in the White Paper, is to remove all incentive to the development of land.

The White Paper, it will be remembered, proposed to levy a charge of 80 per cent on the development value of land at the moment that it is developed. The alternative proposal is to assess the betterment (that is, the increase in development value) every five years and to tax it whether or not it has been realised by the actual use of the land for building. This would, indeed, provide an incentive to development, since only by that means could the funds be raised to meet the levy. But it would also lead to many cases of hardship and to hasty building, since land may have a development value and still be incapable of development at any particular moment.

The point is important, for the development of land means building, and building should make up the largest part of that steady and adequate flow of capital expenditure that is needed for full employment. The solution may be to adopt a mixture of the two plans—to put a small annual charge on development value (for example, by assessing it to local rates) but to defer the capital levy until the capital value is realised by development.

This problem is interesting in itself. But it is still more interesting as an example of the sort of delicate technical problem which cannot possibly be handled in an atmosphere of clamour, of prejudice and of ignorance. The problems of reconstruction cannot be solved by gusts of emotion; but the behaviour of the "planning" interests in the last few weeks does not suggest that they will be tackled with the necessary knowledge and realism.

Will UNRRA Work?

IN Europe the Allies are in sight of victory. They also have a clearer picture of what victory has cost the occupied nations in terms of loss and destruction. There is thus a double reason for ensuring that plans for relief and reconstruction are well ahead. UNRRA (the United Nations Relief and Rehabilitation Authority) has now been in existence for some nine months. It has opened the offices of its European Division in London. Its work has been divided into various categories—Medical Relief, Welfare, Displaced Persons. Plans for allocation and supply, on the basis of an overall calculation of Europe's needs, are ready to go into operation and the consideration of the various nations' more detailed requirements is in hand. Yet for all this, there is a general impression that UNRRA is in some way missing its opportunities and turning out to be not a vigorous experiment in the new internationalism, but another pale Genevan ghost.

It must be admitted that UNRRA faces difficulties calculated to break the back—or the heart—of the stoutest agency, national or international. Its task is, briefly, to ensure that a small and therefore inadequate surplus of raw materials, food stuffs and manufactures be so distributed among a group of hungry nations that each nation receives a minimum of relief before the richer nations—consumers and suppliers alike—weigh in with maximum demands, backed by superior purchasing power. UNRRA is quite simply an experiment in rationing, in putting need before purchasing power, and all the world knows that there are few operations more arduous than this.

One set of difficulties besets the supply end. The United States and the British Commonwealth are naturally the great suppliers. The Combined Boards represent-

ing the British and American Governments still control the Allies' pooled war chest of goods and materials. UNRRA's purchases go through the Combined Boards, but they compete there with war needs and with the semi-war needs of AMG and Civil Affairs, who are purchasing basic civilian necessities to cover their period of operation—an unspecified period, roughly presumed to be about six months.

Behind the influential service buyers jostle the ordinary civilian purchasers—the farmers and the manufacturers who have their eyes on the Governments' stockpiles and press, to some extent effectively, for a quick return to "normalcy." If UNRRA asks for wool for Holland's textile industry or machine tools for France, it is competing against the urgent demand of British and American manufacturers. Finally, UNRRA has to compete against attempts at private buying made by the European governments with assets of their own. Its own efforts to secure allocations are complicated by the fact that the money at its disposal, some \$500 million, is just about half the sum spent by Mr Hoover on relief after the last war and is quite inadequate to meet Europe's real needs.

The difficulties at the distributing end are no less formidable. Again, UNRRA is not the only agency in the field. Its relationship to Civil Affairs and AMG has not been made clear and varies in different areas. According to a statement made by Mr Herbert Lehman in Cairo, UNRRA officials are to enter the Balkans with the Allied armies and undertake immediate relief. In the West, they are to take over at some unspecified date from the Civil Affairs organisation of the Army. The transference of work calls for the closest co-ordination

of plans between UNRRA and the military. In the case of Displaced Persons this apparently has been achieved already and UNRRA is to be responsible for the work from the outset. But in other spheres, co-operation has not been achieved. The lack of it is particularly damaging and fatuous in the medical field.

Another difficult set of relations has yet to be fully worked out between UNRRA and the various national governments. The extent to which their own agencies can be made completely responsible for distribution is limited by the fact that the supplies will be mainly Anglo-American and neither Government wishes to see its resources used for anything except straight relief. The danger that the European Governments if left to themselves might indulge in discrimination and political logrolling cannot be ruled out. UNRRA must therefore act as a referee, even though it should make no attempt to set up a grandiose distributive agency of its own.

Here the Authority is up against the most intransigent of all its problems—the exasperated nationalism of the governments with which it has to deal. Again and again, plans have been delayed or have had to be changed because of the understandable but obstinate desire of a government to undertake all its own relief work, coupled with an equally obstinate desire to get as much as possible in the shape of foodstuffs and supplies out of the Combined Boards.

These obstacles would face UNRRA whatever its constitution. Only if it can secure the services of really able and commanding personalities and only if it is backed to the last degree by the Governments of the Great Powers—but particularly of the Great supplying Powers, can it possibly overcome the inhibitions and difficulties with which the task of relief is beset. Yet it is quite obvious that it lacks both these essential conditions. Apart from a few really able people, it is an open secret that UNRRA has been recruited from among those whom every other department could spare, whereas it should be an essential qualification of every official transferred to UNRRA that he cannot strictly be spared from his current work. This first disability springs from the second—lack of real government backing. It looks very much as though neither the British nor American authorities really attached very much importance to the success or failure of UNRRA and failed to see how much their own prestige and the prestige of all future international organisations is likely to suffer as a result.

This attitude is very difficult to understand. On the one hand, the job of relief must be done. On the other, UNRRA is the only possible agency. It may be that since they are to supply most of the resources, the Americans and the British are still tempted to run relief themselves. True, they have done nothing to create a substitute for UNRRA, but their lack of enthusiasm for it may spring from a prejudice of this sort, mating happily with the

instinctive uninternationalism of the Foreign Office and the State Department. Yet a moment's reflection should show that no Anglo-American agency, however powerful, influential and Government-supported, could undertake the work of rebuilding Europe. It would meet, angry and obstructing at every turn, the governments whose countries it was aiming to relieve. It would have no support from local agencies; on the contrary, it would be very likely to meet passive resistance. It would reawaken everywhere echoes of Germany's four-year propaganda that the Allies are invading Europe to make the European market safe for British and American capitalists. It would have no moral hold at all over the Allied governments with supplies or resources of their own. The attempt to secure an orderly distribution would probably degenerate into a black market on an international scale. UNRRA may be a cumbrous instrument, with its Council of 44 nations, its international staff, its mixed committees and polyglot experts, but there is no other possible instrument and the only sound policy is for London and Washington to stop crabbing it and instead to make it really effective.

★

For this, two things are necessary before all. UNRRA will fail if it cannot meet Europe's need for food and clothing and seeds and machines. The surplus is small. If the supplying countries return to their peacetime standards soon after the armistice, it will disappear altogether. The peoples of Britain and the United States and the special interests in Britain and the United States—agricultural or industrial—will have to be told squarely by their governments that the period of rationing and control will not come to an end until Europe has received its "basic minimum" and that if this entails sacrifice, it is a sacrifice as worth making for peace as were their earlier sacrifices for victory. The will to make sacrifices needs to be equally evoked in both countries, but the scope for sacrifice, though not negligible in Great Britain, is almost infinitely larger in the United States. It is there that the major battle for enlightened and self-interested unselfishness will have to be fought. The point may need some propaganda to bring it home, but by December the stress of the American presidential election will have passed and, in this country, it would be unlike Mr Churchill to shrink from an appeal that involves "toil and sweat."

The other need is an immediate and universal improvement in the standards of UNRRA's officialdom. Many war agencies are already working at reduced pressure. The Ministry of Economic Warfare and the Foreign Economic Division are obvious examples. The best men and women from these agencies should be transferred to UNRRA together with some really indispensable people from the Service Ministries, the Foreign Office and the State Department. The need is for first-class administra-

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tors. The war has thrown up a number of them and some should now be spared for the first job of peace.

The old League failed in part because the governments did not place at its disposal the services of enough able and eminent men. The instrument was condemned for the ill-will and the flabby policy of the governments that wielded it. It was blamed for failure by those who had

Mother Russia

EXPERTS on population statistics and population trends in Western European countries view with unmistakable envy the population trend in the Soviet Union. Comparisons between birth-rates in Russia and in most of the other European countries provide a striking contrast.

In France, Belgium and Czechoslovakia fertility (about 1930) was from 5 to 10 per cent below the level required for the permanent maintenance of a stationary population. In England and Wales, Norway, Switzerland and Latvia it was 10 to 20 per cent below the replacement level. . . . In the USSR the net reproduction rate was over 1.60, that is, one that if maintained would result in an increase of more than 60 per cent per generation.*

Attempts to project population trends into the future more often than not lead to bewildering conclusions. They show, in the course of not more than a few decades from now, a dwarf-like and anæmic Europe overshadowed by the full-blooded Russian colossus. The uncanny fertility of the steppes seems to mock the "decaying vitality" of the West; and the demographers, having already threatened the West with the growing numbers of the black and yellow races, are now condemning it to eclipse by the uninterrupted expansion of Slavdom. Prophecies of this kind may or may not be correct. They are based on the assumption that no great and unexpected events reverse pre-war population trends; that no national catastrophes—wars, famines or revolutions—depress the birth-rate in some countries and that no favourable circumstances raise it in other countries. The statistician is, of course, right to work on these assumptions. But the economist and the sociologist should check the statistician's conclusions in the light of less automatic tendencies.

In the case of Russia, many elements in the future trend remain obscure. Some experts have questioned the accuracy of the population figures of the 1939 census in Russia. The fact is that the results of an earlier census, carried out in 1936, have never been published. The explanation then current was that the census had revealed a relative decrease in the population caused by the collectivisation and the famine in the early thirties. This may perhaps be undue cynicism. But, in any event, it will be impossible to assess the prospects of the Russian birth-rate with any certainty until the effects of the war on the balance of the Soviet population are known. That balance has undoubtedly been gravely upset through losses in manpower caused not only directly by hostilities but also by the cruelties and miseries of the German occupation.

The Soviet Government, significantly enough, does not seem to trust the optimistic conclusions of the demographers. It is not setting any hopes on the "automatic" tendencies of the birth-rate. A decree, published in Moscow on July 8, has initiated a set of measures designed to secure a massive increase in Russia's population after the war. Taken together, these measures constitute perhaps the most radical and comprehensive programme for a population policy that any Government has yet formulated; and they are unique in social legislation.

The chief feature of the decree is the increase in allowances paid to mothers of large families. A previous law, of June 27, 1936, provided allowances for mothers of large families, starting from the seventh child. Under

never given it a chance to succeed. It would be tragic indeed if the first international agency of the post-Hitlerian world should bear on it all the marks of weakness that marred Geneva of old. With UNRRA it is not only relief and rehabilitation that are at stake. The great issue is whether the Great Powers are ready to accept the responsibility of making any international agency work.

the new decree, allowances will begin with the third child. The aid is to be given in two forms: a lump sum will be paid at the birth of a child; and in addition monthly allowances are to be paid for five years. The table below compares the total sums of the allowances paid in the course of five years under the law of 1936 with those that are to be paid under the new decree.

Allowances for mothers of large families.
In roubles.

	1936.	1944.
Third child	no allowance	400
Fourth child	"	6,100
Fifth child	"	8,900
Sixth child	"	10,400
Seventh child	10,000	14,500
Eighth child	10,000	14,500
Ninth child	10,000	18,500
Tenth child	10,000	18,500
Eleventh child	12,000	23,000

Monthly allowances begin with the fourth child (the 400 roubles entered against the third child is a lump sum at birth). The average monthly wage of workers in the lower income groups is between 400 and 600 roubles, amounting to between 24,000 and 36,000 roubles in five years. The allowances are thus very large, the more so since they are apparently cumulative—the allowance of 23,000 roubles is for the eleventh child, not for eleven children.

Apart from direct allowances, large families are to be granted fifty per cent reduction on fees paid to kindergartens. The rations for mothers have been increased and the services provided for the expectant and nursing mother have been considerably improved. Pregnant women are not allowed to do overtime or night work; confinement leave has been increased from 9 to 11 weeks, and so forth. And, last but not least, the introduction of three medals—"Glory of Motherhood," "Motherhood Medal" and "The Order of the Heroic Mother"—aims at raising the moral standing of the mother of a large family. The medal in Russia also brings material advantages to its bearers. It entitles them to better food and clothing and gives them exemption from queueing for rations—a privilege that is by no means negligible in the classic country of interminable queues.

A further interesting innovation is that the state is now to take care of children born out of wedlock. Special allowances are to be paid to unmarried mothers, if they desire to bring up their children themselves. If not, they are to have the right to place them in children's homes where they will be brought up at the expense of the state. At the same time unmarried mothers have been denied the right to sue for the establishment of paternity and for payment of alimony—which might be called protection of the unmarried father. The whole measure seems to be designed to free the mother as well as the father of a natural child of all material embarrassment. After the war there will inevitably be a great surplus of women in Russia, of whose natural children the states promises in advance to take care.

The Soviet State has not only set up these material inducements to the increase of families; it is also to penalise any recalcitrant citizens who prefer small families. A prohibitive progressive tax has been imposed on small

families, bachelors and spinsters. A family with only two children is liable to pay the tax; a family with four children gets a monthly allowance. For the third child, a lump sum is payable; in the "battle for population" nobody can stay neutral. The parents of only two children—and this was in the thirties the size of most of the Russian families in the towns—have to pay for their moderation; the parents of three are rewarded. And with characteristic thoroughness and "realism" the decree also orders the establishment of new children's homes, a considerable increase in the production of children's clothing and footwear, as well as the opening of new shops selling maternity articles.

Another section of the decree introduces important reforms in the law on marriage and divorce. The guiding principle here is "the strengthening of family ties." Unregistered marriages have no longer any legal validity. The procedure of divorce has been made as uninviting as possible. Divorce cases are to be heard in public. Only a higher court, not a People's Court, can grant a divorce. In addition, the fees to be paid on obtaining a divorce have been fixed so high as to be entirely prohibitive for the working classes. Divorce has become a privilege open only to the high income classes.

In order to realise the evolution that Soviet ideas on

NOTES OF THE WEEK

Victory Week

The Allies are advancing on every front. In Normandy Caen has fallen and the Americans have taken La Haye du Puits. In Italy the advance on Arezzo continues. In Russia the Red Army's stupendous drive has reached and overrun Vilna, and a new Baltic offensive has been launched threatening Dvinsk. In the Pacific the last Japanese resistance on Saipan has been crushed. In other spheres of the war the news is good. The U-boat menace has been so effectively defeated that not a single invasion ship succumbed to submarine attack. The air offensive against Germany has been resumed with a massive attack on Munich, and Londoners have had three nights completely free of flying bombs. Yet it would be a poor return to the men who have won these victories if the grimness of their effort were underestimated—the Americans suffered 15,000 casualties on Saipan alone—or if success were used as an excuse for reducing civilian effort. The Germans are fighting toughly in the suburbs of Caen and Vilna, are contesting every yard in Italy and still have their rocket guns in reserve for London. As General Eisenhower has pointed out, a very tough fight still lies ahead.

De Gaulle and Washington

General de Gaulle's visit to Washington has been crowned with almost extravagant success. Before his departure from the United States the General spoke of "Franco-American friendship, of which he had been given a thousand touching proofs." To judge by this, General de Gaulle must have convinced himself that the prejudice against the French provisional government that was prevalent in Washington only a short time ago has now been completely dispelled. He has expressed his conviction that the negotiations in Washington will soon lead to results similar to those achieved in the negotiations between the French and the British in London. Thus an agreed policy seems at long last to emerge. The Algiers government has now been recognised as the only *de facto* authority in liberated France. General de Gaulle chose his visit to the United States as an occasion to make a number of important political statements. He declared that France had no claims on any Italian colonies, but that

in Europe, on behalf of international security, and particularly French security, and the security of her Western neighbour, certain practical measures would be necessary, and that there was territory where the flag of the French army might well have to fly.

family life have undergone one has only to recall the following words by Lenin: "The example of divorce shows that it is impossible to be a democrat and a socialist without at once demanding the full freedom of divorce, because the absence of that freedom is an additional vexation to the oppressed sex, to the woman." The present departure from that conception is not the first of the kind, but it is the most drastic one.

Whether the new policy will really produce the rapid rise in the birth-rate at which it is aimed remains to be seen. Certainly it is far more drastic than any policy specifically directed to the population has ever been before and if the state can exert an influence on the birth-rate by specific measures, these should certainly be strong enough. But it may be that, in Russia as elsewhere, the general environment of life has an effect far stronger than any special measures. For example, in Russia, bad housing conditions and the high proportion of women employed in industry (women formed about 40 per cent of industrial employees even before the war) undoubtedly played a large part. To correct these, without a population policy, might have little effect on the birth-rate. But a population policy without some improvement in these respects (of which, of course, there will presumably be some) might have equally little.

The General explained that he was thinking of a long-term occupation of the Rhineland, though he said nothing specific about its duration. There are apparently two issues here which may easily be confused. One is France's undoubted right to participate in the Allied occupation of Germany if the state of her armed forces after the armistice permits her to do so. General de Gaulle was undoubtedly also right when he said that this subject of France's uncomfortable neighbour cannot be settled in the absence of France. His speech, however, gave the vague impression that the occupation of the Rhineland which he had in mind was not necessarily meant as part of the general occupation of Germany by the Allies. Has General de Gaulle taken up the old French demand for a permanent occupation of the Rhineland? No definite reply to this question can be given; but the issue is certainly going to be one of the greatest problems of the post-armistice period.

Russia Over the Bug

The distance between the Red Army and Warsaw is diminishing daily. The Russians have already crossed the River Bug, at least at some points. The political significance of this lies in the fact that the Curzon line, proposed as the new frontier between Poland and Russia, runs for a long distance along that river. Yet, even so late in the day, there has been no real sign of a serious attempt to settle the Russo-Polish dispute. M. Molotov may perhaps soon make a political statement similar to that which he made when the Soviet Armies advanced from Bessarabia into Rumania. He may declare that Russia has no further territorial claims on Poland, and that the Red Army will not interfere with the social and political order of that country. But what was considered a satisfactory statement in the case of a satellite can not be regarded as enough in the case of an Ally which has made so great a contribution to the Allied cause. What seems particularly indefensible is the tactical game for which the Union of Polish Patriots in Moscow has been used in recent weeks. A fortnight ago the Union bluntly denied the legality of the Polish Government in London, and foreshadowed the setting up of a new Provisional Government. A week ago the Union spoke in more conciliatory terms, and demanded in effect only a reshuffle of M. Mikolajczyk's government so as to include the representatives of the Polish colony in Moscow. Soviet circles in London are reported to have stated that the attitude of the Polish Union in Moscow does not reflect the views of the

* "The future population of Europe and the Soviet Union," League of Nations, Geneva, 1944.

Soviet Government. If this is so, then it is really difficult to see what it is that still delays the resumption of Soviet-Polish relations, for which some preparatory work has already been done. It is quite possible, of course, that the Soviet Government desires first to sound the mood of the Polish people in Poland before it commits itself to the recognition of M. Mikolajczyk's Government. There are, however, great risks in such a policy. The entry of a foreign army, be it even the army of a trusted Ally, always tends to produce something of a political crisis, as the discussions between London, Washington and Algiers have demonstrated. The critical symptoms are bound to be much more acute when the entering army does not necessarily enjoy the full confidence of the people on whose soil it is going to fight; and this is the case with the Red Army in Poland. In such circumstances the lack of any relations between the command of the advancing army and the Government of that country can lead to disastrous complications, which it would be extremely difficult to undo later on. The Soviet-Polish issue concerns all the United Nations, and especially Great Britain and the United States, and this really is the last hour for effective action.

Hitler's Generals

The Wehrmacht has lost more than twenty generals in three weeks. Most of them were killed or captured in Normandy or Russia. Dietl, with two other generals, was killed in an accident. Dollmann, who was in command of the Army Corps defending the Cherbourg peninsula, died suddenly; and, lastly, the oldest active Field Marshal, von Rundstedt, Supreme Commander in the West, was replaced by Field Marshal von Kluge, who has held several commands in the East. These are the bare facts that have become known. It would be unnatural if these "mass-deaths" of generals had not given rise to speculations about the relations between the Nazi party and the generals. No doubt the loss of so many generals who were commanders in the field must present a serious problem. Efficient higher "troop leaders," as these generals are called in German military language, cannot be created from one day to another. Even if talented successors could be found at once, it takes time for new divisional and higher commanders to learn to work efficiently with their staff officers and the commanders of subordinate units. The fact that more generals have been killed in action in this war than in any other modern war is probably the result of two factors. The greater mobility and speed of this war has compelled higher commanders to be frequently in the front line of fire. In addition, the Wehrmacht, probably as a reaction to the last war, when generals were usually far behind the fighting lines, acts on the principle that generals must be seen as often as possible in the front line to get a first-hand view of the situation, and incidentally to sustain the morale of their troops. Thus it is quite unnecessary to read the machinations of Himmler and his Gestapo thugs into the recent thinning of the generals' ranks. Natural explanations cover it far more convincingly.

The rumours connected with Rundstedt's dismissal are also exaggerated. It may be that at some stage of military collapse, some responsible authority in Germany will seek an armistice, and almost by definition it can only be a General, but the Germans are still some distance from that degree of disintegration, and it is quite false to picture the Wehrmacht as a separate entity struggling against the Nazi party to secure an armistice now. The generals as representatives of a separate Junker class have long since disappeared. Their political influence ended with the formation of the High Command of the Wehrmacht in February, 1938. The Nazification of the Wehrmacht was then completed, and the old Prussian and German generals became military experts, pure and simple. Since that time they have been directed and controlled by the centralised military administration of the High Command. The leading men of the High Command, under their chief, Fieldmarshal Keitel, are not known to have been changed for more than eight years. The stability of this administration, compared with the changes in the higher commands of the armies, is striking, but it is precisely this stability that explains why Hitler has been able, during recent crises in the Wehrmacht, to replace one higher commander after the other. The modern general is completely dependent on two factors, the military administration which provides the men and the material for the armies, and to the staffs of armies, army corps and

divisions. The undeniable fact is that in Germany the military administration is one hundred per cent a Nazi institution, and it is also beyond doubt that the main body of the staff officers of all grades in the Wehrmacht are recruited from young men who have made their careers since Hitler came to power. It is certainly true that a gifted and experienced older general may make better use of his staff officers than an inexperienced young general. But it can be said at the same time that generals like Rundstedt, whose most formative years date back to the nineties of last century, have certainly lost touch with the staff officers and generals who made their careers under Hitler. Von Rundstedt's dismissal is no mystery. His age and his experience were certainly valuable for the position of supreme commander in the West so long as the invasion had not started. The defence against the invasion, however, needs a more active general, and he has been found in von Kluge.

Capital Reconstruction

The strongest incentive to industrial efficiency is full employment. Where unemployment is heavy the social and economic advantages of labour-saving and time-saving appliances are neither apparent nor altogether real. If British industry is to maintain its position during the post-war years it must utilise the manpower of the nation both fully and efficiently. The first need is for capital re-equipment. Before the war British industry was alarmingly under-capitalised. Five-sixths of the modest sum set aside each year for capital investment in plant and machinery in general industry was absorbed by maintenance and depreciation and there was little left for new development. The habits of patching-up and making-do were settling on industry like a blight. European industry, when it is re-established, will employ the most up-to-date equipment possible; and it is unlikely that American industry will abandon its traditional policy of "scrap and rebuild." Without a change in the established policy of British industry—which will require changes of mind both in industry and in the Inland Revenue—there is a serious risk of being left behind. In an address to the Engineering Industries Association, last week, Sir George Schuster indicated certain aspects of the problem of capital re-equipment that require urgent attention. Does industry possess the financial resources necessary for large-scale capital reconstruction? And could a heavy increase in capital charges be met out of the proceeds of an eight-hour day? It is possible that a higher capitalisation could, in some industries, only be carried with the retention of the shift-system—even the three eight-hour shift system. The promotion of industrial efficiency is fundamentally a matter of maximising the productivity of the worker—as an individual and as a group member. Without the assistance of adequate resources of capital maximum efficiency is impossible; but it may be that the provision of mechanical equipment is less difficult than the changes in organisation needed to make full use of it. Efficiency depends not only on capital equipment but on successful collaboration, the abolition of restrictive practices, the elimination of the worker's fear of unemployment and of reduced piece-rates. In other words, it depends on wise leadership and good industrial relations.

An Orderly Unwinding

Lord Woolton's opening speech in the debate on Employment Policy revealed more fully the Government's intentions with regard to Controls. During the "transition period"—the period after the war "when we are moving from full war employment or partial employment devoted to war purposes to the period of peace" or the period "between the two wars, if by chance one of our enemies retires from the conflict before the other"—it will be necessary to ask the country to exercise continued restraint. The reasons are obvious. Controls were imposed gradually as the necessity for them became apparent; they will be suspended gradually as their diminishing usefulness is neutralised by other factors. For some time it will be necessary to maintain control of raw materials that are in short supply; to preserve the system of rationing, specifically if not quantitatively; to discourage the production of non-essential goods for the home markets however profitable they may be; and to maintain those controls which will stabilise prices. This policy is wise economically (in the interests of the export trade and of employment policy);

it is wise socially (on grounds of equity), and it is wise politically. So much should be common ground among all schools of thought, for not even the most extreme advocate of uncontrolled private enterprise would be likely to find his cause advanced by the chaos and unfairness that would follow upon too early a relaxation. But it is the further period, beyond the transition, where there is still need for some clarity of thought. "Control" and "no control" are in danger of becoming ideological slogans. In the literal sense, control means that the business man is left with the initiative and the responsibility for action, but the Government reserves the right to impose restrictions. Control, in other words, says No and can never say Yes, and for that reason it should be kept to a minimum. "Control without responsibility is the definition of tyranny" (the quotation is from Mr Herbert Morrison). But, on the other hand, it is clear that, in many of the spheres where the Government has during the war been exercising positive direction, it will, and should, continue to do so. But this is not control, it is organisation and policy. The danger is that too many purely negative controls will be kept on because they operate in a field where a public interest is vaguely recognised but where the state is unwilling to adopt a positive policy to serve that interest. As Mr Hawtrey has pointed out, "people will shrink from the fateful step, and will yet be unwilling to give up the control which keeps the door open to it." That is the kind of control that must be avoided like the plague—and to say so is in no way to prejudge the case for collective action of a positive kind where it is appropriate.

"Entrepreneur" or "Venturer"

The economist's terminology has long been a butt of the layman—and justifiably so. Confusion arises from the specialised employment of words used variously in common parlance. The very term "capitalist" is misleading—as *The Economist* pointed out last week, "if the word had not already been pre-empted for another meaning" it would apply with particular appositeness to the Soviet economy. Has Lord Woolton provided a new and better variant of the wretched euphemism "entrepreneur"? In his speech on the Government's employment policy he asked: "Are the merchants of this country prepared once again to become 'merchant venturers'?" "Venturers," if it can avoid the suspicious connotations of "adventurer," is a happier (and more cheerful) choice than the thinly disguised "undertaker." But the word already has its critics. There are some who look wistfully over their shoulders to an age when licence was broad enough to make venturing a practical possibility—an age when Lord Woolton's advice to "go out venturing in the world overseas for trade for the benefit of Britain" meant an individual and partisan approach to international law and relations. There are others who find it difficult to reconcile the history book's colourful description of the Elizabethan merchant with the drab picture in the mirror—the poor dupe of bureaucracy with his pen flying incessantly over the official questionnaire. The term "Private Enterprise" has been condemned by those who regard present-day business as too private and lacking in enterprise. "Venturer," at the moment, is free from these defects.

Education in the Lords

The Education Bill is moving through the House of Lords with perhaps less difficulty than might have been expected. But the peers are not giving it an entirely clear passage. The effect of the general good will for the Bill appears to be that it is the minor points rather than the major principles which are debated, and on some of these minor points there will be amendments for the Commons to deal with. "Young People's Colleges" have been renamed "County Colleges," and the President of the Board of Education has been instructed to consult with the President of the Board of Trade and the Minister of Agriculture in appointing one-third of his Advisory Council—an annoying and probably quite ineffective complication. There has also been a plethora of suggestions that this, that or the other subject ought to be included in the curriculum by law. These were to be expected: the substance of education is a subject that interests the public quite as much as the framework of the educational system. The Bill is intended to deal only with the latter, but people naturally want to

talk about the former, and the Government gave them an excuse by including a provision for religious education which, for this reason if for no other, had better have been left out. But entirely apart from these questions of procedure, is it really right to clutter the curriculum with compulsory subjects? This week, for example, Lords Mottistone and Chatfield wanted to have compulsory instruction in the duties of citizenship, "including the duty of defending their native land and assisting in the maintenance of law and order." This seems to embody a wholly false idea of education. For one thing, the average boy or girl acquires a healthy suspicion of any doctrine that is taught compulsorily. And for another, the object of education is (or should be) to develop, to build up, to exercise the mind, not to stuff it with other people's preconceptions—to create the ability to think, not to destroy the wish to dissent.

The Battle of the Quotas

The international monetary conference at Bretton Woods has made good progress during the past week. Agreement on the main principles of the monetary fund scheme has been reached. The work of the second Commission, discussing the world reconstruction bank, is well under way, and official spokesmen anticipate less difficulty with this part of the conference's task than with the currency discussions. The press reports from Bretton Woods have to be searched very closely for any hint of these solid achievements. Most of the "coverage" has been concerned with the items of dispute. This is not surprising. Disagreement always makes better news than agreement. Moreover, it inevitably tends to occupy a larger share of the proceedings. The press picture of Bretton Woods has also been considerably distorted by the pronouncements of Republican Congressmen telling all prepared to take it from them that the Conference was wasting its time, and must not be taken seriously because Congress would never ratify anything in the nature of the monetary fund or the reconstruction bank proposals. The main battle within the Conference has been waged around the size and distribution of the quotas and the com-

BUSINESS ENTERPRISE AFTER THE WAR

Small and medium-sized businesses in all branches of industry and trade must have every opportunity of contributing, by their enterprise and initiative, towards the nation's economic well-being after the war. They must be given full support in developing British trade at home or in overseas markets.

Changes due to war conditions call for a far-sighted policy concerning the financial aid they may need. This Bank, through its branch managers, will therefore be prepared to consider enquiries from promising undertakings, whether old or new, conducted under good management. It will base its consideration of each proposal as much upon the prospective borrower's integrity and business capacity as upon his material resources.

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position of the monetary fund's executive committee. This fight was to be expected. The two issues crystallise all the competitive aspirations of the participating countries—whether in the search for position in the ranking of world powers, or in the bidding for overdraft facilities from the fund. Of the originally proposed aggregate quota of \$8 billion, the US was allocated \$2,500 million, the United Kingdom \$1,800 million, Russia \$1,000 million, China \$600 million, and India and France \$300 million each. The quotas were fixed on an elaborate formula comprising three elements: national income, foreign trade, and the extent of recent variations in annual balances of payments. This was attacked by China, which suggested that population should be given some weight; by Russia, which urged that potential rather than past foreign trade be taken into consideration; and by France, which strongly objected to being placed below China in the ranking of world Powers. Some of the objections have been met by raising the aggregate quota to \$8½ billion, and distributing the increase to certain of the objectors—mainly to Russia. The next difficulty, raised by Russia, was on the score of the gold subscriptions of the member countries. It was argued that countries which had suffered severe devastation as a result of the war should be forgiven some of this gold subscription, since the whole of their gold reserve should be retained for financing essential reconstruction. The Russian delegates were reminded that they need not pay more than one-tenth of their gold reserve in gold, but they showed considerable reluctance to disclose the size of this reserve.

The proposed Executive Committee of the monetary fund is to consist of eleven members. It is suggested that five of them should be permanent representatives of the five Great Powers, the United States, the United Kingdom, Russia, China and France, and that the remainder should be elected by the smaller Powers by a unique system of proportional representation. The main opposition to these proposals has come from the South American countries, which have staked out a claim for two permanent members to be shared by them. The nearest the conference has got to the dramatic has been the threat of the Indian delegation to pack its bags and leave if the fund was to refuse all responsibility for the realisation of India's blocked sterling assets. This claim met a united opposition from all other delegations. The debt in question—say £1 billion—is too large to be shouldered by the fund, and would by itself more than exhaust Great Britain's quota. The French delegates argued quite logically that if India's claims on Great Britain were to be handled by the fund, why not the claims of the enemy-occupied countries arising out of their clearing accounts with Germany? The best contribution the fund can make to the solution of these abnormal credits and debits arising out of the war is to help get the wheels of international trade turning again, and thus create the exchange from which these frozen assets must ultimately be liquidated.

Gandhi and Pakistan

The Cripps offer thrust back on the political leaders of India the responsibility of finding a way out of the communal deadlock between Moslem and Hindu. For two years they have shown little eagerness to accept the challenge, with the one exception of Mr. Rajagopalachari, who has continued to urge that the British offer was made in good faith, and that its proposals should be met in a constructive spirit—in other words, by seeking an understanding with the Moslems. At first this attitude cost him dismissal from the Congress party, but his prestige was undiminished, and he remained in contact with Congress leaders. So long as they were all in prison, little progress could be made, but since Mr Gandhi's release, Ma Rajagopalachari has, with Mr Gandhi's approval, been carrying on private negotiations with the Moslem leader, Mr Jinnah. The proposals have now been published, and they would seem to go far—though not perhaps quite far enough—to meet the Moslem case. The Moslems are invited to join Congress in forming a provisional government to take over full powers from the British. After the war a demarcation commission will establish contiguous areas in the East and North-West of India, where Moslems form an absolute majority, and after a period during which both Congress and the Moslems will establish contiguous areas in the East and North-West plobiscite for or against the idea of the separate Moslem state of Pakistan. If Pakistan is their choice, the Hindus will accept

it. The two states will separate, with appropriate safeguards for defence, communications and commerce. In other words, some form of loose federal link is envisaged. The whole scheme is made dependent upon the complete withdrawal of the British. This is the plan. It remains to be seen whether it will arouse a more profitable response from the Indian politicians than did the Cripps proposals. On the Hindu side, the Mahasabha is still vehemently opposed to partition, and it is remarked that Mr Gandhi has not actually put his name to the plan. On the Moslem side, two fears predominate—that the withdrawal of the British may leave the Moslem minority at the mercy of Congress in spite of the plan, and that the plan may damage Moslem unity. As in all dealings with Mr Gandhi, there is the necessity of making quite certain that he does not attach to words a meaning of his own which only emerges after the event. Mr Jinnah's hold is not unchallenged and he has, it appears, refused to accept the responsibility of backing the plan. Thus the publication of the correspondence is interpreted by some Moslems to be an attempt by Congress to drive a wedge between the Moslem League and the Moslem masses. They fear, too, that the right to free propaganda might have results unacceptable to the supporters of Pakistan. In a word, the first reception of Mr Rajagopalachari's plan proves that the crisis of confidence which kept India's leaders in a twilight of uncooperative inaction two years ago is by no means dispelled.

Balkan Feuds

The feud between Royal Governments and partisans in the Balkans has not yet been settled. The negotiations begun in the Lebanon between the various Greek parties have now ended in complete deadlock. The leaders of the Left wing (EAM and ELAS) have obviously failed to get the endorsement of their followers for the National Charter signed on behalf of the Movements at Lebanon. To M. Papandreou's demand that they should join his Government in accordance with the Lebanon agreement, the reply has been given that the EAM now demands seven instead of four seats in the Government. The guerilla army (ELAS) has refused to submit to the orders of the Royal Government and insists on its continued independent existence. Similarly, in contradiction to their previous public condemnation of the mutiny in the Greek forces in the Middle East, the Left wing leaders now protest against the trial of the Greek soldiers and sailors and demand an amnesty. M. Papandreou has bluntly denounced the conduct of the EAM leaders and refused to make any further concessions. The EAM leaders have, no doubt, hopelessly entangled themselves in their own tactical manoeuvres and they have deserved the blame. But in stating this, the Greek Prime Minister has not come any nearer the desired reconciliation. The fact still remains that the EAM is the largest and most effective guerilla force in Greece and that the alternative to reconciliation is probably civil war. In Yugoslavia the prospects look brighter for the time being. The new Prime Minister, Dr Subachitch, has succeeded in forming a small Government which consists of six Ministers only—two Serbs, two Croats and two Slovenes. Some of Dr Subachitch's colleagues have served in Yugoslav governments before the war. Dr Yuraj Sutej, the new Minister of Finance, was once a member of the Croat Peasant Party and was Minister of Finance in the last Yugoslav Government before the *coup d'état* of 1941. Dr Sava Kossanovitch, the Minister of the Interior, is a leader of the Serbs in Croatia and also served as a Minister in pre-war Yugoslav Governments. Two Ministers represent the Tito movement. General Mikhailovitch holds no office and is not represented in the new Government. The only uncertain question about Dr Subachitch's team is whether it commands sufficient support in Serbia proper.

Pressure on Argentina

Argentina's relations with the Allies continue to follow an involved and unsatisfactory course. The latest exchanges—a bellicose speech by Colonel Peron on totalitarian policy and the need to be ready for war, the publication of the speech by the State Department with opprobrious comment and the appointment, which followed immediately after, of Colonel Peron to the office of vice-President—suggest that diplomatic pressure in the shape of recognition withheld and Ambassadors withdrawn has only very limited effect, and even then, not always the effect desired. Mr Cordell Hull

may not, however, be content now with diplomatic pressure only. There is talk in Washington of economic sanctions, and some reports from Argentina state that an embargo on fuel has already been imposed. Judging by the Spanish precedent, economic pressure might have more effect, provided it were applied to specific objectives, for example, the immediate departure of the Axis diplomatic agents or co-operation in the matter of joint bases on the River Plate—if those are still thought to be necessary—or, perhaps, a large Argentine contribution to the work of UNRRA. But if pressure is applied at large simply to change the Government, then, as with diplomatic pressure, the result is likely to be a strengthening of the Government's hold on Argentine loyalty. No people cares to feel that its sovereignty is being attacked, and the Argentines, in whom national feeling is exceptionally strong, are most unlikely to change their government because the "Yanquis" and the British wish it.

War Pensions

The debate on war pensions at the end of last week showed a marked tendency to concentrate on one particular issue. In spite of some diversions, Members kept returning to the question whether or not there should be a flat rate of compensation to parents for the loss of a son or daughter in the services. There was considerable support for the Minister of Pensions, Sir Walter Womersley, who maintained the principle that State money should only be given to those in need. There was an equally vocal demand that the death of a child should not be followed by any kind of means test but that some direct "token payment" should be made as compensation for the loss. This and similar arguments were heavily backed by special pleading and the citation of particularly hard cases. At present, there is a basic limit on weekly income of £2 in the case of both parents, and 25s. if there is only one, with various adjustments according to circumstances. That this is in many cases far too low and that it does give rise to instances of genuine need, there can be little doubt. Consideration must clearly be given, as the Minister agreed, to proposals which would remove much distress. On all sides, questions relating to subjects such as pensions are bound to receive considerable and probably increasing, attention from the public. One member even suggested that it would be these minor but "human" issues which would decide the fate of parties at election time, rather than the larger issues of international policy. For this very reason it is important that the maximum of justice and consideration should be given to those in genuine need of a pension but equally that firmness against opening the door to mere sentimental largesse should be maintained. It would be disastrous if the issue of more and better pensions were to occupy the time of Parliament more than is absolutely necessary, or if it were to become the bitter bone of party contention.

Service Pay

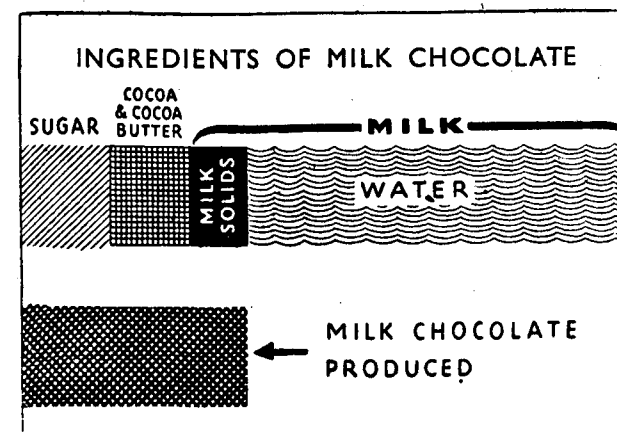
Improvements in the rates of service pay and allowances announced by the Prime Minister this week will satisfy many of the complaints raised in the debate early in March. The general effect of the new provisions will be to widen considerably the limits beyond which no dependant's allowance could be made, and to increase the number of cases where higher rates of allowance were payable. Discrepancies between the allowances made in lieu of rations to men and women officers, where both are working under similar circumstances, are also to be adjusted. Outfit allowances and loss-of-kit compensation for officers of all services will also be increased. Officers holding temporary acting rank will no longer suffer reductions of pay during periods of transfer to new appointments, or when on leave through sickness or wounds up to a limited period. Although these concessions, and particularly those which relate to the family allowances, will be welcomed both by the services themselves and by the general public who will ultimately shoulder the cost, it cannot be said that Mr Churchill has solved the real problem of service pay. While many of the armed forces are in, or expecting soon to be in, the thick of the fighting on either battlefield, there is, it is true, little opportunity for the men to spend more than their present pay. Later on, when the duties of peaceful occupation increase and the process of demobilisation begins, there will inevitably be a clear case for increasing the pay of the country's citizen army. An all-round increase in basic pay

would be a better solution than piecemeal improvements here and there. It is unlikely that the war will end before criticism compels the Government to accept further adjustments.

Police Report

The Commissioner of the Metropolitan Police has recently issued an annual report for the year 1943, which amounts in fact to a survey of police work under wartime conditions. This is the first report to be published since that for 1939, and though necessarily and laudably compressed, it manages to bring the records and statistics of crime in London up to date since that year. Before the war it might have been imagined that the dislocation of population, the uncertainty and insecurity, and the inevitable shortages of war, might have produced a criminal problem beyond the scope of a peacetime organisation. It is undoubtedly true that the past three or four years have brought some increase in the variety of work normally undertaken by the police; air-raids have brought with them the crimes of looting, and the tasks of an information bureau; national service regulations, and the numerous defence regulations have added to the labour of investigation; and, in addition, men from the Metropolitan Police Force have been lent on occasion to the armed forces and to Amgot. With all this extra work the police have lost men—regulars and auxiliaries—to the armed forces and to industry, without being able to draw on new reserves of younger men. Fresh demands have had to be made on the unpaid time of the volunteer “specials.” In spite of this, the report shows a small decline in the total number of indictable crimes, and a marked increase in the number of crimes cleared up. Juvenile crime, considering the opportunities and the incitements presented by the conditions of war, cannot from the police point of view provide grounds for alarm. The fact that a large number of citizens are now under military discipline, on the other hand, means a transfer of police work from civil to military authorities, and it may be that war conditions will not react on the incidence of crime until the war is actually over. Nevertheless, the report can be welcomed as evidence of a battle at least half won.

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AMERICAN SURVEY

Democratic Tug-of-War

The Democratic Convention next week promises even less excitement than the Republican in the choice of a Presidential candidate. Mr Roosevelt at last has conceded his fourth candidacy, on the ground that, like a soldier in the front line, he cannot desert his post in time of war. The liveliest issue at Chicago will be the choice of a Vice-Presidential nominee. The Southern States continue their campaign against Mr Wallace. Last week Virginia joined the bloc determined to black-ball him. The conservative and anti-negro circles which dominate Southern politics have no use for Mr Wallace's passion for equality, his interest in improving the lot of the poor farmer, or his Middle Western radicalism. These qualities are not universal handicaps. Mr Wallace has his own devoted following among labour and liberal groups; and, even more important, he might be able to halt the defection of the negroes. The call of the war factories has brought them in great numbers to the key electoral states of Illinois, Pennsylvania, Ohio, and New York, in which a small number of votes may swing a whole state into line. The determination of the Republicans to woo the negro is apparent, not only in the platform adopted at Chicago, but in Mr Dewey's selection of a negro, Dr Powell, the publisher of the *NY Amsterdam News*, as his Assistant Publicity Director. This is not the first time that Governor Dewey has appointed a negro to high office, and he knows what he is doing. The war has made the negro restless and made his grievances even less durable. In most cases he has a larger income, but instead of this being a source of satisfaction, the spending of it brings him up against a host of white prejudices. Wartime improvements in the status of the negro have, however, made the rulers of

Southern Democracy even more implacable, and their feelings have been exacerbated by the Supreme Court ruling on the participation of negroes in state primary elections. The Democrats will have some difficulty in fending off a states' rights pronouncement on the platform which would be interpreted as an anti-negro plank, and they certainly will not be able to go as far as the Republican platform. In this situation it would be a substantial advantage to have a Vice-Presidential candidate whose name is identified with hatred of race prejudice. Nevertheless, Mr Wallace's chances are not considered brilliant. Mr Roosevelt is reported to have said that he would put forward his name at Chicago, but would allow the convention to decide. This has been interpreted as throwing Mr Wallace to the wolves, though the President's recommendation cannot be taken too lightly. To satisfy the Southern bloc, however, the mantle may fall on Senator Truman, Senator Barkley, or Mr Byrnes, all Southerners of distinction, who would be popular below the Mason-Dixon line without alienating liberal sentiment in the north and west.

* * *

Primary in Oregon

In Oregon the odds are heavily in favour of the election of Mr Wayne Morse as US Senator. Mr Morse is a candidate of great distinction, not the least element of which is his elimination of Senator Holman in the campaign for the Republican nomination. Senator Holman, in a final whirlwind campaign, was the author of a classic and much quoted retort:

Anti-Semitic? Now why should I be anti-Semitic? My own father was an Englishman. I have relatives in England.

On all counts Senator Holman's record seems to have been unreservedly bad—he was a pre-Pearl Harbour isolationist, anti-Semitic, anti-labour, and took a violently nationalist line in his campaign for the nomination. Mr Morse is a strong internationalist and made this the core of his attack, but he also has a very remarkable labour record. He has won the respect both of labour and management, first in his post as Pacific Coast arbitrator for the Department of Labour, and later as a member of the War Labour Board and author of the "little steel" formula for wage stabilisation. He was the outstanding supporter of the "hold the line" policy and was the only member of the Board to dissent from the Ickes-Lewis agreement which concluded the mine-workers' strike last year. As *Time* has put it, he "hewed a straight line down the middle." The bulk of his campaign funds, which were extremely limited, came from employers favourably impressed by his integrity and courage, and the bulk of his votes seems to have come from labour in the Portland area. Mr Morse's chances are excellent, not only because of his personal qualities, but because of the Republican trend in Oregon. There seems to have been a Republican revival, for twice as many Republicans as Democrats turned out for the primaries. It is interesting, and perhaps heartening, however, that Mr Morse's Democratic opponent is also avowedly internationalist, and is thought to be the best Democratic candidate in Oregon in the last ten years. The Pacific North-West has always been noted for its indigenous progressiveness, although it has not always taken a peaceful form. It is striking that, with all the strains of a speeded-up war industrialisation, there should be such unanimity in principle and so decided a revulsion from isolation.

* * *

War Priorities

Plans for a smoothly rising curve of civilian production, leading without strain into the post-German war period, are hanging in the balance. It is reported that President Roosevelt has been called upon to arbitrate between the

Services, which oppose any such increase, and the War Production Board, which has begun a gradual relaxation of controls. The demand for certain types of war goods has risen sharply as a result of battle experience in Normandy, and schedules have been revised to provide for more heavy trucks, tanks, heavy artillery, shells, and ships. Heavy duty trucks have now been accorded priority equal to that of landing craft and heavy artillery. The War Department has notified the WPB that munitions output for the Army, which totalled \$1.8 billion in May, must be raised to a monthly rate of \$2.2 billion by autumn if the 1944 goals are to be met. The military also point out that any falling off in the demand for military equipment of other kinds may be only temporary, and that to increase civilian production might disastrously speed up the move back to peacetime occupations. The new schedules mean a heavy drain on steel supplies; and the steel industry has been losing ground since May, when production stood at 99 per cent of rateable capacity. It is now 94.3 per cent of capacity. Mr Batt's announcement that Britain would export 100,000 tons of steel to the US underlines the position. The immediate need of the industry is for another 50,000 men. This will provide the acid test of the new manpower controls. These have been in force only a week, so it is too soon to say whether they will be able to solve the problem of "labour evaporation," the term for a situation in which something like 20 out of every 50 men who leave their jobs vanish into thin air so far as official records are concerned. The only conclusion is that in fact workers are seeping into civilian goods and services production. The disadvantage, of course, is that there is no guarantee that the increase of workers results in more of the goods and services really needed—more laundries, for example, rather than more night-clubs. This is probably unavoidable in the absence of tightly-knit manpower and production controls, but it is hardly a guarantee of orderly or equitable transition.

* * *

Fly-Bombing Isolation

Mr Churchill's statement and the flood of news now released about the flying bomb have once more evoked sympathy and admiration for the people of "Southern England." There have been many tributes to the steadfastness of the British people and the "indispensable barrier" they provide between the United States and the enemy. There is more than this, however, to the impact of the flying bomb on the United States. It has revived the old admiration for Britain that, so magnificently stimulated by the foreign correspondents during the blitz, smoothed the early days of Lend-Lease. But it promises to come closer home. Mr Glenn Martin, a fortnight ago, said it was perfectly possible for the flying bomb to be perfected to such an extent that it might reach the United States. Mr Louis Lochner, former head of the Foreign Press Association in Berlin has even declared that the rocket-bombing of New York from submarines was a feature of German plans before the United States entered the war. The United States is keeping calm. Mr Patterson, Under Secretary for War, doubts whether Washington will be evacuated just yet. But the *New York Post* undoubtedly is right when it refers to the flying bomb as a twentieth century weapon which has smashed up the eighteenth century doctrine of isolationism. The flying bomb is a promise of what the next war may be like if the United Nations fail to maintain the peace. It is a guarantee that the "protected people of the United States" as Mr Arthur Krock calls them, may be in the front line in another twenty years. Just as the blitz of 1940 helped to prepare the way for an effective joint war effort, the flying bomb may smash up those remnants of isolationist sentiment that lie in the way of an enduring peace settlement. It is unlikely that Mr Roosevelt will not spell out the writing on the wall for the benefit of those who have failed to grasp its significance, and Mr Dewey cannot afford to be far behind. Mr Willkie, whose behaviour during the original blitz endeared him to the London public, is certain to be heard from.

* * *

Surplus Aircraft

Plans for the disposal of surplus aircraft after the war have been drawn up by a group of Harvard professors at the request of the War Contracts Subcommittee of the

Senate Committee on Military Affairs. The report, which, it is emphasized, does not necessarily reflect the views either of the subcommittee or the War Department, takes a strong stand against the view that all such aircraft should be scrapped at the end of hostilities, and emphasises their importance as a national asset. It strongly disagrees with the contention that scrapping would stimulate post-war employment, and points out that the wide public use of surpluses would stimulate demand for replacements, at home and abroad, as improved models come on to the market, while manufacturers can be given substantial amounts of overhaul and sales work. Even more interesting is the report's insistence on the opportunity afforded for implementing national policy by the exchange of surplus combat planes for bases, landing rights, strategic materials, or other considerations from friendly Powers. These exchanges would be effected only with the approval of the Service and State Departments. Transport planes fall in another category; the report urges that the most modern should be among the first released for domestic use, and that transports conveyed to other countries under Lend-Lease should be at least nominally repossessed, so that their final distribution should not be affected by emergency conditions, but primarily by national policy and peace-time needs. Senator Murray, head of the subcommittee which requested the report, has been particularly impressed by the educational possibilities which it stresses. In addition to aircraft retained by the Air Forces for training purposes, planes suitable neither for military nor civilian duty will, it is hoped, be distributed to the schools of the country to promote civilian pilot training, aeronautical research, and education. The "air-mindedness" so generated would, it is felt, help to guarantee the maintenance of an air force adequate in size and in industrial resources and equipped with the latest models. Combat planes should not, in the committee's view, be saleable to individuals of a sporting disposition. This is reassuring. Not many weeks ago there was a great hue and cry on the West Coast when it was discovered that a number of exceedingly lethal weapons had been released to retailers, who obligingly labelled them sporting rifles and disposed of the lot in a remarkably short time to anonymous purchasers.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Statement of Condition, June 30, 1944

RESOURCES	
CASH AND DUE FROM BANKS	\$ 886,347,988.67
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	2,778,218,272.86
STATE AND MUNICIPAL SECURITIES	84,987,986.73
OTHER SECURITIES	122,628,560.94
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	1,048,627,006.00
ACCRUED INTEREST RECEIVABLE	10,328,851.65
MORTGAGES	6,751,716.05
CUSTOMERS' ACCEPTANCE LIABILITY	4,185,995.07
STOCK OF FEDERAL RESERVE BANK	7,050,000.00
BANKING HOUSES	35,282,065.75
OTHER REAL ESTATE	4,436,946.09
OTHER ASSETS	1,317,453.11
	\$4,990,182,842.92

LIABILITIES	
CAPITAL FUNDS:	
CAPITAL STOCK	\$111,000,000.00
SURPLUS	124,000,000.00
UNDIVIDED PROFITS	43,209,131.71
	\$ 278,209,131.71
DIVIDEND PAYABLE AUGUST 1, 1944	5,180,000.00
RESERVE FOR CONTINGENCIES	10,289,270.53
RESERVE FOR TAXES, INTEREST, ETC.	8,249,317.58
DEPOSITS	4,677,872,687.91
ACCEPTANCES OUTSTANDING	\$7,955,614.16
LESS AMOUNT IN PORTFOLIO	3,301,795.36
	4,653,818.80
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	74,220.02
OTHER LIABILITIES	5,654,396.37
	\$4,990,182,842.92

United States Government and other securities carried at \$1,199,414,965.00 are pledged to secure U.S. Government War Loan Deposits of \$1,021,381,481.02 and other public funds and trust deposits, and for other purposes as required or permitted by law.

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Condensed Statement of Condition as of June 30, 1944

INCLUDING DOMESTIC AND FOREIGN BRANCHES	
ASSETS.	
Cash and Due from Banks and Bankers	\$906,662,671
United States Government Obligations (Direct or Fully Guaranteed)	2,370,598,109
Obligations of Other Federal Agencies	45,478,731
State and Municipal Securities	136,995,484
Other Securities	62,432,334
Loans, Discounts and Bankers' Acceptances	829,505,400
Real Estate, Loans and Securities	3,920,526
Customers' Liability for Acceptances	4,801,639
Stock in Federal Reserve Bank	5,625,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	35,932,410
Other Assets	1,465,856
Total	\$4,410,418,160
LIABILITIES.	
Deposits (Includes United States War Loan Deposit \$739,073,001)	\$4,157,820,986
Liability on Acceptances and Bills	\$9,736,352
Less: Own Acceptances in Portfolio	\$4,191,587
	5,544,765
Items in Transit with Branches	603,396
Reserves for:	
Unearned Discount and Other Unearned Income	1,382,421
Interest, Taxes, Other Accrued Expenses, etc.	19,010,132
Dividend	3,100,000
Capital	\$77,500,000
Surplus	117,500,000
Undivided Profits	27,956,460
	222,956,460
Total	\$4,410,418,160

Figures of Foreign Branches are included as of June 24, 1944, except those for enemy-occupied branches which are prior to occupation but less reserves.

\$939,331,915 of United States Government Obligations and \$6,323,396 of other assets are deposited to secure \$891,628,190 of Public and Trust Deposits and for other purposes required or permitted by law.

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THE WORLD OVERSEAS

The Saskatchewan Election

(From Our Ottawa Correspondent)

THE overwhelming victory at the polls in the Saskatchewan provincial election scored by the co-operative Commonwealth Federation Party represents one of the vehement changes in Canadian politics which inevitably generate consequences on a broad scale. For the first time since the CCF was formed at a convention of minor western political groups in Calgary, Alberta, in 1932, the party will assume the responsibility of office.

The new premier of Saskatchewan is Mr T. C. Douglas, 40-year-old former Baptist preacher, whose political experience includes nine years in the House of Commons at Ottawa. The foundations of CCF policy were set forth in a manifesto adopted at the first annual convention of the party at Regina, Sask., in 1933. The manifesto is strongly socialistic in character, calling for nationalisation of key industries, including banking. But in the realities of prairie politics, the CCF secured election in Saskatchewan not through its socialist proposals so much as through the spirit of political protest that has arisen against the restraints of wartime controls. That the party had capitalised on grievances of this kind was frankly admitted by Mr Douglas in his post-election statement which ascribed the victory to resentment against federal policies in dealing with manpower, with agriculture, and the federal government's alleged failure to provide suitable post-war reconstruction policies.

The significant feature of this statement, obviously, is the emphasis upon federal issues. In the provincial field, the CCF conducted their campaign on a platform of improved health services, educational reform, higher pay for teachers, and more comprehensive debt relief for farmers. At the same time, the party had promised taxation relief, placing itself in the vulnerable position of offering more extended social services while pledging a reduction in taxation. In the face of electoral success, Mr Douglas presented a considerably more sober outlook. There would be no radical legislation immediately. Reorganisation of Government departments will be carried out in the course of a four-year plan, and a new department of industrial development will be created. The public debt will be refunded as soon as convenient.

Rival Political Programmes

The reality of Canadian politics is that fundamental economic changes must be transacted in the federal parliament. For that reason, the socialist programme of the CCF must wait, for the most part, until the party can increase its influence in federal politics. Its prospects there have increased considerably, for the party now forms the chief opposition in the legislatures of Ontario and British Columbia, although it has less standing in the legislatures of Manitoba and Alberta. Its leaders claim that its prospects now include the opportunity to obtain the largest group of seats in the next parliament. Whether their hopes are realised or disappointed, the CCF is bound to have increasing effect upon Canadian policies.

For that reason, the true nature of the CCF movement has come under closer study than before. As a party that

can capitalise on wartime grievances, it may win support. The alternative to the Mackenzie King Liberal Government, as it stands now, must be the Progressive Conservatives led by John Bracken, the CCF led nationally by M. J. Coldwell, a minority Cabinet, or a coalition government formed of two or more groups. The Progressive Conservative Party, replacing the older Conservative Party which held office under R. B. Bennett (now Viscount Bennett of the British House of Lords) suffered a crushing defeat in its efforts to win seats in Saskatchewan. Its prospects have come under heavy discount, but it is the strongest political force in Ontario at present and its supporters hope to increase its present representation of 39 members in a federal house of 245. In Quebec, the home-grown French-Canadian nationalist party, Le Bloc Populaire, could make gains only at the expense of the Liberals, and the extent to which it does so may determine the character of the next parliament.

The CCF, as the *Winnipeg Free Press* has pointed out, represents the third protest movement to arise in western Canada since the last war. The Progressives enjoyed a meteoric rise in 1919 and 1921, and held the balance of power in parliament for four years. In 1935, the Social Credit Party captured office in Alberta and has elected a small, unimportant group to the Federal Parliament since then. The Progressive movement, basically agrarian, was a liberal, free trade, anti-protectionist political force. It later merged with the Liberal Party, where it remains as the western free-trade wing of that party. The Social Credit Party, based on monetary reform ideas, was provincialist in its proposals, pursuing the concept of a controlled economy on a provincial scale. This is an impossible programme, for constitutional and other reasons.

The CCF is another State-control movement—a reaction against the liberal philosophy which has drawn its greatest strength in Canadian politics from the economic necessities of open markets for exports. Its interest in social services furnishes no point of difference between it and other parties. But its proposals for guaranteed incomes, for fixed prices, for import and export boards mark the distinction. The CCF offers the closed community, the “co-operative commonwealth.” This, according to the *Winnipeg Free Press*, “is an economic mirage, based upon domestic promises impossible of fulfilment without the existence of conditions far beyond the borders of Saskatchewan and beyond the frontiers of Canada.”

Power Shortage in Switzerland

[FROM OUR GENEVA CORRESPONDENT]

EVER since imports of coal have been drastically cut down, Switzerland has increasingly been forced to depend on her own resources of fuel. These are proving insufficient, and for the second year running the authorities have been compelled to curtail the consumption of electricity during the winter months. Production has been unable to keep up with a higher demand, and the situation has been worsened by the abnormal drought which has prevailed since 1941. According to the latest figures, the production of electricity has increased in almost geometric progression since 1900.

Kilowatts (thousands)	1900	1910	1920	1930	1940	1943
	131	420	810	1,520	2,034	...
Kilowatt-hours						
(milliards)	0.2	1.2	2.8	5.1	8.2	9.2

The recent increases in consumption have been particularly great in industry and domestic use. At present, the percentage distribution of electric power, according to official figures, is as follows:

THE ECONOMIST, July 15, 1944

Domestic use	12 per cent.
Art and craft	9
Industry	46
Railways	10
Losses and pumping	11
Export	19

In 1941, there were 6,030 electric power plants in Switzerland, 130 of them being responsible for 95 per cent of the total output, 99 per cent of which came from water power plants. Since then, two big hydro-electric plants have been put in service, the Verbois plant on the river Rhône, near Geneva, which, until its completion next year, is yielding only two-thirds of its potential production, estimated at half a million kilowatt-hours a year, and the Handeck-Innertkirchen plant, which yields 600 million kwh. a year. The latter is the most powerful plant in Europe. It consists of three composite plants fed by the river Aar and by two artificial lakes on the Grimsel Pass, containing altogether 4,236 million cubic feet of water. The two highest plants have been in production for the past three years, and the third and lowest, at Innertkirchen, began producing just over a year ago. The construction of these works involved the boring of seven miles of tunnels in the granite. The Innertkirchen plant, the first bomb-proof power-plant in Switzerland, is entirely hewn in the rock.

Even this is not sufficient, and the Government, strongly backed by industrialists and local authorities, have set up a scheme for adding another 1,000 million of kwh. to Swiss electrical production. Some of the new constructions are under way; the Ruppenswil plant, on the river Aar, which will be finished next year, will yield 100 million kwh. to the Federal railways, and to the new Bois Noir plant on the river Rhône, and the Rossens plant in Canton Fribourg. Other schemes are still being examined; among others, one for creating an artificial lake at Gletsch, on the Furka Pass, and one involving the flooding of the Upper Rhine valley, at Hinterrhein, on the Splügen Pass road. This last scheme is strongly opposed by nature lovers, as well as by the natives of the district, as the completion of the scheme would result in the transfer of 600 people from the villages of Hinterrhein, Nufenen and Medels, which would disappear under a lake containing 9,884 million cubic feet of water. The proposed plant would yield some 300 million kwh. a year.

The Middle East in 1962

[BY OUR CORRESPONDENT IN PALESTINE]

AT a moment when there is much talk about the political future of the Middle Eastern countries, a comprehensive study has been published, by Dr. A. Bonne of the Economic Research Institute of the Jewish Agency, which tackles the question from the economic angle. The author takes it for granted that all political obstacles can be removed, and the machinery can eventually be established for “collective economic planning,” embracing the whole of the Middle Eastern area—that is, Palestine and Trans-Jordan, Syria, Lebanon and Iraq, and possibly Egypt, Cyprus and Turkey. His aim is to show what planned reconstruction, freed from political impediments, could achieve towards solving the economic problems of this vast area during the next two decades or so—between now and 1962.

Of these problems there are two of outstanding import-

ance: the exceedingly low social and economic standards of the local population; and the rapid growth of population, which threatens to depress standards still more. The pre-war national income per head has been computed to be £26 a year in Palestine, £19 a year in Turkey, and £10-£13 a year in Syria, Egypt and Iraq. The average yearly income of an urban Arab family of five persons is estimated to be £33 in Palestine and £47 in Cyprus; while the cost of living of a fellaheen family of five was £37 a year in Palestine and in Cyprus, and between £25 and £26 a year in Egypt.

All these figures have, of course, been put out of date by inflation. Squalor, undernourishment and endemic diseases are widespread; the consumption of industrial goods is limited to bare necessities; technical equipment is poor; and methods of work are primitive, especially in agriculture, on which the major part of the local populations still depend for their livelihood.

The productivity of labour is very low, which is, of course, the chief cause of the present poverty. The net productivity of a male earner occupied in agriculture has been calculated (on the basis of 1934-35 crops) to be 90-98 international units (in Mr Colin Clark's statistical terminology) in Syria, Lebanon, Turkey and Egypt, 108 in Turkey, 143 in Cyprus, and 148 in Arab Palestine, against 420-580 units in Western Europe; the net output per head on cultivated land was in most regions only 40-43 international units. The high rate of mortality among the native population is much more than offset by the high birth-rate (reaching 43 per thousand in Egypt and 50 per thousand among Palestine Arabs). The annual increase of the total population of the Middle Eastern area is now over 600,000; and it is quite certain that the present population will be doubled within the next generation.

Over or Under Populated?

On the face of it, therefore, there is a real and imminent danger of over-population. This does not take into account, however, the potential capacity of the area. Quite apart from substantial mineral deposits—and the rich oil-fields, which now loom so large in world politics, are only one instance of these untapped resources—there are wide tracts of waste arable land and ample quantities of water for their irrigation, which would enable many families to settle in districts which are now a desert or sparsely inhabited by nomad tribes and primitive fellaheen. An estimate of these possibilities is given in the following table:

CLASSIFICATION OF MIDDLE EAST LAND
ACCORDING TO UTILISATION, 1939
(in sq. km.)

Country	Total Area	Cultivable Area	Cultivated Area	Irrigable Area	Irrigated Area
Egypt	1,000,000	34,000	24,000	34,000	23,000
Turkey	763,000	300,000	87,000	30,000	4,000
Iraq	453,000	92,000	13,000	51,000	7,000
Syria	202,000	61,000	16,000	12,000	2,500
Palestine	27,000	12,000	9,000	4,000	400
Transjordan	90,000	4,600	3,500	600	200
Total	2,535,000	503,600	152,500	131,600	37,100

On the average unirrigated land, which is worked under extensive cultivation, carries a population of 60 per sq. km., but the average agricultural density on irrigated land may

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be 200 per sq. km. On this basis, assuming that the irrigable areas can be irrigated, the capacity of the area to support has been reckoned at 30,000,000—that is, at more than the total natural increase during the next two decades is likely to be. Such an expansion of the rural community would certainly bring about a parallel growth of secondary and tertiary occupations. Assuming that, in most of the countries in this area, agriculture will still account for between two-thirds and three-quarters of the total number of earners, the following figures may be calculated for the total population and its occupational distribution in the year 1962:

ASSUMED POPULATION AND EARNERS IN 1962
(in 1,000)

Country	Total Population as at Dec. 31, 1939	Assumed Total Population in 1962	Assumed Total Earners in 1962	THEREOF		
				In Agriculture	In Industry	In Services, Commerce, Transport, etc.
Egypt.....	16,680	24,000	8,100	5,346	1,053	1,701
Turkey.....	17,620	26,000	12,000	8,160	1,680	2,160
Syria.....	3,700	5,500	1,800	1,080	306	414
Iraq.....	3,700	4,950	1,375	1,059	179	137
Cyprus.....	380	600	200	114	44	42
Palestine—						
Total.....	1,502	3,600	1,487	402	435	650
Arabs.....	1,057	1,500	500	260	80	160
Jews.....	445	2,100	987	142	355	490
Transjordan	300	450	150	113	16	19

If it is further assumed that the net physical output of agricultural earners will increase during the next two decades by some 50 per cent, and the exchange value of the agricultural products in terms of industrial goods and services will increase by 50 per cent as well (according to the argument developed by Mr Colin Clark), then the net agricultural income of the Middle Eastern countries will treble. The income of earners in industry, trades and services may increase by more than four times, so that the total consumptive power of the Middle East countries may rise to some £1,200 million (at pre-war values), against some £330 million before the war.

But such a development would call for very large capital investments, which, on the basis of the experiences gained in recent colonisation activities, have been assessed at some £2,500 million, divided almost equally between agriculture and other trades and industries. Even assuming that a considerable part of this could be covered by internal saving, a big assumption, there would still remain very large sums to be supplied from external sources.

The Political Obstacles

All these figures are the merest conjectures. But they are based on real facts and real possibilities. The economic feasibility of such a development cannot be doubted, nor its general trend. But is the co-ordinated action which would be required politically possible? The programme outlined above is dependent on the putting into effect of large-scale reclamation and irrigation works, with power plants; national housing and building schemes; the expansion and modernisation of the present transport system; the improvement of farming by planned capital investment in agriculture and by the introduction of intensive cultivation; a supply of cheap capital to lower the rate of interest in rural credits; measures to reduce exorbitant farm rents; the systematic exploration and utilisation of the existing raw materials; the training of skilled workers and a general expansion of educational, medical and other public services; and the practical progress of these activities would be much hindered, and often rendered impossible, by lack of inter-regional understanding and international support.

So far, collaboration between Middle Eastern countries has been very limited. All talk of political and cultural unity cannot conceal the fact that there is little hope of achieving even the limited objective of a customs union in what has been called Greater Syria—that is, Syria, Lebanon, Palestine and Transjordan. Moreover, a uniform customs policy in these states, dominated as they are by autocratic landowner and primitive peasantries, would not necessarily be to the benefit of the more industrialised areas (e.g., Palestine and Lebanon). It may be that, contrary to logic, the political integration of the Middle Eastern block will have to come not as before, but after its economic development.

Letters to the Editor

The Cost of Service

TO THE EDITOR OF THE ECONOMIST

SIR,—The word "service" describes the whole function of retailing, and I endorse the plea in your issue of June 24th for much more statistical information about retailing costs so that the community can measure the cost of various items against the benefit which it derives from them. But it must not be assumed that the comparison would always be unfavourable.

Most of your examples are of department store services. Why you should consider them socially unjustifiable is not clear. Tearooms in department stores you describe as "luxurious"; this is true if you mean "comfortable," but not if you mean "voluptuous." In any case, I can assure you that in general they amply pay their way, and impose no financial burden on customers who do not patronise them. Escalators are installed by department stores because they are found to carry passengers from one floor to another more effectively and economically than lifts; I believe the LPTB has had similar experience. Exhibitions are, of course, not directly remunerative, but their cost is relatively quite small. The same is true of roof gardens, of which in any case there are only two in the whole country. I am surprised that you contrast van delivery services unfavourably with the "casual errand boy," a type of employment which progressive retailers feel it their social duty to eliminate.

If large retail businesses sought to raise retail prices in order to pay for unremunerative services, your criticism would be merited. But there is no justification for any such allegation. To suggest that they have encouraged the technique of the fixed-price branded article is directly contrary to the facts, since on the whole it is not popular among them. The initiative in branding and price-maintaining their products has been taken by manufacturers, primarily in order to obtain for these products a widespread distribution through small independent shops.—Yours, etc.,
Retail Distributors' Association. DONALD BARBER.

Co-operative Taxation

TO THE EDITOR OF THE ECONOMIST

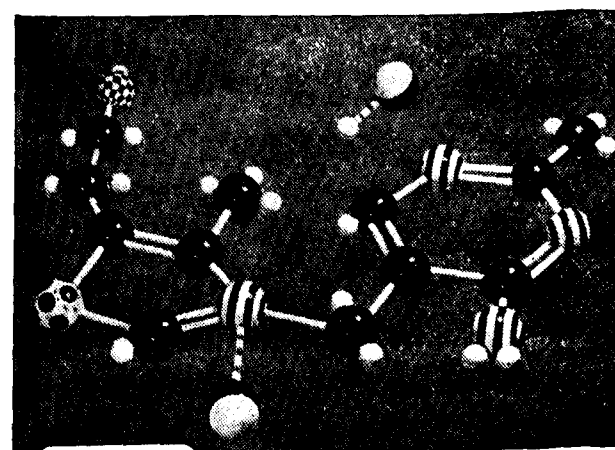
SIR,—In the otherwise very admirable article on the Centenary of Co-operation which appears in the issue for July 1st there is a statement contained on page 21 to the effect that co-operative societies enjoy some taxation advantage. This, however, really is not so. They are subject to taxation in the same way as all other businesses. They are liable to Income Tax, Excess Profits Tax, and National Defence Contribution on trading profits, and to Income Tax on investments income. They are also liable to pay on the income derived from the ownership of land and property under Schedule D. In short, they are taxable under Schedules A, B, C and D, like all other businesses and trading organisations.

The only advantage co-operative societies enjoy, if such it can be called, as compared with limited companies, is that instead of tax being levied on the society in respect to interest on capital and loans, which in the case of companies corresponds to dividend on capital and interest on loans and debentures, it is levied directly on the individual shareholder or loanholder and not upon the society. Thus interest is paid in full before deduction of tax by the co-operative society but the individual recipient must account to the Tax Authorities if he is liable. Ultimately, therefore, the position of a shareholder or loanholder in a co-operative society in relation to taxation liability is exactly the same as that of a shareholder or loanholder in a company, for in the latter case, although interest may be deducted, if the person concerned has income below the abatement levels the tax deducted can be recovered. Otherwise the position so far as taxation liability as between co-operative societies and other trading organisations is exactly the same. There is no point of difference.—Yours faithfully,

R. A. PALMER.

General Secretary, Co-operative Union, Limited.

MODEL OF A VITAMIN

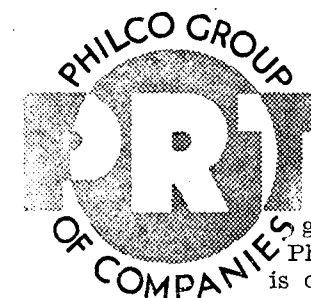


- CARBON
- NITROGEN
- SULPHUR
- OXYGEN
- CHLORINE
- HYDROGEN

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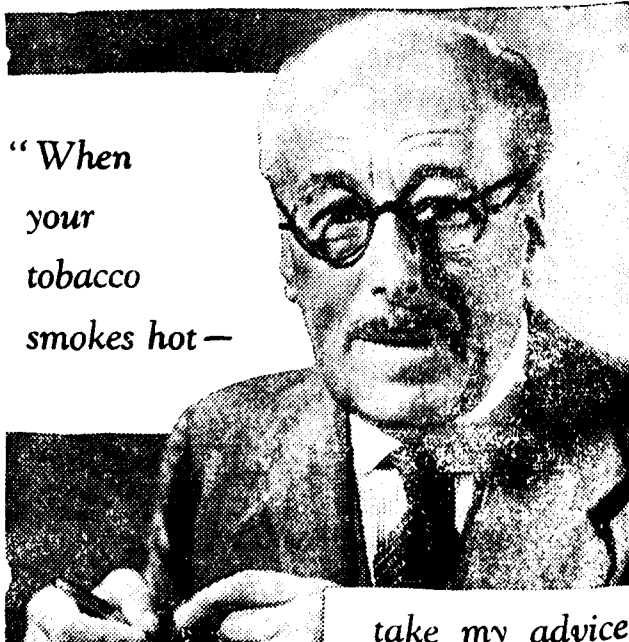
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THE BUSINESS WORLD

Debenture or Equity?

AMONG the matters on which the opinions of industrialists have undergone a *volte face* during the past two decades must be counted their attitude towards the raising of money by the issue of debentures. Twenty years ago the argument ran, that if one could borrow money at a lower real rate than the return given by the ordinary capital at market price, it was to the advantage of the equity holder to do so. The cult of the perpetual debenture had declined, but long term issues were still fairly popular. They made it possible for the share of the equity in the business to expand over the period of repayment, even if there were no actual expansion in the total capital employed.

Last week, Lord Aberconway, sponsoring the latest instance of the exchange of debentures, in whole or in part into equity capital, expressed the views that permanent capital is preferable to terminable debt; that accumulations out of profits should be used to strengthen the business and extend the scope of operations rather than to repay debt; and, by implication, that equity capital is to be preferred to other types.

The contradiction between these two points of view is more apparent than real. If the outlook for the business in question is one of expansion and of steady and rising profits, there is everything, from the standpoint of the equity holder, to be said for raising a reasonable amount of capital by the issue of debentures, or of preference shares, or even of both. The fact that in the 20's and 30's many companies issued too great a variety of types of capital ranking in front of the equity, and issued far too much of such capital, does not invalidate the argument, provided the premises are correct. At present, however, few people would suggest that British industry can in most lines of business with confidence look forward either to expansion or to a rising level of profits without periods of recession, still less both together. It is permissible to hope that the wisdom of post-war policies, coupled with the initiative and energy of the human element in industry, will have this result. It would be rather less than prudent to count on it. In general, therefore, Lord Aberconway would seem to be right in preferring capital to debt. Indeed, it is evident that there is a crying need for a much larger share of the capital of industry to be financed on the basis that the stockholder bears a share of the risk. The only part of his thesis that can be questioned is his view that such debt as is contracted should be on a permanent rather than on a terminable basis—a view which in this particular he has not carried to the length of offering an irredeemable stock.

There have over the past two years or so been several offers to convert debentures into equity shares, and they have, on the whole, been reasonably successful. It would, however, be unduly optimistic to base any very hopeful conclusions about the financing of postwar reconstruction and expansion on this experience. The issues have been made at a time when industrial equities—and for that matter most other securities—were recovering from levels almost unprecedentedly low into which they were plunged by the events of 1940 and by the penal wartime taxation of industry. Share values are still rising, but there can, from this point, be no sure hope of a continuance of the appreciation at the rate which has prevailed since June, 1940. Moreover, the time must be close at hand when it will be a question of finding new money, not a mere conversion from one type of security to another. And the pressure of inflationary Government finance, which is now the chief influence for buoyancy in the markets, will soon, it must be hoped, be reduced, if not removed.

The context in which industry must after the war seek for new equity capital will be one in which most of the money must come from institutions or from the small man,

always rather averse to taking large risks and trained by the activities of the National Savings Campaign to believe that to play for safety is not only wise but patriotic. Add to this the facts that much of the new money must be put into ventures where the risk is considerable and that most of the potential investors have little or no experience of dealing in stock exchange securities, and it will be seen that the task of raising industrial capital will call for considerable powers of insight and management.

In theory a solution to the problem might be found by the individual continuing to take up Government stock and the Treasury finding the money for capital expenditure in approved cases. No doubt rationing of new capital will be necessary for some time, but there is not the slightest evidence that the state is likely to attempt so large a dose of socialisation as this solution would postulate or that industry would find it acceptable. Nor is there any reason to suppose that, if the Government did take to supplying capital for industry, it would make the right choice, or that the provision of a Government shock absorber between the general investor and the essential function of risk-bearing would be beneficial to the national income or, in the long run, to the individual citizen.

★

The solution must be sought on other lines, namely, by educating potential investors in the effects of their invest-

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ment, by facilitating investment and by reducing to reasonable proportions the risks that they are called upon to bear. Employment policy, if it is successful, will tend to diminish, if not to remove, some of the causes of changes in the money dividend to be derived from industry as a whole. No such programme could succeed, however, which aimed at stabilising either employment or profits in any given industry. Properly used, the tax concessions already promised and others which may reasonably be expected to follow will work in the same direction. Further, a higher proportion of equity to total capital employed in industry would automatically make for smaller fluctuations—as well as a smaller maximum—in the return to be expected on equity investments.

All this, however, is scarcely likely to be sufficient, at least during the early years when the demand may be greatest, to overcome the reluctance of many people whose co-operation will be required to assume or resume the habit of risk-taking. This playing for safety is a general fault of a large section of the population. It applies to the entrepreneur and the worker no less than to the investor, and it would be well if means could be found to counteract it.

Even so, unnecessary risk-taking is to be deprecated, and the less margin the investor has the less can he be expected to risk his savings. There would appear to be two lines of approach which would make it easier to attract small savings into the ordinary capital of individual companies and two methods at least by which it might be possible to give the small man a reasonable spread over a larger number of equities than his slender resources would permit him to purchase without unduly heavy costs.

*

In order to encourage investment in individual companies it is necessary, on the one hand, to obtain and to make available to the public much more information about the activities and the earnings of industry, and, on the other, to reduce so far as is possible the cost of dealing in stock exchange securities in small amounts. Having regard to the resistance of directorates to any enquiry into the details of their operations and results and to the fact that, even at existing rates, the commission on small stock exchange

orders hardly covers the broker's costs, neither line of approach is easy. Nevertheless, both must be exploited to the full.

Of the means to spread risk the two which most readily suggest themselves are the interposition between the investor and the individual company of some institution which actually holds shares in a number of companies in which it is specially interested and issues to the public either fixed interest or equity shares, or a body, making similar issues to the public, which specialises in dealing in securities. Both investment trusts and finance houses exist in considerable numbers, but the only variant of them which has achieved any considerable popularity among quite small investors is the unit trust. The reason for this success seems to be more closely associated with advertising policy than with any outstanding merit which either the principle or the particular composition of many of the trust sub-units possesses as investments for the man of very moderate means. All three forms of organisation—the unit trust, the more orthodox investment trust and the finance company—are, however, doubtless capable of improvement.

This is not, of course, the only means by which the problem can be approached. It has already been suggested, on several occasions in these columns, that there should be tax relief for money invested, out of profits, in extensions of business, which would carry with it, as a necessary corollary, some tax relief on the profits earned, in the early years, by new capital raised in the market and used for genuine extensions of business. The purpose of these suggestions was to stimulate the volume of capital expenditure; but they would have the incidental advantage of stimulating equity investment. In one way or another, however, there is need for a bridge to be built between the desire of industry for equity finance and the desire of the public for safety in its investments. This is more than a technical problem; it is an essential part of the adjustment of institutions to a new age. The existing structure of financial institutions grew up in an age which, itself essentially stable, embraced a large number of individual risk-takers. Nowadays the economy as a whole has inherent tendencies to instability, but the individual craves security. It is in everybody's interest that the transition should be effected as smoothly and as quickly as possible.

Inquest on Coal

THE White Paper on coal statistics,* published by the Ministry of Fuel and Power, is one of the most illuminating documents of the war. It contains the complete history of the mining industry from 1938 to the end of March, 1944. Some of the information has already been published, but this is the first comprehensive summary of all the facts, and credit must be given to the Ministry for lifting the statistical black-out so completely in a vital section of war production.

The record of the four war years of coal production is one of almost unrelieved gloom. In the years before the war, the industry was beginning to recover from the depression; indeed, output in 1939, though there were fewer miners in the industry, showed a considerable improvement over 1938. But since 1939, as is shown in Table I, both output and manpower have declined progressively, the biggest drop in both being between 1940 and 1941. There has been a further decline in production during the first quarter of 1944. The gap between production and consumption in the coal year ended April 1944, amounted to 4.5 million tons, which has had to be met from stocks. The low figures for the first quarter of 1944 may, of course, be exceptional, because of the abnormal dislocation caused by the stoppages in South Wales and Yorkshire in February and March. Apart from minor local disturbances, the coal-fields have been remarkably free from strikes, ever since the wages settlement was reached in April, and after the added spur of military demands for coal. Moreover, as the year goes on, the cumulative effect of recent measures taken by the Government may be felt—the direction of youths to the mines, the grouping of pits under production directors, and the more efficient operation of new machinery. Perhaps Major Lloyd George, reviewing the work of his Ministry in the debate in the House of Commons that is to take place after this issue goes to press, will give some rather

more encouraging information about the industry's prospects than can be estimated from a study of statistical trends. But it is difficult to be optimistic about the general outlook; and in particular, the Bevin boys are not likely to have any immediate effect on production. They may have just about offset normal wastage (Table II), but are not likely to have any long-term effect on manpower. All available evidence suggests that the vast majority will not stay in the mines a day longer than they are compelled. The problem of declining juvenile entry has thus only been shelved, not solved. Whereas in 1938 there were 27,600 boys under 16 in the industry, by 1943 there were only 18,200—a drop of one-third.

The most disturbing aspect of the coal situation is undoubtedly the progressive decline in productivity (Table III). Though there may be many external reasons for the falling output per man-shift at the coal-face—the most reliable criterion of productivity—the fundamental factor, for which it is not easy to find a remedy, is that the men in the industry are getting older and have begun to feel the strain of the war. Strain is probably also the main cause of the alarming increase in the accident rate (Table IV), though here again no single factor can be held responsible. The introduction of less experienced labour, the general intensification of production, combined with a relaxation of supervision and the defects in materials—particularly the shortage of good timber for roof support—have all played their part. The reduction in the number of fatal accidents is satisfactory, though not conclusive, since an explosion in a single colliery would send the death rate up, but the increase in the number of accidents lasting for more than three days and the increase of 40 per cent since 1938 in the accident rate call for renewed efforts to improve safety provision in the pits. The fact that about one in every four miners is liable to be killed or injured every year is not conducive to recruitment. No information is given in the White Paper about the effects of industrial disease, but the

incidence of pneumoconiosis has been creating a serious manpower problem in South Wales, especially in the anthracite areas, since many miners have been claiming release as sufferers from this dust disease.

Absenteeism and indiscipline have contributed in no small measure to the troubles of the coal industry, and it would be foolish to underrate their effects. But the White Paper suggests that the importance of absenteeism in relation to other factors has perhaps been exaggerated. The national rate of absenteeism from all causes has risen from 6.4 per cent of possible shifts in 1938 to 12.4 per cent in 1943; among face workers, the rate of voluntary absenteeism in 1943 averaged 6.1 per cent, and involuntary absenteeism 9 per cent. No comparable national figures are available for workers in other industries, but recent investigations by the Medical Research Council show that in 1942, at seven different factories, the percentage of time lost averaged 8.1 per cent for men, and 15.3 for women (in 1942 the mining figure was 10.4 per cent). This indicates that though absenteeism is high among miners it is not excessively so in comparison to that of factory workers. No estimate is made in the White Paper about the quantity of coal that might have been saved had full shifts been worked, but an interesting table showing tonnage lost from causes other than absenteeism is given (Table V). In 1943, while 10.7 million tons were lost altogether, less than 10 per cent were lost as a result of disputes, and a higher proportion were lost as a result of accidents, breakdowns and machinery repairs; as many as 500,000 tons were lost through rail transport difficulties. In the first quarter of this year, however, the proportion of tonnage lost through disputes was as high as 60 per cent of all losses.

It may legitimately be asked how far the experience of Governmental control over the operational side of the industry has been justified. The answer, in terms of output, is disappointing, though it might be inferred that had there not been any control at all, the situation might have deteriorated still further. Among the measures which, according to the Government's coal plan of June 1942, would lead to increased output and should be introduced without delay, were the concentration of production on the most efficient pits and seams, and the extension of

mechanisation. Table I shows that the number of mines has hardly altered since 1942, though this does not exclude the possibility that production may have been concentrated on a seam within a pit, or even of transfers within a district. Independent evidence, however, suggests that there has been little effective concentration—some opposition has been encountered from both sides of the industry—and the mechanisation figures (Table VII) speak for themselves. Between 1938 and 1943, the proportion of coal cut and conveyed mechanically increased in both cases only by 8 per cent. While some districts, as will be seen from Table IX, are nearly 100 per cent mechanised, in others (notably South Wales and Durham) the proportion of coal either cut or conveyed mechanically is still less than 50 per cent. There may be geological difficulties in mechanising output in some of the older districts, but it would be desirable for the Ministry to state fully the limitations of the policy, and to set a target which each district could attain within a given period. The miners' leaders, since the war began, have withdrawn their opposition to mechanisation, which in the past was always associated with unemployment, and the Ministry itself has launched a considerable drive for it. But so far, the results have been disappointing.

It is impossible to enter into detail about the White Paper, or to comment on the consumption figures, the fuel efficiency campaign, and other aspects of wartime operations which it covers. But two conclusions emerge very clearly from an analysis of the statistics. One is that the pessimists and critics (among them *The Economist*) were right, and that the policy of drift was continued for far too long, and then measures were applied "too little and too late." It was promised in June 1942 that the coal industry would be placed on the basis of national service; this may now be true of manpower, but it has never been true of organisation. Nothing more than the milder degrees of "co-ordination" has, in general, been achieved—indeed, it hardly could be so long as the income of every mining company is mainly dependent on the results of its own pit.

The second conclusion to be drawn is that the need for reorganisation is as urgent as ever. It is obviously of little use to hold a post-mortem, merely for the satisfaction of

I.—PRODUCTION OF SALEABLE COAL, AND AVERAGE NUMBER OF WAGE-EARNERS

Year	No. of Coal Mines	Mined Coal			Output per wage-earner per annum	Government Opencast Production
		Saleable Coal Produced	Average number of Wage-Earners*			
		Tons			Tons	Tons
1938	1,976	226,993,200	781,700	---	290.4	---
1939	1,955	231,337,900	766,300	---	301.9	---
1940	1,868	224,298,800	749,200	---	299.4	---
1941	1,845	206,344,300	697,600	---	295.8	---
1942	1,836	203,633,400	709,300	---	287.1	1,308,200
1943	1,782	194,493,000	707,800	(646,600)	274.8	4,426,700
					per qtr.	
1943					Tons	Tons
1st Quarter	---	50,240,800	713,200	(663,700)	70.4	499,100
2nd Quarter	---	48,401,700	709,900	(657,300)	68.2	1,035,500
3rd Quarter	---	46,971,200	705,500	(619,400)	66.6	1,583,800
4th Quarter	---	48,879,300	702,300	(646,100)	69.9	1,308,300
1st Quarter 1944	---	47,581,300	703,600	(648,500)	67.6	1,412,700

* Figures in parentheses refer to effective employment, i.e., excluding workers absent for whole of any week.

II.—MANPOWER WASTAGE AND RECRUITMENT

	Six Months Ended :—			
	26 Sept., 1942	27 March, 1943	25 Sept., 1943	25 March, 1944
Gross Natural Wastage :—				
Death (accidental or natural) ...	1,594	1,676	1,603	1,798
Retired ...	1,350	1,422	1,346	1,605
Excess of new compensation cases over recovered cases ...	10,446	8,951	12,253	12,055
Others ...	3,351	3,130	4,377	4,457
Total ...	16,741	15,179	19,579	19,915
Less Juvenile Recruitment ...	7,059	5,299	6,905	5,505
Net Natural Wastage (gross natural wastage less normal juvenile recruitment) ...	9,682	9,880	12,674	14,410
Abnormal Recruitment ...	15,970	8,823	5,703	15,461
Excess or deficiency of Abnormal Recruitment over Net Natural Wastage ...	+6,288	-1,057	-6,971	+1,051

III.—OUTPUT PER MANSHIFT WORKED AND PERCENTAGE OF MANSHIFTS WORKED AT COAL FACE

Year	Output per Manshift Worked by all Wage-Earners		Output per Manshift Worked by Coalface Workers	
	Tons		Tons	
1938	1.12	2.95	1.12	2.95
1939	1.13	2.97	1.13	2.97
1940	1.09	2.93	1.09	2.93
1941	1.06	2.94	1.06	2.94
1942	1.03	2.87	1.03	2.87
1943	1.03	2.75	1.03	2.75
1944 (1st Quarter)	1.02	2.72	1.02	2.72

IV.—NUMBERS KILLED AND INJURED

Year	Underground	Surface	Total Underground and Surface
(a) Number of Persons Killed :—			
1938	782	76	858
1939	722	61	783
1940	836	87	923
1941	838	87	925
1942	799	78	877
1943	655	58	713
(b) Number of Persons Injured and Disabled for more than 3 days :—			
1938	120,366	11,410	131,776
1939	121,702	12,370	134,072
1940	131,653	14,735	146,388
1941	142,555	15,890	158,445
1942	150,008	16,631	166,639
1943 (not yet available)	---	---	---
(c) Number of Persons Killed and Injured per 1,000 Persons employed in each group :—			
1938	194	64	165
1939	202	69	171
1940	225	82	192
1941	263	90	221
1942	273	93	229
1943 (not yet available)	---	---	---

having made a correct diagnosis, unless the lessons of experience can be applied to prevent a recurrence of the disease in the future. The war will be won—in spite of coal shortage—but after the war, the need for coal will be as great, both for domestic needs, for the reconstruction of European industries and for export, to make good the loss of foreign exchange. (In the year before the war, 46.3 million tons were exported.) It is therefore certain that some form of Government direction will have to be continued for a considerable period after the war if the demand for coal is to be met and an exodus from the industry is to be prevented.

Table VIII, giving the number of mines, their output and employees in 1942, shows that nearly half the number of mines, employing less than 300 workers, produced only 5.9 per cent of the nation's coal. The total number of mines actually declined by 194 between 1938 and 1943, but—though the White Paper does not give details—the number of undertakings has remained about the same at approximately 900-1,000. In fact, the war has not touched the structure of the industry at all; an opportunity has been missed to effect the reorganisation which Commission after Commission has pronounced as necessary and inevitable.

The revision and simplification of the industry's wage structure, embodied in the national agreement of April 20th, presents the most hope for the future of the industry. If, as laid down in the agreement, peace can be kept in the coalfields for 4½ years, there will be a chance to bring about some radical changes in the industry without a violent upheaval. On the other hand, the figures contain no evidence that the mere meeting of miners' grievances will—as has so often been advocated by the "psychological" school of thought—automatically improve the industry's economic prospects. Mining wages are now higher than at any time in history. The national average wage in 1943 (Table VI)

V.—ESTIMATED QUANTITY OF SALEABLE COAL LOST FROM CAUSES OTHER THAN ABSENTEEISM

(000's omitted)							
Year (52 weeks)	Recognised Holidays	Disputes	Want of Trade	Accidents, Break-downs and Repairs of Machinery	Rail Transport difficulties and want of Wagons	Other Causes	Total
Thousand Tons lost							
1938 ...	9,957	943	31,385	1,442	...	1,387	45,114
1939 ...	10,929	676	16,420	1,089	...	3,180	32,295
1940 ...	5,498	501	6,910	1,420	4,768	1,896	20,993
1941 ...	7,354	342	618	1,229	1,266	1,266	12,038
1942 ...	7,511	833	...	701	12	657	9,715
1943 ...	7,617	1,091	...	1,322	501	190	10,721
1944 1st Qtr.	480	2,033	...	389	420	180	3,502

VI.—AVERAGE WEEKLY CASH EARNINGS AND THE VALUE OF ALLOWANCES

Year	Cash Earnings			Value of Allowances in Kind	
	£	s.	d.	£	s.
1938 ...	2	15	9	2	2
1939 ...	2	19	6	2	3
1940 ...	3	8	8	2	6
1941 ...	4	0	0	2	9
1942 ...	4	13	2	3	0
1943 ...	5	0	0	3	3

IX.—PRINCIPAL COAL-PRODUCING DISTRICTS

	Production of Saleable Coal		Numbers Employed		Output per Worker per annum		Absenteeism, all Workers from all Causes		Coal Cut Mechanically		Coal Conveyed Mechanically		Average Weekly Cash Earnings excluding Value of Allowances in Kind	
	1939	1943	1939	1943	1939	1943	1939	1943	1939	1943	1939	1943	1939	1943
	000 Tons	000 Tons			Tons	Tons	%	%	%	%	%	%	£ s. d.	£ s. d.
Northumberland ...	12,843	10,661	44,204	39,936	290.5	266.9	10.0	9.2	92	96	45	50	2 11 10	4 10 3
Durham ...	30,649	24,347	111,205	100,049	275.6	243.3	9.9	43	43	27	32	2 10 3	4 9 11	
South Yorkshire ...	32,042	27,384	97,467	93,488	328.7	292.9	15.2	60	69	68	78	3 1 7	5 1 3	
West Yorkshire ...	12,319	11,517	43,695	43,137	281.9	267.0	13.4	58	68	39	59	3 0 0	5 8 6	
North Derbyshire ...	13,885	14,469	41,423	40,162	335.2	360.3	12.7	90	82	77	84	3 10 3	5 18 9	
Nottinghamshire ...	16,763	16,479	45,557	44,219	368.0	372.7	15.6	72	68	78	92	3 3 9	6 13 8	
Leicestershire ...	3,150	4,547	9,019	9,739	349.3	466.9	12.3	87	97	77	84	3 2 7	4 16 2	
Lancs. and Cheshire ...	14,320	11,146	56,358	49,532	254.1	225.0	14.0	74	88	79	85	2 18 7	5 0 8	
North Staffordshire ...	7,417	6,087	23,854	21,675	310.9	280.8	15.8	95	93	93	95	2 19 1	4 13 11	
South Wales and Monmouth	35,269	25,116	128,774	114,274	273.9	219.8	12.2	26	30	48	51	3 4 8	5 6 4	
Fife ...	8,201	6,543	22,493	19,778	364.6	330.8	7.7	89	92	85	85			
Lothians ...	4,576	3,864	13,078	12,254	349.9	315.3	10.3	65	66	65	74			
Lanarkshire ...	13,024	10,338	40,441	38,158	322.0	270.9	11.0	84	85	45	50			

was £5, compared with £2 15s. 9d. in 1938, though the proportionate differences between the districts (as shown in Table IX) are as great as ever. The national ascertainment shows that wages costs have risen from 10s. 6d. per ton in 1938, to 20s. 1d. in 1943—in other words, wages costs have doubled—without there having been any corresponding increase in productivity—in fact, the reverse has happened. No one will say that the present level of wages is high; before the war the miner was badly paid, and probably he is still underpaid in relation to the national importance of his work. Nor will there be any opposition to the miner's claim for decent working and living standards—the wartime canteens now providing meals for 96 per cent of the men in the industry and the pithead bath programme, held up since the beginning of the war, should obviously be continued in the postwar period. But these things will have to be paid for. If these grievances are remedied without any comparable effort to increase the efficiency of the industry and the productivity of its labour, the effect will merely be—as it has been—to put up the price of coal and to lower the competitive strength not merely of the coal industry itself in its export markets but of every British industry that uses coal. The maintenance of a high level of wages must depend in the long run on the productivity of the industry, and it is through increased technical efficiency that the industry's salvation will come.

How to raise the productivity of the mining industry is outside the scope of this analysis of coal statistics. Figures cannot prove might-have-beens. The White Paper neither proves nor disproves the contention that the industry would be run more efficiently under national ownership. But it does prove that something is radically wrong. And the experience of the past five years establishes a very strong presumption that nothing less than a radical reorganisation of the structure of the industry will put it on its feet again.

VII.—COAL CUT AND CONVEYED BY MACHINERY

Year	Coal Cut by Machinery		Coal Conveyed by Machinery	
	No. of Mines at which Machines were in use	Percentage of Total Coal Output Cut	No. of Mines at which Machines were in use	Percentage of Total Coal Output Conveyed
1938 ...	927	59	680	54
1939 ...	917	61	673	58
1940 ...	929	64	670	61
1941 ...	904	66	678	64
1942 ...	927	66	685	65
1943 ...	949	69	717	66

VIII.—SIZE AND OUTPUT DISTRIBUTION OF MINES

Mines Employing at December, 1942	No. of Mines	Wage-Earners Employed		Output of Saleable Coal	
		Number	Percentage of Total	Tons	Percentage of Total
Wage-Earners:					
Under 20 ...	466	4,059	0.6	780,870	0.4
20-49 ...	225	6,977	1.0	1,751,165	0.8
50-99 ...	116	8,066	1.1	2,129,911	1.0
100-249 ...	160	26,114	3.7	7,477,555	3.7
250-499 ...	237	88,635	12.5	24,225,111	11.9
500-749 ...	191	118,594	16.7	32,576,943	16.0
750-999 ...	109	93,957	13.2	26,834,707	13.2
1,000-1,499 ...	127	152,058	21.4	46,413,431	22.8
1,500-2,499 ...	68	113,754	16.0	32,592,621	16.0
2,500-2,999 ...	24	52,805	7.4	15,683,946	7.7
3,000 and over ...	10	27,324	3.9	8,121,556	4.0
	5	17,375	2.5	5,045,622	2.5
Total ...	1,738	709,718	100.0	203,633,438	100.0

Business Notes

Keynes on Gold and Sterling

Some of the more interesting items of information from the Bretton Woods conference have come from the press conferences, with which the leading delegates have been lavish. Lord Keynes has used the assembled journalists for statements on two important topics: the place of gold in the proposed international monetary order and the heaviness of the external monetary obligations which Great Britain is in course of assuming during the war. On the first of these subjects, Lord Keynes was evidently answering the main gist of American banking criticism of the proposed monetary fund, which regards the scheme as a betrayal of sound currency principles and of the gold standard in particular. Lord Keynes, therefore, went out of his way to propitiate the gold party, and in doing so used words which clash somewhat with the sentiments he expressed on the same subject in his recent House of Lords speech. "The real purpose of the Monetary Fund," he said, "is to bring back gold as a fundamental reserve money." He added that he wished to make it clear that it was not the intention of the promoters of the Fund to indulge in arbitrary and unreasonable changes in the currency price of gold. At the same time, Lord Keynes argued that the old gold standard "was so rigid that it failed to work," and implied that there would be no undue reluctance on the part of the authorities in charge of the Fund to use the elasticity of the scheme in varying exchange rates. On the question of abnormal sterling debts incurred by Britain as a result of the war, Lord Keynes was candid and informative. He stated that, apart from securities and gold sold, sterling loans repaid and Lend-Lease aid, Great Britain would by the end of this year have accumulated sterling debts amounting to £3,000 million. Sir John Anderson referred in the last Budget speech to an aggregate of £2,000 million for these debts, and his figure was based on calculations for the end of 1943. On this evidence abnormal sterling balances are now piling up at the rate of about £1,000 million a year—the most rapid rate of expansion since the beginning of the war. This acceleration is not altogether surprising, given the increasing scale of war expenditure in the Far East (much of which swells India's sterling balances) and the virtual exhaustion of realisable overseas assets, whose gradual liquidation had until recently provided a powerful brake on the expansion of these abnormal sterling balances.

Bullion Sales in the East

It was announced this week that the banks in Iraq had suspended their sales of gold on official account for an indefinite period. In the course of June official sales of gold in Egypt were suspended owing to the saturation of the market. There appears to have been little saturation in the Iraq market, where King George sovereigns were until recently quoted at the equivalent of 10s. or at the rate of about £20 per ounce. It would seem that throughout the Middle East the need to sell gold as an anti-inflationary solvent has recently diminished considerably—though this does not mean that the local demand for the metal has in any way diminished. The main factor in the position is the recent diminution in the scale of spending by the Allied Governments in these territories. Egypt has ceased to be a basis for immense military operations. The Middle East supply route to Russia no longer commands its former importance. The infusion of fresh purchasing power into these countries by external Governments is probably a small fraction to-day of what it was even a year ago. This would be sufficient explanation of the much reduced scale of gold sales in these countries. In India the situation probably calls for an increased scale of official bullion sales. The operations of SEAC are likely to expand for some time to come, and a great deal of the expenditure incurred will take place in India. There has been no evidence yet of official sales of silver in Bombay. A statement made this week by a US spokesman at Bretton Woods suggested that the 100 million ounces of silver recently Lease-Lent to India would be used exclusively for coinage. This news immediately sent the price of silver in Bombay soaring,

since the recent drop in the quotation had mainly been due to expectations of an early start of official silver sales. The Government of India later announced that, in agreement with the American Government, this silver could also be sold in the open market if this were required. Following the issue of this communiqué the Bombay price reacted.

Wages and Cost of Living

The Chancellor of the Exchequer's decision to allow the cost of living index to rise by 5 points, and the emphasis in the Employment White Paper on the need for maintaining stability in wages and prices, bring to the forefront of discussion the whole question of wage adjustments according to the cost of living index. An article in the *June Ministry of Labour Gazette* describing sliding-scale methods adopted in various industries is therefore of more than usual interest. The sliding-scale method of regulation was first introduced towards the end of the last war when prices began to rise rapidly and wage earners sought to keep pace with them. By 1922, the wages of over 3 million workers were covered by cost of living arrangements, but between the wars, a great many schemes lapsed and by 1939 there were only 1½ million workers covered. Since the beginning of the war, there has been a revival of the principle, and it is estimated that almost 2½ million workers are now affected. Three major industries which have introduced cost of living sliding-scales since 1940 are coal mining, cotton, and iron and steel. Other industries where sliding-scales operate include building and civil engineering (since 1921), boot and shoe (since 1922), pottery, and the whole range of Trade Board industries, of which the Perambulator and Invalid Carriage Trade Board was the first. The railway sliding-scale introduced in 1920 lapsed in 1940. The schemes vary considerably in the different industries. In mining, for instance, there is a uniform cost of living addition per shift (now 2s 8d) and no alteration takes place unless the index varies 5 points or more in either direction. In iron and steel, where the cost of living sliding-scale replaced the prewar selling price sliding-scale, the present addition of 2s 6d a shift for adult males, allows for variations for each point of the index. In cotton there is a percentage increase or decrease on basic wages of 2½ per cent in the weaving section for every four points variation in the index, and in the spinning section a change of 2½ per cent. The building scale provides for a four-monthly revision, and variation of 6½ points in the index produces an adjustment of ¼d per hour.

The relation of wages to the cost of living index has for some time been the subject of controversy in the trade union movement. Cost of living sliding-scales present certain definite advantages to the workers—in times of rising prices they maintain purchasing power and introduce some element of stability. But in times of falling prices, reductions in wages, as might be expected, are bitterly opposed and, if they fall low enough, may lead to industrial unrest. That is why the stronger unions have hitherto preferred to rely on their bargaining power rather than on any automatic mechanism to secure wage adjustments. The existence of a sliding-scale does not, however, preclude advances outside the scale, as was shown in mining. It is interesting to note the attitude of a union which recently adopted a sliding-scale; the Spinners Association stated in January 1940 that

a certain amount of apprehension was evidently felt by many as to the probable effect on the interests of the members generally of the application of this new method but... it would appear that some such system was necessary if a satisfactory standard of living, approximating in some measure to the pre-war standard was to be maintained.

A rise in the cost of living is invariably one of the dominant factors in demands for wage increases. But if the possibility of introducing sliding-scale generally is to be considered, it is essential that before anything else, the present cost of living index, which is still based on 1904 budgets, should be made more representative of working-class expenditure.

More Speculative Business

Although there is so far no very clear evidence of it in industrial share prices, the beginning of this week brought a large increase in the volume of stock exchange enquiry and some expansion in the volume of business. Unfortunately, the number of bargains received has a very poor index of activity since June 15th, owing to the fact that the House is, and always has been, closed during periods of "Alert." The reasons for this decision are as clear as the results are unfortunate. The House is really a lightly roofed court, lit from above by glass domes. It would be little short of a deathtrap if a blast bomb exploded sufficiently near to disturb the roof. To find alternative accommodation—even if that were possible—would be of little use unless it had telephones in adequate numbers. It is probably true that the solution of dealings between offices during periods of alert causes less disturbance to market facilities than any other. It does mean, however, that only the most conscientious "mark" bargains during such periods, and that all are too busy, when the House re-opens, to spare much time for what is, admittedly, less important than getting orders fulfilled. The published figures of the past three weeks are thus of little value. What can be said is that business kept up very well throughout, and that it has now recovered to something like the very high level ruling immediately before bombing was resumed. Unfortunately, a substantial part of the increase has occurred in the more speculative sections. The resumption of large-scale business here appears to be based on the better war news. Past experience suggests that this is not a very sound foundation for buying of this sort, since most of the shares in particular favour will remain highly speculative until such time as their future is established for good or ill. Apart from these sections, there has been a slight speeding-up in the rise of industrial equities, which has carried the index of *The Financial News* from 113.4 to 113.9 in a single week.

Union Castle Accounts

The full accounts of the Union Castle Mail Steamship Company for last year show a modest rise in the net valuation of the fleet from £5,594,372 to £5,753,115, but this is due to outlays on replacements, as can be deduced from rises of £1,428,837 to £4,684,787, and of £286,813 to £1,453,312, in the fleet replacement and the Government tonnage accounts, respectively. Under the Government agreement this necessarily results in a fall in voyage receipts, and the accounts show a drop from £1,793,772 to £1,502,893. There has, however, been a change in the treatment of insurance charges, profits on the insurance reserve now being included in the published figure. It is, therefore, necessary to reduce the 1943 figure by £107,456 to make it comparable with that for 1942. At the same time, additions to insurance reserves, not previously disclosed in the profit and loss account, have been discontinued. Other sources of revenue improved on the year and there was an offset to the lower total profit in a fall from £928,495 to £599,587 in the depreciation charged on the smaller fleet. There is also a fall from £815,000 to £700,000 in tax provision, the split up of which is not given. Again, the latter figure has been assisted in 1943 by writing back £80,213 for tax provision no longer required and claims in respect of Dominion Income Tax. As a result of these changes, the sum available for dividends is increased by almost £124,000, after providing £150,000 against nil for deferred repairs and renewals. An interesting point, to which no reference is made in the report, and little appears to have been

provided elsewhere, is the fact that the net amount of all dividends after tax is well up on the year. This is presumably to be associated with the DIT relief, but some explanation appears to be called for. In the case of the ordinary shares, although their amount and the rate of declared dividend are both unchanged, the net distribution is increased by £16,782, or virtually 24.5 per cent, making the 5 per cent distribution equivalent to £3 2s 3d per cent after deduction of tax. Without more information it cannot be assumed that the net receipt will be maintained in future, but on the rate given above the yield at the current price of 24s 3d ex dividend is £2 11s 4d tax free.

Bank Share Yields

As was to be expected, there is no change in the dividend declaration of any of the English banks, and it is assumed that there will be none, at least, for the duration of wartime taxation. Despite this, the price of bank shares, taken as a whole, has been rising steadily for the past four years. According to the figures of *The Actuaries' Investment Index*, the value of bank and discount company shares rose from 113.6 to 121.7 in the year ended June 27th, while the yield fell from 3.99 per cent to 3.73 per cent. The corresponding figures for June, 1940, when prices were at, or near, their nadir, were 74.9 and 6.12 per cent. After the preliminary adjustments to the outbreak of hostilities, dividends have been unchanged throughout the war, but the extent of the recovery of any given share has been appreciably affected by a number of factors. The following table sets out the prices and yields for each of the past two years, together with the amount of capital paid up, callable and reserve liability, on all the principal classes of shares of the seven leading English banks:—

	Paid up	Call- able	Div.	Price July, 1943	Yield July, 1943	Price July, 1944	Yield July, 1944
	£	£	%		%		%
Barclays "A"	1	...	10†	53/-xd	3.77	57/6xd	3.48
" " "B"	1	...	14	75/6xd	3.70	78/6xd	3.56
District "A"	1	4‡	18‡	90/6xd	4.05	93/6	4.00
" " "B"	1	...	10†	55/-xd	3.63	55/6	3.66
Lloyds "A"	1	4*	12	59/6xd	4.03	62/6xd	3.84
" " "B"	1	...	5†	28/6xd	3.50	30/6xd	3.28
Martins	2‡	17‡	15	187/6xd	4.00	196/3xd	3.83
" "	1	...	15	81/-xd	3.70	87/6xd	3.43
Midland	2‡	9‡	16	200/-xd	4.00	216/3xd	3.70
" "	1	...	16	211/3xd	3.78	236/3xd	3.39
" "	1	...	16	86/6xd	3.69	94/3xd	3.39
Nat. Provincial "A"	0.7	4.3†	15	51/6xd	4.07	53/6xd	3.92
" " "B"	1	4‡	15	72/6xd	4.14	76/-xd	3.95
" " "C"	1	...	15	85/6xd	3.50	91/-xd	3.30
Westminster	1	3†	18	86/6xd	4.16	91/-xd	3.95
" "	1	...	12‡	69/-xd	3.62	74/6xd	3.36

† Maximum. ‡ Of which £3 6s. 8d. reserve liability. * Of which £3 15s. reserve. § Of which £12 reserve. ¶ Of which £2 reserve. In the case of Lloyds, Martins and Westminster, there is a deferred liability on shareholders for the very small Isle of Man circulation.

It will be seen that a number of changes on the year appear to have very little logical justification. Why is it necessary to have a wider yield margin now than a year ago to compensate for the possibility—a very remote possibility—of a call on the partly paid capital of Martins and the Midland? Why, in the one case where there is a straight comparison between a maximum dividend share and one entitled to the full equity, with no liability on either, namely, Barclays, does the former yield less than the latter? Finally, why should the shares of Martins have participated to so slight an extent in the recovery?

Opencast Coal

The production of coal from opencast workings was started in this country when it became evident that there was going to be an acute coal shortage, and production has now been developed on a considerable scale. More opencast coal, as is shown in the table on page 87, was produced in the first quarter of this year than in the whole of 1942; about 70 per cent of the total is obtained from the North Midlands and Yorkshire. Opencast coal, however, though it has made a useful contribution, can only supplement coal produced from deep mines. Its annual output, at the current rates of production, still represents less than one week's output from normal methods. The Select Committee on National Expenditure, in its sixth report of the session, reviews the development and methods of opencast production and examines some of the problems involved. The Committee praises the organisation of production, now under a separate department of the Ministry of Works, and is particularly impressed with the way in

which worked-out sites are restored to agricultural uses. It urges that more adequate road and rail transport should be provided, since obviously the work of getting the coal is nullified unless it can be distributed effectively; it seems that at the present time as many as two million tons are dumped, waiting transport. The Committee also recommends an acceleration in the delivery of excavating machinery and drilling rigs ordered under the Lend-Lease agreements; some of this new plant has recently arrived and, under the supervision of trained American mechanics, is being put into operation with good results. The Committee does not give any estimate of the costs of this method of coal-getting, since these vary widely from one site to another, but it states that the prices for coal sold have so far not covered the costs. However, it hopes for a progressive lowering of costs from the use of more suitable machinery and the adoption of better planning. The Committee recommends an immediate revision of contracts, which were fixed initially when the costs of operation were very high, and points out that contractors have benefited from the Government's action in obtaining suitable machinery and from the advice of American experts. The continuation of opencast production after the war will, of course, depend on the supply and demand for mined coal, but it will also depend to a large extent on costs being brought more into relation with costs of shaft mining.

The Clothing Ration

The President of the Board of Trade announced last Tuesday that twenty-four coupons in the 1944-5 clothing ration book would come into use on August 1st, and that the next issue would not be made before February 1, 1945. The basic ration is therefore to be continued at the rate of four coupons a month, and it has been at this rate since January 1, 1942. After just over three years of the clothes ration, it is worth while recapitulating the issues of coupons. The general issues began on June 1, 1941, when 26 margarine coupons were converted into clothing coupons. On the following dates releases of 20 coupons were made: August 18, 1941; January 1, 1942; June 1, 1942; October 12, 1942; March 15, 1943; and September 1, 1943. On February 1st last the current 24 coupons were released for a period of six months. It is probable that future releases will be made at the set times of February and August, thus avoiding the irregular releases which characterised earlier years of rationing. Two special classes of persons have been granted additional coupons, and these will be continued in the new ration year. Children were given supplements on November 1, 1941, of 20 or 40 coupons, according to age and size. Other children's supplements of between 10 and 30 coupons were issued in 1942 and 1943. The other special class is composed of industrial workers in various groups. In 1942, issues were made to different groups, of 10, 15, 20, 25, 30, 35 or 45 coupons, according to the type of employment; and in 1943 a supplement of 10 coupons was granted. It is not proposed to discontinue the use of any coupons still in the hands of consumers in the 1942-43 and 1943-44 clothing books. It is a pity that the ration could not have been slightly increased, particularly for the supplementary classes, on whom clothes rationing is particularly hard. When the time comes for an increase, a beginning should be made with children and industrial workers.

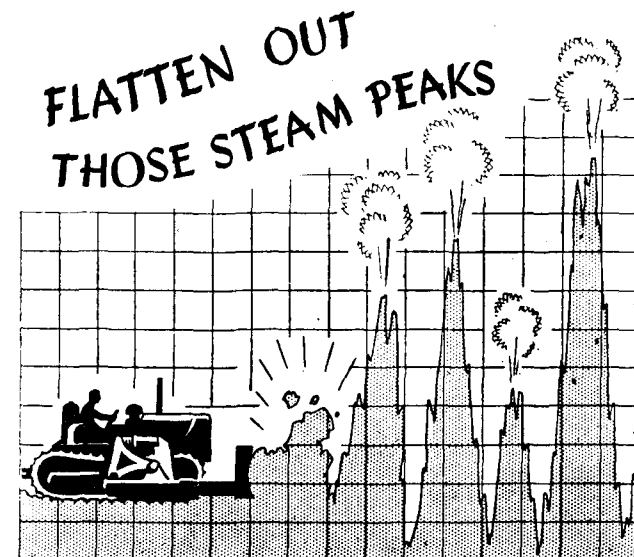
Raw Cotton Trends

Shortage of farm workers and increased food production have led to a further curtailment of the United States cotton crop. According to the first estimate of the Department of Agriculture, published last week-end, 20,472,000 acres have been planted. This is 1,470,000 acres less than last year and the lowest figure since 1895. This year fertilisers have been more liberally used than usual and weather conditions have been favourable. Current field reports are encouraging and unofficial estimates of the yield are in the region of eleven million bales, which compares well with last year's yield of 11,478,000 bales. If expectations are fulfilled, the crop will be sufficient to maintain adequate supplies of American staple. United States consumption is at present below its wartime peak, although it is still above the pre-war level. It is unlikely to be much above ten million bales this season owing to scarcity of textile labour. Despite higher Lend-Lease shipments, there will be a carry-over into next

season (which begins on August 1st) of over ten million bales. Last year it was 10,657,000 bales. The carry-over provides a sufficient reserve for large-scale shipments to be made from America for relief purposes. Reserves outside the US amounted a year ago to 12,246,000 bales—the largest ever reached and nearly five million above those at the outbreak of war—which suggests that there is no likelihood of an international cotton shortage. The large quantity of cotton has, in fact, led the US Department of Agriculture to consider plans for an international postwar cotton regulation scheme, under which fixed export quotas would be allotted to each surplus country. But the attitude of producers outside the United States will be influenced by the fact that they can, in view of their large surpluses, strengthen their position in the international market. Whether any quota agreement is reached or not, the cotton market after the war is more likely to be a buyers' than a sellers'. Buyers' difficulties during the next few years will centre round the fact that the quality of the bulk of to-day's surplus—American and other—leaves much to be desired. During the war, however, manufacturers have learned to deal with lower grade materials, and the effect of the international shortage of high-grade raw cotton on manufactures should not be overestimated.

Brazilian Traction Progress

The full accounts of Brazilian Traction Light and Power Company for 1943 show a continuance of the rise in sales of electrical energy and of passengers carried by the traction services at approximately the rate of recent years. Tram services continue to benefit from the petrol shortage, but gas rationing has resulted in a fall in sales to below the 1937 level, while shortage of supplies has slowed down the expansion in telephone installations, leaving a waiting list of 22,000 at the end of the year. Water sales improved to a new high level after the decline of 1942. These developments are reflected in an accentuation of the rise in gross earnings of the Brazilian operating companies from US \$46,570,250 to US \$52,162,244, an increase of 12.01 per cent against 8.88 per cent for 1942 over 1941. There is also



Examine fuel-economy methods in your plant now to safeguard coal supplies for next winter. Peak steam loads are extravagant and inefficient. They eat deeply into the coal pile and interfere with factory output. Start to s-p-r-e-a-d the steam demands and you will get immediate savings of coal. Aim at a steady steam demand. You may find the answer in staggering your production operations—possibly a morning job could be done in the afternoon—or that an alteration in working hours will help to spread the steam demand. You may even find that there are some operations that can be eliminated altogether. See that the steam-using departments give the boilerhouse ample warning of changes in load.

LOOK UP YOUR COPY OF FUEL EFFICIENCY BULLETIN No. 26 (Peak Steam Demands—Cause, Effect and Cure). Read it again. It gives all the answers to your steam peak problems. If you've mislaid it—write TODAY to your Regional Fuel Office for a further copy.

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a small improvement in the expense ratio. This, with a reduction in depreciation, results in a rise in the net revenue accruing from these companies to Brazilian Traction to \$19,432,345 from \$16,449,016 in 1942 and \$9,755,391 in 1940. After miscellaneous receipts and administrative charges and amortisation, net revenue of Brazilian Traction is \$19,152,212 against \$16,066,090 in 1942 and \$9,259,807 in 1940. No forecast is given as to the current year, but published reports already show a decline in earnings, due in part to labour decrees of November, 1943, which reduce the spread between unskilled and skilled labour wages. In addition to this effect on expenses, the company tends to suffer from labour shortage, owing to the fact that concerns whose selling prices are not controlled can bid up the price of labour. Against these disabilities are the facts that Brazil's industrial development is proceeding rapidly and that there may before long be some relaxation of shortages. The exchange position has shown little change on the year, and the minor deterioration in the excess of exports over imports is insufficient to cause any anxiety on that score. Capital outlays in 1943 were expanded to make good the short fall of 1942, and the four-year average is \$11,467,249. The prospect for the shareholders appears to depend in the main on the attitude of the Brazilian authorities, for there can be little doubt that the opportunities for development are very substantial.

Harland and Wolff Scheme

If very persistent market reports are correct, the directors of Harland and Wolff are about to suggest a scheme for the reconstruction of the company's capital. This consists of 4 per cent non-cumulative "A" shares, participating up to a further 2 per cent with the "B" shares, to which accrue all further profits after the total of 6 per cent has been paid on the "A." It is proposed that the latter should exchange their holdings for half the amount in new 4½ per cent preference capital and the remaining half in ordinary. The "B" shares would be exchanged into ordinary on a pound for pound basis. Dividends on the "B" shares have been 6 per cent for the past three years and, on this basis, both classes of share have received that amount. If the new scheme is to maintain the income of existing "A" shareholders, 7½ per cent must be paid on the new ordinary. This gives 4½ on half the existing capital and 7½ on the remainder, an average of 6 per cent. Actually it is suggested that 7 per cent will be paid in respect of 1943, but that is not known as an official fact and in any case the "A" shareholders lose on the transaction. They are in fact being asked to give up 43½ per cent of their preferential rights without, it would seem, any very adequate compensation. At present they get 4 per cent if there is £208,000 gross to be distributed, while under the new scheme total distributions have to be £270,000 gross odd before "A" shareholders are equally well off. Only if distributable profits exceed £447,000 gross do they begin to be better off under the new than under the old arrangement. Gross distributions have averaged some £385,000 per annum over the past four years. Are the prospects for this firm of shipbuilders and engineers so good as to warrant the putting forward of these suggestions?

Shell Profits and Prospects

The net profit of "Shell" Transport and Trading for 1943 is slightly higher at £2,373,301 against £2,306,908.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

INTEREST PAID HALF-YEARLY

INTEREST IS SUBJECT TO INCOME TAX, BUT
TAX IS NOT DEDUCTED AT THE SOURCE

3% SAVINGS BONDS

1960-70

Issued by the National Savings Committee, London

After meeting preference dividends, earned for equity amounts to some 5.4 per cent, free of tax, against 5.2 per cent. After repeating the tax-free dividend of 5 per cent customary since 1939, the carry forward is strengthened by £126,019. Although these results are the best since 1939, the conditions operating have been much as before and there is unlikely to be a substantial change in the company's position while the war lasts. The most interesting part of the statement by the chairman, Lord Bearsted, relates to the expanding activities of the Shell Union in the United States. The Shell Union's trading results for 1943 are said to compare very favourably with 1942. It has produced a greatly increased amount of aviation fuel. It has, as well, increased its underground reserves of crude oil. In addition, the Shell Chemical Company—which, in the interests of co-ordinating the oil and chemical sides of the business, has been made into a division of Shell Union—is operating, for the US Government, a synthetic rubber plant. Apart from these successes in the United States, the other overseas operations of the group are reported to be developing satisfactorily, and to include the extension of all concessions for associated companies in Venezuela. The return of peace will, of course, make possible a considerable expansion of the group's overseas activities, which are even now vast. It is in expectation of a post-war boom that the yield on the £1 ordinary shares, standing at 84s. 7½d., has fallen as low as £1 3s. 7d. tax free. Lord Bearsted does not wish private enterprise to be handicapped in its post-war endeavours by Government interference and, as regards controls, thinks that the sooner they are scrapped the better. But the most specific obstacle which he mentions as blocking the road to even a mild Eldorado for the ordinary shareholder lies in the heavy and mounting incidence of double taxation—since, in almost every country in which the group operates, both income tax and EPT on a mounting scale are now the rule. The solution of this problem is, optimistically perhaps, resigned into the "capable hands" of the Chancellor.

Cheques and Bills of Exchange

The details of net receipts from the various heads of stamp duties used to be given each year in the report of the Commissioners of Inland Revenue. These reports became an early war casualty. Since then information on this subject has been made available only through the efforts of members of Parliament who have put down the necessary questions to the Chancellor of the Exchequer. Last week Sir John Anderson, in answer to a question from Sir Waldron Smithers, gave half-yearly figures of receipts from the following categories of stamp duties since September 30, 1941. The yearly figures have been compiled from his answer and, for purposes of comparison, the figures for the last complete pre-war year have been added.

	Cheques		Bills of Exchange and Promissory Notes	Bankers' Bills and Notes: Scotland
	England	Scotland		
Year to:—				
Mar. 31, 1939.....	3,623	291	518	98
Half-Year to:—				
Sept. 30, 1941.....	1,930	143	77	65
Mar. 31, 1942.....	1,990	131	73	75
Year.....	3,920	274	150	140
Sept. 30, 1942.....	1,645	148	66	85
Mar. 31, 1943.....	1,415	118	51	97
Year.....	3,060	266	117	182
Sept. 30, 1943.....	1,363	144	48	107
Mar. 31, 1944.....	1,488	126	48	116
Year.....	2,851	270	96	223

The number of cheques stamped in England has undergone a persistent diminution over the past three years and for 1943-44 was appreciably below the 1938-39 figure. This decline does not indicate a reduced circulation of credit. The reserve of stamped cheques may have been considerably drawn upon in the last two years. Paymaster's warrants, which now constitute a larger part of the cheque circulation, bear no stamp. But it is probable that in certain trades cash payments have tended to oust the cheque. The revenue from stamps on bills and promissory notes has declined heavily. The movement measures the virtual disappearance of the foreign bill and the very low ebb to which the

domestic bill has fallen as a method of financing trade. The increase in the receipts from bankers' bills and notes is almost wholly a reflection of the increased circulation of Scottish bank notes.

The Quarter's Debt Movements

The revenue deficit for the first quarter of the financial year amounted to £819,400,000 as compared with £867,600,000 for the corresponding quarter of last year. It was met by net subscriptions to longer-term Government issues of £400,700,000 and by an expansion of £421 million in the floating debt. In the first quarter of the financial year 1943-44 savings brought in £714,600,000 and the corresponding expansion in the floating debt total amounted to £156,100,000 only. The contrast between these figures is largely explained by the repayment of Conversion 5 per cent loan during the past quarter. This involved a net repayment of long-term debt and its replacement, in the main, by floating debt held by the Government departments which for some months previously to the date of maturity had held Conversion 5's as a short-term investment. That fact tends to explain the rise of Ways and Means advances from Public departments last quarter from £394,475,000 to a new high record figure of £437,755,000. The main element in the floating debt expansion was provided by Treasury bills, the total of which increased by £386,790,000 over the quarter. It is impossible on the basis of the published figures to split up this expansion exactly as between bills issued through the tender and those issued through the tap. The issue of bills through the tender between the last Saturdays in March and June increased by £190 million and on this

TREASURY DEPOSIT RECEIPTS
(£ million)

Issued in Period	Repaid in Period			Net Movement in Period	Amount Held by Banks at end of Period		
	At Maturity	Pre-encashments	Total		Clearing banks	Scottish and Overseas central banks	Total
1940: 2nd Half ..	386½	48½	48½	338	313½	24½	338
1941: 1st Half ..	587	312½	93½	406	482	37	519
2nd ..	880½	466	122	588	758	53½	811½
1942: 1st Half ..	638½	534	324½	858½	542½	49	591½
2nd ..	1,028½	516½	137	653½	895½	71	966½
1943: 1st Half ..	1,104½	865½	370	1,235½	858½	67	925½
2nd ..	1,543½	863½	204½	1,068½	1,307	94	1,401
1944: 1st Half ..	1,675	1,289½	435½	1,725	50	...	1,351
Total 4 years ..	7,934	4,847½	1,735½	6,583	1,351	...	...

The proportions in which TDR's have been encashed during the period of currency and held to maturity are shown below:

	Issued in Half Year	Encashed during Period of Currency		Held to Maturity	
	£ million	£ million	% of Issue	£ million	% of Issue
1940: 2nd Half ..	386½	74	19.2	312½	80.8
1941: 1st ..	587	121	20.6	466	79.4
2nd ..	880½	346½	39.3	534	60.7
1942: 1st ..	638½	122	19.1	516½	80.9
2nd ..	1,028½	163	15.8	865½	84.2
1943: 1st ..	1,194½	331	27.7	863½	72.3
2nd ..	1,543½	254	16.5	1,289½	83.5
1944: 1st ..	1,675	324	to date	...	...

basis it will be seen that the expansion in the Treasury bill issue during the quarter has been about equally divided between tender and tap bills. The June debt return brings out two interesting points. It takes the net total of National Savings certificates issued to £1,008,150,000, the first time the £1 billion mark has been crossed by this item. It also shows the first reduction in the total of Tax Reserve Certificates outstanding in any quarter since their issue was begun in December, 1941. With the June debt return, the eighth half year of six months Treasury Deposit Receipts has been completed. This provides an opportunity for a review of the issue, pre-encashment and normal maturity of

these securities since their inception, which is given in the accompanying table. The existence of over £1,300 million of floating debt in this form obviously creates a technical problem of some magnitude for post-war Chancellors of the Exchequer. Are the TDR's to be converted into Bills? Or funded? Or are they to remain indefinitely?

Shorter Notes

The number of working days lost as a result of trade disputes in May was only 45,000, compared with 719,000 in April and 185,000 in May, 1943. The coal industry accounted for three-quarters of the total number of days lost. The great majority of disputes, which affected 21,000 people directly and over 6,000 indirectly, arose in connection with wage questions. An analysis in the Ministry of Labour June Gazette shows that in the first five months of this year 2,873,000 working days were lost, compared with 486,000 in the corresponding period of 1943, and about 80 per cent of these were lost in mining.

The resources of the building industry in London are to be concentrated on first-aid repair of houses damaged by flying bombs. Labour and materials will also be brought from the provinces, and naval ratings, marines and airmen will be called in to assist in the repair work. Workers will be housed in hostels, empty houses and with private families, and the Ministry of Labour is making a special appeal for volunteers to assist in the reception and feeding arrangements.

Company Results

Distillers' Company.—Controls large proportion of whisky and industrial grain spirit distilling of the U.K.

	1942	Years to May 15, 1943	1944
Trading profit†	1,974,610	1,963,879	2,053,445
Fees ..	12,442	16,658	14,099
Fire insurance fund ..	100,000	75,000	...
War contingencies ..	100,000	100,000	50,000
Preference dividend ..	66,000	66,000	66,000
Earned on Ordinary ..	1,696,168	1,706,221	...
Paid on Ordinary ..	1,216,097	1,216,097	1,403,189
Earned % ..	22.9	22.9	...
Paid % ..	16½	16½	18½
Reserve ..	500,000	500,000	500,000
Carry forward ..	524,210	514,334	534,491
Net fixed assets ..	503,401	516,321	491,875
Net liquid assets ..	13,981,562	16,780,861	18,726,132
Net inter-company holdings ..	8,311,594	6,104,499	4,773,831
Investments ..	13,423,764	14,115,796	16,752,315

† Includes investment income but after depreciation, debenture interest and contingencies.

The £1 ordinary stock, quoted at 100s. 6d. ex dividend, yields £3 14s. 6d. per cent.

Union Castle Mail Steamship.

	Years ended December 31, 1941	1942	1943
Profit on voyages†	2,141,884	1,913,127	1,502,893
Total revenue†	2,385,134	2,149,325	1,786,907
Interest ..	103,583	95,920	95,237
Depreciation ..	1,234,229	928,495	599,587
Taxation ..	650,000	815,000	700,000
Deferred repairs ..	150,000	5,610	15,496
Premium written of M.W.B. ..	90,490	89,779	94,872
Preference dividends ..	...	...	...
Ordinary shares:—			
Earned ..	156,832	214,521	131,715
Paid (net) ..	77,173	68,500	85,282
Earned % ..	10.1	15.7	7.7
Paid % ..	5	5	5
Insurance reserve ..	91,821	119,355	...
Carry forward* ..	234,122	260,788	389,434
Net fixed assets‡	7,606,941	3,614,388	1,851,974
Net inter-company items ..	398,684	378,706	375,596
Net liquid assets ..	511,437	4,855,342	6,257,748
Gross liquid assets ..	2,653,778	7,291,876	9,057,245
Fleet replacement ..	1,286,069	3,255,950	4,684,787
Govt. loan account ..	283,900	1,167,500	1,453,312

† Includes in years 1941 and 1942 additions to Insurance Reserve.

‡ Includes adjustment of profits for previous years. £120,418 for 1941, £84,970 for 1942, and £56,921 for 1943.

* After crediting tax recoveries of £7,307 in 1941 and £80,213 in 1943.

§ After deducting Fleet Replacement Account.

The £1 stock units, quoted at 24s. ex dividend, yield £4 3s. 4d. per cent.

COMPANY MEETINGS

WHITEHEAD IRON AND STEEL COMPANY, LIMITED

BALANCE SHEET CLARIFIED

MR G. H. LATHAM'S ADDRESS

The thirty-seventh annual ordinary general meeting of The Whitehead Iron and Steel Company, Limited, was held, on the 11th inst., at the King's Head Hotel, Newport, Ion.

Mr G. H. Latham (chairman and managing director), who presided, said: "entlemen, as the report and accounts have been in your hands for some days, may I like it as your wish that they should be considered as read."

During the past three years I have, for various reasons, omitted to submit to you detailed review of the company's activities, and you will agree that it is still not expedient that I should do so. We all hope that by the time the next annual accounts are submitted I shall be allowed to give you more interesting report.

This year a further modification in the arrangement of the balance sheet has been made so as to bring it into line with modern practice. The fixed and current assets have been separated and their respective totals shown, while the amount set aside for depreciation, instead of appearing among the reserves, has been deducted from the cost of the fixed assets. The share capital, general reserve, and profit and loss account credit balance have been grouped together so as to show clearly the total amount (£1,408,198) by which the assets exceed the liabilities. This rearrangement makes the financial position of the company clearer to the shareholders.

PROFIT AND LOSS DETAILS

The profit and loss account shows that the trading profits for the year to March 31st last amounted to £444,933, a decrease of £114,529 compared with the previous year. Income from dividends and interest shows an increase of £2,073, but after making full provision for taxation liability, and setting aside the sum of £40,000 for special depreciation, the net profit of £159,610 is approximately the same as that of last year. Adding the sum of £43,136 brought forward from 1942-3, the total amount available for the year is £202,746, out of which an interim dividend of 10 per cent., absorbing £39,191 (net), has been paid, leaving a balance of £163,555. Your directors propose to transfer £75,000 to general reserve, thus increasing the balance of that account to £575,000. They also propose the payment of a final dividend of 10 per cent., less tax (making a total distribution for the year of 20 per cent., less tax), and to carry forward a balance of £49,363.

With regard to the balance sheet, you will note that during the year further investments, amounting to £60,000, were made (all in Government securities), bringing the total amount invested up to £239,037.

The value of stocks and stores has increased by £254,597, from the abnormally low figure of £280,807, at which they stood last year, to £535,404. Cash is reduced by £184,823, and sundry debtors (including accounts of subsidiary companies) by £55,716.

During the year a further sum of £7,500 was paid off the 1st mortgage debentures, leaving a balance of £31,200. The total of current liabilities (£1,263,601) exceeds the corresponding sum for last year (£1,251,989) by £11,612.

As I have already pointed out, the net results, as shown by our balance sheet, is that our total assets, which are valued on a conservative basis, exceed our current and debenture liabilities by £1,408,198. The soundness of our financial position is there-

fore obvious, and, having regard to all the circumstances, I am sure you will agree that the results are satisfactory.

A TRIBUTE TO LOYAL SERVICE

In conclusion, I should like to pay tribute to the excellent work done by all our employees, and more especially our depleted staff, all of whom again deserve your sincere thanks for their loyalty and untiring efforts in maintaining the efficiency and output of our works.

The chairman then moved: "That the directors' report and statement of accounts for the year ended March 31, 1944, duly audited and submitted to the meeting be received and adopted, and that a final dividend of 10 per cent. (actual), less income tax, for the year ended March 31, 1944, be, and the same is hereby declared payable to the shareholders on the register as at June 19, 1944."

This was seconded by Mr A. O. Whitehead, and duly carried.

Messrs George Whitehead and John Lewis were re-elected to the board, and the auditors—Messrs. Deloitte, Plender, Griffiths and Company, of London and Cardiff, were also re-appointed for the ensuing year.

Upon the motion of Mr E. T. Lyddon the board were congratulated upon maintaining a very sound financial position, and a very hearty vote of thanks was accorded to the employees and staff for their loyal services during the past year.

WELWYN GARDEN CITY, LIMITED

PLANNING NEW HOMES AND TOWNS

VIEWS OF SIR THEODORE CHAMBERS

The twenty-fourth ordinary general meeting of Welwyn Garden City, Limited, was held, on the 12th inst., at the Great Northern Hotel, King's Cross, N.

Sir Theodore G. Chambers, K.B.E., F.S.I. (the chairman), in the course of his speech, said: "The accounts for the past year confirm the stable foundation on which the affairs of your company rest. Shareholders will note an increase in the loans secured on freehold property as a result of the creation of new mortgages amounting to £74,000, the proceeds of which have been utilised in reducing the loans from bankers. Taking the associated undertakings together, their combined indebtedness to the bank, which reached a peak figure of £504,000 early in the war, has now been reduced to £201,000."

The figure for sundry creditors is increasing because we are providing annually a sum to cover the arrears of maintenance of our various properties. Shortages of material and labour have made it impossible for us to maintain our property as we would wish, but we have already provided £17,000 towards this future expenditure.

AN EXAMPLE OF MODERN TOWN CONSTRUCTION

Turning now to the more general aspects of our business, shareholders will have noted that a great deal of time and attention is being devoted to post-war planning on a comprehensive scale, in particular the planning of new homes and towns.

For our part, we look forward to the end of the war with the conviction that we shall continue to be in the future as in the past a leading example, of modern town construction. The outbreak of war found the town barely half complete in relation to the number of houses, the availability of industrial occupation and the provision of recreational facilities. So far as industry is concerned, we believe that when the war history of the town comes to be written the value of our principles will have been entirely proved. The fact that we already

have over 80 industries in the town and that many other firms are making inquiries and in some cases reserving sites are indications of the trend of opinion.

The question of housing is, of course, entirely dependent upon the availability of raw materials and labour and upon some decision by the Government as to how the disparity between pre-war and post-war building costs is to be dealt with. Given a reasoned approach to these questions, we have not the slightest doubt that the combined efforts of our local authority and your company will ensure the provision of all necessary houses of all types. We have always claimed that at any given time our standards of house building were of the highest, and we can unhesitatingly state our intention to ensure that our house-building after the war will continue to provide value for money second to none.

CULTURAL AND RECREATIONAL ELEMENTS

In regard to the town's cultural and recreational elements, the outbreak of war caught us at a bad moment, since the provision of these naturally tends to follow a short distance behind the main development. In the three or four years prior to the outbreak of war the expansion of the town showed a sharp upward trend, so that, although we had made continuous additions to our health services and the facilities for many forms of recreation, and in consequence had achieved a very high standard, we nevertheless found it necessary in the summer of 1939 to give considerable attention to important developments. As examples, I might mention a combined indoor and outdoor swimming pool in the town centre, a municipal hospital, an hotel, new blocks of shops in both the town centre and the south-eastern shopping areas, billiards hall, town football ground, large areas of new playing fields, technical school and cultural centre with small repertory theatre, a second cinema.

IMPORTANT ANCILLARIES TO CIVILISED LIFE

The absence of these features has, of course, been very noticeable under war conditions when many forms of recreation and holiday-making have been artificially restricted. Furthermore, the absence of buildings suitable for special war purposes such as A.R.P., evacuation, Home Guard, British Restaurants and many others, necessitated the appropriation of premises normally available for recreation and similar purposes. I am, however, convinced that all those responsible for the future of the town will be determined to see that the post-war standard of these essential contributions to the modern way of living will in no way fall short of the standards of our housing and industry. The extent and volume of these important ancillaries to civilised life in a town which entail considerable capital expenditure are sometimes minimised or even overlooked by planners who concentrate upon such purely physical objects as houses and factories. Many essential requirements such as places of worship, schools, public houses and refreshment rooms, hospitals, and public halls and the like may be provided by external agencies. The local authorities will play their part under their statutory powers, but it is also incumbent on the company to contribute substantially and to shoulder its appropriate share of the responsibilities, for it has to be borne in mind that, while many of these will be revenue-producing, there is a fringe which will not be self-supporting. Nevertheless, the value of the assets of the shareholders is dependent upon the ultimate growth and prosperity of the town as a whole, and is materially enhanced by the maintenance of the satisfaction and good will of the whole community. The general conditions of life in the town have their reactions upon the demand for accommodation, and it is upon this demand that the growth and development of the place ultimately depends.

The report and accounts were unanimously adopted.

THE MINING TRUST, LIMITED

EARL CASTLE STEWART'S STATEMENT

The fifteenth annual general meeting of the Mining Trust, Limited, was held, on the 11th inst., in London.

The Rt. Hon. Earl Castle Stewart, M.C. (the chairman), presided.

The following is an extract from the chairman's statement, which was circulated with the report and accounts for the year ended December 31, 1943:—

Creditors and provisions for taxation at the end of the year amounted to £26,250. Of this sum £22,733 represents the 1942 and 1943 liability for income-tax and national defence contribution, of which £13,304 has since been paid, leaving a total of £9,429 payable on January 1, 1945. Share capital is unaltered but it will be observed that the capital liability in respect of this company's guarantee of loans made by American Smelting and Refining Company to Mount Isa shows a reduction from \$1,161,125 to \$361,125 after the repayment of \$800,000 to American Smelting and Refining Company under the arrangement made between Mount Isa Mines, Britannia Lead Company and the Mining Trust Limited referred to in the chairman's statement last year. Investments at cost show an increase of £10,000 reflecting the purchase of £10,000 2½ per cent. National War Bonds 1951-53.

Revenue for the year amounted to £119,640, being a decrease of £15,855 as compared with the previous year. This decrease is mainly due to the fact that no dividend was received upon the shares of New Guinea Goldfields, Limited, and to a decline in the advisory and administration fees and commissions.

Expenses for the year show a fall of roughly £4,000 in taxation. Profit, after deduction of tax, was £44,634, which was applied to reducing the debit balance on income and expenditure account.

MOUNT ISA MINES

For the year ended June 30, 1943, Mount Isa Mines, Limited, made a profit of £A.86,133 before allowing for depreciation. Reserves of developed and prospective lead zinc ore were 7,116,740 tons and copper ore reserves were estimated at 2,442,700 tons. Since April, 1943, Mount Isa has been almost entirely engaged in the production of copper, and by arrangement with the Australian Government will continue this programme until the end of the year 1944. The production of lead silver bullion has for the time being been suspended, but the Britannia Lead Refinery will continue to be employed for some months in refining lead bullion which is afloat and in the treatment of by-products.

During the year the redemption of £402,269 8 per cent. First Mortgage "A" Debenture stock was completed and arrangements are now being made for the replacement of the 5 per cent. Five-Year Guaranteed Sterling Third Mortgage Debentures by a new issue of similar Debentures carrying a rate of 4½ per cent. and repayable by equal instalments over a period of ten years.

After reviewing the position of the trust's gold producing properties, the chairman continued:—"In view of the trend of recent monetary talks between the leading commercial and industrial nations, we may well hope that upon the resumption of full-time operations on all the above gold-producing properties we may derive considerable benefit therefrom."

Liquid resources of the company show a strong position. Cash at bankers amounted to £506,877; £40,000 has been invested in short-term Government securities; tax reserve certificates amounted to £11,000. Secured advances to a subsidiary company totalling £71,681 have been largely repaid since the date of the publication of these accounts. Total liquid resources at the present time amount to £623,000.

The report and accounts were adopted.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES, LIMITED

MR. H. J. WELCH'S ADDRESS

The thirty-seventh ordinary general meeting of The Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held, on the 13th inst., in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from the address of the chairman circulated with the accounts: After writing off the net amount of £18,551 expended during the year on buildings, machinery, etc.—including £5,000 from the value of the Aigburth Estate buildings, machinery and plant—and providing £38,500 for Ceylon taxation and £20,000 for excess profits tax, the net profits amounted to £107,375.

The final dividend of 6 per cent., less income tax at 6s. 4d. in the £, makes, for the year, 10 per cent., less income tax at an average of 6s. 7d. in the £. The dividends paid are equal to 13.46 per cent. for the year, if income tax had been deducted at the standard rate of 10s. in the £.

Owing to reduced supplies of manure, temporary shortage of labour and unfavourable climatic conditions, the tea crop manufactured—just over seven million pounds—was less than the high record of the previous year and averaged 710 lb. per acre. As compared with 1942 the cost of production was higher by 1.81d. per lb., the price realised was 1d. per lb. more, but the profit per acre was lower at £10 4s. 1d.

The rubber crop of 2,074,644 lbs. (about 900 tons) was also slightly lower than the record crop of 1942 and averaged 438 lbs. per acre tapped. The profit per acre was £6 19s. 8d.

Copra manufactured from our coconut crop amounted to 638 tons and yielded a profit of £2 1s. 7d. per acre.

The report was adopted.

THE NATIONAL BANK OF NEW ZEALAND LIMITED

LORD BALFOUR'S STATEMENT

The seventy-second annual general meeting of the National Bank of New Zealand, Limited, will be held, on the 27th inst., at 8 Moorgate, London, E.C.

The statement by Lord Balfour of Burleigh (the chairman), circulated with the report and accounts, refers to the increases of £1,654,000 in deposits, £1,003,000 in advances, and £2,314,000 in cash in hand and balances with bankers. The decrease of £1,098,000 in British Government securities is fully explained in two paragraphs headed "Exchange Operations" and "Reverse Lend-Lease." Under the heading "Profit and Loss," the statement says:

"Despite the fact that the trading banks are now restricting new loans which are not connected with the war effort, our advances, contrary to our expectations, have shown a fairly substantial increase. The net result of the various increases and decreases in the different items of our profit and loss account is an increase of £12,519 in our profit, which this year is £100,589. This is the best result we have been able to show since 1939, and it enables us to make an addition to the reserve which we have created for post-war contingencies. When the war is over, substantial expenditure upon our premises will undoubtedly be necessary, and we are extremely glad to have a reserve from which some of that expenditure can be provided. The interim dividend of 1½ per cent., less United Kingdom income tax, paid in January, absorbed £18,500. The depreciation written off premises is somewhat lower this year at £16,254, and the amount paid to the

pension and gratuity funds remains at £15,000. Of the balance, the directors propose that £20,000 be transferred to the post-war contingencies account, the £30,833 be paid as a final dividend of 2 per cent. less United Kingdom income tax at 7s. 8d. in the £, and that £117,889—almost exactly the same as last year—be carried forward."

The statement also refers to the step taken by the New Zealand Government to increase production, to the stabilisation programme, and to the Servicemen's Settlement and Land Sales Act.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

MEETING ESSENTIAL NEEDS

THE CHAIRMAN'S STATEMENT

The annual general meeting of the "Shell" Transport and Trading Company Limited, was held, on the 11th inst., in London, the Rt. Hon. Viscount Bearsted M.C. (the chairman) presiding.

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

The energies of the whole oil industry have been concentrated on meeting the needs of war. Many problems of supply and transport have been faced and overcome. The completion of various pipeline projects, the effective use of all inland waterways, and the continued movement of great quantities of oil by the railways, together with the increased number of tankers available, have succeeded in meeting the essential requirements. Perhaps the most striking development in a year of record achievement in the U.S.A. has been the vast increase in aviation fuel production. No less than 16 per cent. of the total U.S.A. production of this aviation fuel came from Shell plants, and, of course, our efforts in this connection are not confined to the U.S.A. Many of the technical advances which have affected the quality and quantity of aviation fuel production are the direct result of the research and skill of the Royal Dutch-Shell Group's scientists and technicians. All such discoveries have been placed unreservedly at the disposal of the United Nations.

The trading results of Shell Union for 1943 compare very favourably with 1942. Cash resources are considerable, and the company has set aside special appropriations as provision for various wartime uncertainties and post-war contingencies. At the end of 1943 Shell Union had been able slightly to increase its underground reserves of crude oil and, in common with the industry, the company is continuing its exploration activities in the current year.

Turning to Venezuela, I mentioned last year that a new petroleum law had been passed under which the Government would grant new concessions with extended life in exchange for the existing concessions. Those companies in which we are interested applied for and have in due course received such new concessions. Our producing operations in other countries, particularly in Colombia, Egypt and Trinidad, are developing satisfactorily. I have no development to report affecting the properties of the Mexican Eagle Oil Co.

While the year's work has necessarily been concentrated on the one task of meeting the needs of the Allied war machine throughout the world, careful plans are being drawn up for the reopening of our producing, manufacturing and marketing activities in those many countries overrun by the enemy, in confident anticipation that their deliverance is at hand.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Ord. Consols	Ord. Shares
July 6...	5,224	5,344	113.7	134.1	3.16	3.70
" 7...	4,907	5,278	113.7	134.2	3.16	3.70
" 10...	7,669	6,281	113.7	134.2	3.16	3.70
" 11...	5,281	5,149	113.9	134.2	3.16	3.69
" 12...	6,278	5,559	113.9	134.2	3.16	3.69

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 113.9 (July 12); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944 July 4...	Average Closed	Transactions
June 30...	128.1	1,751,000	5...	129.5	2,436,000
July 1...	128.4	647,000*	6...	130.4	1,713,000
" 3...	128.5	1,562,000			

1944: High, 130.4 (July 6). Low, 113.8 (Feb. 8). * Two-hour session.

(WEEKLY AVERAGE)S (1935-36=100)

1944	Low Mar. 15	High July 5	June 21, 1944	June 28, 1944	July 5, 1944
37 Industrials	95.1 (a)	107.4	105.4	105.9	107.4
32 Rails	88.9 (a)	104.3	102.2	103.4	104.3
40 Utilities	85.0	92.2	90.0	90.9	92.2
419 Stocks	93.6 (a)	104.9	102.8	103.4	104.9
Av. yield %	4.84 (b)	4.46	4.54	4.54	4.46

* Common Stocks. (a) Feb. 9. (b) May 3.

Capital Issues

Week ending July 15, 1944	Nominal Capital	Con- versions	New Money
To Shareholders only	2,700,000	2,722,500	...
Particulars of Government issues appear on page 97.			
Year†	Including Conversions	Excluding Conversions	
1944	928,134,814	914,313,833	
1943	1,027,944,682	1,021,704,736	1,454,552 7,116,164

Year†	Destination*			Nature of Borrowing*		
	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944	913,983,112	330,721	Nil	909,910,589	2,117,789	2,285,455
1943	1,027,944,682	1,692,093	638,677	1,021,704,736	1,454,552	7,116,164

* Conversions excluded. † Includes Government issues to July 4, 1944, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

Attested Herds Admission.—The Ministry of Agriculture announces the re-opening of admission to the Attested Herds Scheme to all types of herd. The reopening is, however, without financial assistance towards the cost of qualifying tests and without bonus payments. Certain requirements must be met before an official test of the herd for the issue of a certificate of attestation is arranged. These are that the management of the herd and the condition in which it is kept must be suitable for the observance of the rules for attested herds and certificates must be produced of two consecutive tuberculin tests with negative reaction at intervals of not less than 60 days and not more than 12 months. In the case of a new herd being constituted by animals transferred from attested herds, the Minister will be prepared to consider the issue of a certificate of attestation at once without further test.

Sugar and Preserves.—From August 20, 1944, the preserves ration will be reduced from 2 lb. to 1 lb. per 4-weekly period and the use of the "R" coupon will be discontinued. From that date four sugar coupons and one preserves coupon (P) will be available for use during each 4-weekly period, and it will still be possible for consumers to use these coupons to obtain either sugar or preserves. Each sugar coupon will be worth ½ lb. sugar or preserves, and the P coupon will be worth 1 lb. of sugar or 1 lb. preserves. Consumers may, therefore, obtain during each 4-weekly period either 3 lb. sugar but no preserves, or 2 lb. sugar and 1 lb. preserves, or 1 lb. sugar and 2 lb. preserves, or no sugar

but 3 lb. preserves. An extra issue of 1 lb. of sugar for jam making will be available during the period July 23rd to August 19th. The changes in the sugar and preserves ration arrangements have no doubt been indicated by the poor prospects of the fruit crop this year. A full preserves ration would be difficult to meet, and no doubt the relatively plentiful supply of sugar will be welcomed.

"The Economist" Sensitive Index.—There was no change in the index during the week ended July 12th. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	May 1, 1944	June 1, 1944	
Beef, British—	s. d.	s. d.	s. d.	
Ribs	1 2½	1 3½	1 3½	11
Thin Flank	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs	0 9½	1 1	1 1	35
Thin Flank	0 4½	0 6	0 6	23
Mutton, British—				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	...
Bacon	1 3	1 10½	1 10½	50
Fish	0 11½	1 2½	1 2½	29
Flour (per 7 lb.)	0 8½	0 9	0 9	9
Bread (per 4 lb.)	0 8½	0 9	0 9	9
Tea	2 4	2 10	2 10	21
Sugar (gran.)	0 3	0 4	0 4	32
Milk (per qt.)	0 6½	0 9	0 9	32
Butter (salt)	1 4½	1 8	1 8	21
Cheese	0 10	1 1	1 1	30
Margarine, special	0 6½	0 9	0 9	12
" standard	0 1½	0 5	0 5	1
Eggs, fresh (each)	0 2	0 2	0 2	...
Potatoes (per 7 lb.)	0 6½	0 6½	0 6½	6
Index all foods weighted (July, 1914=100)	138	168	168	22

Source: Ministry of Labour Gazette.

INDICES OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN* (1937=100)

	Stocks (end year and month)	Home Trade	Total	
			Index	% Change from a Year Ago
1937	100	100	100	+ 1.0
1938	94	94	93	- 7.0
1939	86	105	103	+ 10.7
1940	93	117	115	+ 11.7
1941	83	98	98	- 14.8
1942	95	104	102	+ 4.1
1943	108	96	93	- 8.8
1943, Apr.	102	101	98	- 6.7
" May	105	98	95	- 5.0
1944, Apr.	97	103	100	+ 2.0
" May	95	110	107	+ 12.6

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase Tax is not included; figures are therefore comparable throughout.
* Publication of Indices of Export Sales suspended in September, 1942.
Source: Board of Trade Journal.

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

	Mar. 31, 1937*	Aug. 30, 1939	July 6, 1943	June 20, 1944	July 4, 1944
Cereals and Meat	93.0	66.9	110.7	108.6	108.6
Other Foods	70.4	61.1	107.5	107.3	107.3
Textiles	74.2	54.3	93.3	104.0	104.0
Minerals	113.2	95.4	135.9	139.7	139.7
Miscellaneous	87.0	77.6	127.3	129.0	129.3
Complete Index	87.2	70.3	114.8	117.8	117.8
1913=100	119.9	90.8	157.9	161.8	161.8

FINANCE AND BANKING

THE MONEY MARKET.—With the note circulation at the new high record of £1,136,063,000, a rise of £1,953,000 on the week, the reserve of unissued notes in the banking department has fallen to £14,178,000 and a further increase in the fiduciary issue must now be a matter of days. The Bank return

(Continued on page 100)

GOVERNMENT RETURNS

For the 8 days ended July 8, 1944, total ordinary revenue was £59,022,000, against ordinary expenditure of £130,640,000 and issues to sinking funds of £265,000. Thus, including sinking fund allocations £2,410,239, the deficit accrued since April 1st is £893,385,000 against £960,709,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Estimate, 1944-45	April to July 10, 1943	April to July 8, 1944	8 days ended July 8, 1944
ORDINARY REVENUE	1,300,000	180,575	187,552	25,721
Income Tax	80,000	8,570	7,174	548
Sur-tax	27,554	30,700	3,072	2,730
Estate, etc.,	100,000	3,750	2,302	540
Duties	19,000	5,916	7,230	750
N.D.C.	500,000	104,454	120,446	18,377
E.P.T.	1,000	120	80	...
Other Ind. Rev.	200,000	330,939	355,484	49,008
Total Ind. Rev.	2,000,000	564,900	564,900	15,019
Customs	472,900	115,600	125,400	4,600
Excise	103,780	262,593	282,176	22,233
Total Customs & Excise	27,000	2,210	2,370	372
Motor Duties	27,000	2,210	2,370	372
P.O. (Net Receipts)	4,850	830	850	...
Wireless Licences	800	240	270	...
Crown Lands	7,350	916	1,278	49
Receipts from Sundry Loans	24,000	19,238	17,790	6,081
Miscell. Receipts	310,180	613,966	660,217	77,743
Total Ord. Rev.	3,101,800	613,966	660,217	77,743
SELF-BALANCING P.O. & Brdcastg.	112,370	28,000	29,850	1,500
Total	3,214,170	644,966	690,067	79,243

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Estimate, 1944-45	April to July 10, 1943	April to July 8, 1944	8 days ended July 8, 1944
ORDINARY EXPENDITURE	420,000	111,070	118,310	13,384
Int. & Man. of Nat. Debt	9,000	2,012	1,992	335
Payments to N. Ireland	7,000	2,994	3,000	2,347
Other Cons. Fund Services	435,000	116,076	123,302	17,653
Supply Services	550,139	145,643	142,780	15,321
Total	593,739	157,119	155,112	16,838
SELF-BALANCING P.O. & Brdcastg.	112,370	31,550	29,850	1,500
Total	604,979	160,326	158,104	16,988

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £897,773 to £3,499,203, the other operations for the period (no longer shown separately) raised the gross National Debt by £72,248,529 to £20,484 million.

NET RECEIPTS (£ thousands)		
War Damage Act	854	
Tithe Act	154	
	808	
NET ISSUES (£ thousands)		
P.O. and Telegraph	250	
Overseas Trade Guarantees	26	
	276	

FLOATING DEBT (£ millions)

Date	Treasury Bills	Tender	Tap	Public Depts.	Bank of England	Treasury De- posits by Banks	Total Float- ing Debt
1943							
July 3	1230.0						
1944							
April 6	1170.0						
" 14	1170.0						
" 21	1180.0						
" 28	1200.0	2018.3		410.4	1431.0	5059.7	
May 5	1220.0						
" 12	1240.0						
" 19	1260.0						
" 26	1280.0	2184.9		374.9	1419.5	5259.3	
June 2	1300.0						
" 9	1320.0						
" 16	1340.0						
" 23	1360.0						
" 30	3536.0			437.8	29.5	1351.0	5354.2
July 7	1400.0						

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate of Allot- ment %	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1943				
July 9	90.0	180.2	90.0	20 0.28
1944				
April 6	90.0	211.8	90.0	20 2.74
" 14	100.0	209.1	100.0	20 2.58
" 21	110.0	216.8	110.0	20 2.83
" 28	110.0	208.3	110.0	20 2.25
May 5	110.0	209.1	110.0	19 1.81
" 12	110.0	202.4	110.0	20 0.32
" 19	110.0	195.7	110.0	20 0.98
" 26	110.0	216.1	110.0	19 11.89
June 2	110.0	203.4	110.0	20 0.45
" 9	110.0	197.5	110.0	20 0.49
" 16	110.0	199.5	110.0	19 11.93
" 23	110.0	203.6	110.0	20 0.57
" 30	110.0	197.4	110.0	20 0.89
July 7	110.0	197.4	110.0	20 0.89

On July 7th applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 45 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday of following week were accepted in full. £110 million of Treasury Bills are being offered on July 14. For the week ending July 15 the banks will

Wilson's basic concept was of the sovereign equality of all states, great and small, ex-Allies or ex-enemies. His League was to be universal, and it was not an alliance or a confederacy of powers but a league of nations. This notion of the equality of Abyssinia and America, of Guatemala and Germany was recognised from the start—indeed was proudly claimed—as a piece of idealism. It was hoped that reality would grow up to this dream. Unhappily, it was not so. But the universalists are undaunted. In the hands of some of Wilson's disciples, his doctrine of an international league has blossomed into a new doctrine of exclusive universalism. Not only must all nations be equal members of the League, but any recognition of the special status of any member, any special grouping of members, any relations between some members closer than they will accord to all members—all these are heresies. A large section of American opinion brands as "balance of power politics"—a term which has become an accusation—any attempt on the part of any other country to concert its arrangements with its special friends. (The doctrine of American "hemisphere solidarity" is tacitly exempt.) The smaller nations, as is natural, are also unwilling to admit that there are any gradations in sovereignty.

The force of events is, indeed, inevitably driving world opinion in two conflicting directions. On the one hand the manifest facts of life among the nations are making it clear that, in all matters of wielding force, it is only the Great Powers that count. Since it is universally admitted that the new League "must have teeth in it," this is a paramount consideration. Any system that rests on power must accord a special status to those who can alone wield power. But secondly, the repeated spectacles that the world has been given of what the use of force by a Great Power can mean to small nations have made all the small nations more nervous than ever of committing their destinies to hands which may turn out to be mailed fists. The Great Powers alone can make the system work. But if it is worked by them alone it will meet with widespread suspicion and obstruction.

This dilemma can be seen as a conflict not only in the ranks of the nations, but also within the ambit of American opinion and policy. The administrators in Washington are driven by the logic of the facts to seek an agreement, at least in the first place, with their three major allies alone. But the substance of the agreement they seek, obedient to the majority voice of American opinion, is based on Wilsonian universalism. There can be little doubt what the British and Russian views will be. Russian policy is always realistic, and British policy is, for the moment, in a realistic mood. Russian policy might, indeed, be content for all time with a Great Power concept. British ideas—as is so often the case—are half-way from Moscow to Washington. There is no retreat in London from the belief that the ultimate aim of foreign policy must be to create a free union of equal states, and that nothing less will guarantee perpetual peace. But the weight of British argument is likely to be thrown on to the other leg of the thesis—that the best way to attain this objective is to build on what has already met the test of war—on the British Commonwealth, the Combined Boards, the Anglo-American pooled bases, the Canadian-American Joint Defence Board, the British-Russian and Russian-Czech alliances. Collective security can only be built upon the world as it exists at the moment of victory, not on an imaginary world of atomised nation states. Undiluted universalism would only widen the gap between the reality of the world situation and the idea of world order.

*

This could easily become an inter-Governmental quarrel. But, most fortunately, two books have appeared just in time to make it clear that there is a school of thought in America, not perhaps the majority but second to none in authority, which sees clearly the dangers of too rigid a universalist approach. One of these books is by Mr Walter Lippmann, whose "US Foreign Policy" had an enormous effect on opinion when it was published last year.* The other is by Mr Sumner Welles, who was until recently Under-Secretary of State. Both these books, though in different keys, point the impractical nature of a Wilsonian approach. Both find the solution in a regional system. Indeed, it is for their emphasis on regionalism that both books are chiefly remarkable.

The war, says Mr Lippmann, has created two regional groupings and foreshadowed two others. In the West, the Atlantic Community, made up of the United States, Canada, Latin America, Great Britain, the nations of Western Europe and their colonies, is a reality. It has been an effective unit of defence against Germany in two wars, it has itself been at peace for a hundred years, it is maritime and commercial and its deep roots lie in the tradition of Western Christendom. Unhappily, between wars, the nations forget this natural unity and have to recreate it painfully at the eleventh hour of desperate war. A first step to a functioning world order would be to formalise this unity through joint defence, common foreign policy and "organic consultation."

The other region lies in Eastern Europe and Asia—

* Mr Lippmann's new book, "U.S. War Aims," is to be published in England later in the year by Hamish Hamilton.

the Russian Orbit is Mr Lippmann's term. Here the great Eurasian land-mass is organised round the power of Moscow. It differs radically in its tradition and organisation from the Atlantic world, but it is a recognisable unity and can be a pillar of the post-war world. To these, Mr Lippmann would add in time a Chinese and a Hindu-Moslem region. These are admittedly much more hypothetical and vague, but the final concept is of a world order built not on individual sovereign states but on "the historic communities of States."

Mr. Lippmann claims that this method of regional organisation can help to solve the other crucial problem of establishing a workable relationship between the Great and the Small Powers. In each community—except the Moslem-Hindu community which Mr Lippmann does not seriously discuss—a Great Power is the nucleus of effective defence. In collaboration with its smaller neighbours, it secures peace in its region by dealing with inflamed political problems such as frontiers and minorities. Only "universal questions" come before the World Council.

To quote Mr Lippmann again:

The issues that are local within them they must settle among themselves; the issues that are general they will deal with in the world council, consulting at the higher level after they have consulted at the lower levels, deliberating not as disparate sovereign states but as communities which have in the end a common interest. In this view of things the horrid antithesis between nationalism and internationalism subsides. No one is asked to transfer his allegiance from his own country to a new cosmopolitan fatherland. As he is a good patriot so he is a good neighbour, and by being a good neighbour he is loyal to the laws, the usages and the requirements of the universal society.

*

It is most valuable that this thesis should be stated, at this moment, with such authority. America's contribution to the new world order will be all-important and something more than good intentions on America's part will be needed. Any workable system must be a compound of idealism and realism and, at the moment, it is the latter quality that is in shorter supply.

Nevertheless, when all this is said, it is still legitimate to ask whether Mr Lippmann and Mr Welles, in their reaction against universalism, have not gone too far to the other extreme. The regional solution is admirable where it works; but it does not work everywhere. Mr Lippmann has perhaps been over-impressed by the Atlantic Community, Mr Welles by Pan-America. But the essence of both examples is that they are voluntary associations of free nations. In the Atlantic Community, no nation fears either Britain or America. What chance is there of a similarly voluntary and free association in the Russian orbit, which includes Poland, or in the Hindu-Moslem region, or even in the Far East? But if this free association does not exist, then the instruction to each region to settle its own local issues is an invitation to the strongest power in the region to impose its will. Regionalism, when it ceases to be free and voluntary, becomes imperialism. So long as, within a region, small nations are afraid of large nations, the rest of the world cannot escape its responsibility for intervention. Peace is indivisible, and the World Council must necessarily concern itself with every threat to peace.

The truth surely is that, in a problem of such complexity, all simple formulae are suspect. If the system is to be workable, it must take account of the special status of the Great Powers, and it must not pretend, in the name of collective security, to diffuse the responsibility for questions of war and peace on to those who could not execute their decisions. But if the system is to engage the idealism of mankind, it must be designed to solve the great majority of questions by free agreement and without the use of force. Clearly the solution is a different organisation for different purposes. Where force is needed, let the responsibility for using it be plain. But let it be used only in times of international martial law. And let it be hoped that, as the years pass, the need for it will vanish.

Government and Industry

THE Fabian Society has always been the practical and realistic branch of the Socialist movement in this country. During the war, many of the most active Fabians have been brought very closely into contact with economic reality by playing individual parts in the national effort of economic mobilisation, and this has tended to reinforce the Fabian bent towards practical proposals rather than utopian dreaming. The latest report on "Government and Industry: A Framework for the Future," is an excellent example. In part, the report consists of a description of the relations between industry and Government; permission has been secured to reprint this section on page 118 of this issue of *The Economist*. But the report also contains proposals for post-war policy. There will be few industrialists who will agree with these proposals, but they will find them reasonable and moderate. There is, for example, no assumption of inherent virtue on the part of the critics or of inherent vice on the part of all who live by profit. On the contrary, there is a willingness to admit that private enterprise can be both public-spirited and effective. In describing the industrial structure of wartime, for example, the report says that

to a large extent, whole sections of industry have become without any great change of personnel, virtually units of the wartime Government machine acting under its direction in all respects. At the worst, there has been a certain mingling of private interest with public policy. At the best—and not infrequently—there has been practical and successful collaboration between the more competent technical and managerial personnel in industry and the more competent and enterprising civil servants, temporary or even permanent.

Or again, the report recognises that there is no case for the nationalisation of the whole of British industry within any period worth troubling about at present, and that it is only in a few of the more vital industries that early changes in ownership are required. As Mr Morrison says in his Preface, the people would not agree to anything more "and, even if they did, speaking as one with some experience of administration, I do not believe it possible that their wishes could be carried out."

But perhaps the greatest gain for clarity of thinking in this report is its acknowledgment that it is not the ownership of industry but the policy it pursues that is of major importance to the community. Though the nationalisation of certain key industries is looked for, public ownership is admitted, on economic grounds, to be "not the essential point" and the objective of this neo-Socialist thought is to secure "the drawing up of a code of principles for the guidance of the price and production policy

of large-scale economic units." This is an immense gain. For two generations now, British public opinion, under the impulse of Socialist thought, has been mightily concerned about who should own British industry and about the membership and constitution of the Boards, Committees, Councils or the like that were to administer the public ownership. It is like a breath of fresh air to have an avowedly Socialist body at last admitting that it is the quality of the management and the policy pursued in such matters as prices and production that matter, not the names on the share register.

The specific proposals of the pamphlet are simple. In the first place, there is to be a permanent Buying Ministry, to organise the whole of the Government's purchases from, and orders to, industry. Secondly, there is to be "a central Department for industrial control," whose primary functions should be to prevent monopolistic restriction and to administer the policy for the location of industry. This central Department would need to employ a great deal of industrial and managerial skill. And thirdly, though trade associations have legitimate functions to perform, they should not be allowed to exercise restrictive powers.

The Government must have an organisation which should be separate from the trade association through which to control the development of an industry, and to ensure that essential tasks such as research, standardisation, reorganisation, export marketing and so forth, are adequately performed.

These Industrial Boards would presumably be appointed by the Government and be responsible to it, though the report is somewhat ambiguous on the point.

*

It is obvious that if any consistent long-term industrial policy is to be possible in Britain, it must be such as will be at least broadly acceptable to the two main parties of the state. The difficulty hitherto is that neither side has put forward any proposals that are worthy of consideration by the other. The only platform on which the two sides have shown any willingness to meet is the growing tendency of employers and trade unions in specific industries to unite for the purpose of pushing up prices and "stabilising" both profits and wages—that is, to secure special privileges for themselves at the expense of the consumers.

If, then, the intellectual leaders of the Left change their tune and advance a policy embracing so many victories for moderation and clear thinking as are shown by this



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pamphlet, it behoves other sections of thought to examine how far they can go to meet such a promising initiative. Do the ideas embodied in this Fabian pamphlet present a basis upon which an industrial policy could be built up that could be supported by all those whose concern is with the public welfare rather than with special interests either of labour or of capital?

It is very difficult to deny the basic assertions of the pamphlet. The vision of a completely untrammelled industry achieving new prodigies of enterprise by the method of free competition is nowadays merely a vision. For one thing, comparatively few British industries are competitive. The practices of controlling prices and production and of protecting profit margins have gone so far that a "market price" is becoming a rare phenomenon. Whether or not, as a hypothetical proposition, competitive private enterprise should be left free of all government interference, it is quite impossible for any community to permit the powers of monopoly and restriction to be wielded by those whose main motive must necessarily be private profit. And even if the question of "imperfect competition" never arose, purposive direction by the organs of the state would be necessary to secure the two objectives of adequate employment and of a balanced location of industry. It is quite impossible to deny that the Government will have to intervene for at least these three purposes; that its intervention may lead it a long way; and that, if there is to be intervention, it should be sensibly planned at the centre. If it is now conceded from the Left that these necessities do not require sweeping changes in the present ownership of industry, a broad range of agreement should be possible.

*

And yet there must still be certain reservations. To the Fabians, control still seems to be an end in itself. In their description of wartime arrangements, they are ready to admit that there has been a fruitful partnership between the state and industry. But in their prescription for the future, all the discussion is of the checks and balances that the Government is to impose on the activities of industry; very little is said of the need for helping industry. "Control without responsibility is the definition of tyranny" says Mr Morrison in his preface, but the authors of the pamphlet do not listen. Or if they do, they take it for granted that the state is necessarily responsible. But nothing could be farther from the truth. Responsibility in the sense of concern for the general interest the state ought to have, but often does not. Responsibility in the sense of being answerable for the consequences of its actions, the state certainly does not possess when it is controlling private enterprise.

It is most essential that there should be clear thought on this issue. Negative control of industry by the state is a vicious principle and should be kept to a minimum.

The Missing Technician

IT is neither surprising nor undesirable that the recent acceleration in the rate of progress towards final victory should have encouraged the expression of very optimistic views on the future of British exports. Optimism can be a valuable stimulant; and industry will need every stimulant if it is to achieve the target set for it by the Government and the hosts of planners. British industry may or may not be capable of sufficient expansion to meet a fifty per cent increase in exports—but a mere statement of the aim will not produce any such spectacular result. If hopes are to be implemented they must be supported by a policy that makes full and efficient use of the nation's resources.

The concept of industrial efficiency has undergone many changes since the principles of the division of labour were first formulated. With the opening of the machine-age, specialisation and the sub-division of occupations became the accepted pattern for all large-scale

Some degree of it is necessary for full employment, to prevent monopoly, to foster a balanced distribution of industry, to advance the export trades and the like. But it is essential, first, that in every case the limits of control should be clearly set; secondly, that its purposes should be no less clearly realised; and thirdly, that to match every negative control the state should try to provide a positive assistance. It is not necessary to have an admiration in principle for private enterprise to justify these requirements. They are not based on preference for private as against public ownership, but on a preference for the positive principle of activity as against the negative principle of restriction.

The need, then, is for more thought to be given to the principles that should limit and inspire the Government's intervention in industry. The Fabian Report is a very great and welcome advance in its recognition that it is policy and not structure that chiefly matters. The Fabians should advance still further and say what the policy should be. In what circumstances is price fixing permissible and at what level, relative to the average costs of an industry, should minimum prices be set? In what circumstances, if any, should maximum quotas of production be determined, or entry to an industry controlled? Is there agreement that the industrialist's primary duty is to produce, not to seek a sectional "stability"? Is it accepted that capital, whether public or private, will not freely flow into an industry unless it is allowed to be adequately remunerated? Is it clear that the worker's real interest is always to increase his net output, with the aid of as much machinery as can be provided for him, and never to restrict production, or to obstruct technical improvement? Is it accepted that, for this purpose, British industry needs substantial re-equipment and that the state should assist in the process? Is it right that profits ploughed back into industry should be taxed as heavily as they are? Is it conceded that wages and profits are likely to be high together and low together and that they are partners in producing the output of industry, not competitors in consuming it?

If the right answers can be given to these questions and if an industrial policy can be built upon them, then a structure of organisation such as that suggested by the Fabians would work admirably. But the same structure could work equally badly if it were animated either by a spirit of repressive hostility to all forms of private enterprise or, conversely, by the mere desire to buttress an economy in which "self-governing" confederacies of employers and trade unions strove each to stabilise its own prosperity. If the Fabians can divert public attention to the content of industrial policy, as opposed to the shape and colour of the rooms in which it is to be discussed, they will be continuing their record of service to the community through intellectual leadership.

operations. But the increasing size of the business unit and the intensification of national and international competition revealed serious flaws in the system. The attempts to repair the structure of industry produced new methods of co-ordination and new principles of collaboration. Scientific management became the order of the day. Through time and motion study, cost accountancy, industrial and scientific research and the study of industrial relations, welfare and fatigue, methods were sought to check and abolish the waste inherent in rigid specialisation and departmentalism and to neutralise the dangers to which power-mechanisation had subjected the minds and bodies of the workers. The industrial system began to approach the ideal of corporate activity.

The moment is ripe for a further step forward. Pioneering work during the past twenty years has demonstrated the need for a new functionary in industry—the specialist industrial designer. In 1937 the Council for

Art and Industry reported:

Modern developments of popular education, and the rapid changes, here and abroad, in fashions and in the habits of the people, are making good design a matter of ever-increasing importance. In order that British industry may profit to the full from these changing conditions and that Great Britain may be secured her rightful place as a creator of taste and fashion ranking high in international trade, every possible step should be taken to improve the artistic quality of British products. . . .

If the old belief that "British goods sell themselves" (through the agency of a goodwill inherited from Victorian times and subject to depreciation) is persisted in, then the objective of expanding exports will be unattainable. Improvements in technical efficiency and in marketing and sales organisation are not enough; they must be backed by improvements in the functional and aesthetic qualities of the goods produced. Mr John Gloag, who has written wisely and bravely on this vital need of industry, has called the industrial designer "the missing technician"—a title that is a powerful corrective to the conventional view of the designer as the long-haired Bohemian nit-wit of fiction. Industrial design has been neglected for so long that first-class performers are scarce, but there are enough of them to form the nucleus of a strong team to serve post-war industry.

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After the war, British industrial capacity will probably be greater than ever before. The inventions and discoveries of war will be available for translation into the goods of peace-time commerce, and a large and exciting range of new materials will be at industry's disposal. There is considerable danger that these opportunities will be abused. In a sellers' market (such as may be expected for several years in most trades) there will be strong temptations to misuse new materials and processes. Conditions will be favourable for the growth of mushroom enterprises which, by their unskilled handling of these rare opportunities, may bring new materials into discredit and thus hinder the development of more reputable firms and industry in general. The plastics industry is well aware of this danger and is trying, through its advertisements, to correct the potentially damaging and irresponsible view that plastics can do anything and everything.

Before industrial design can serve British industry as well as it has served industry abroad (notably in Sweden and America) there must be a complete change of heart in the average business man. Industry suffers, at one and the same time, from a surfeit of designs and a deficiency of design. The distinction is all-important. Unable to identify the qualitative reason for a declining export trade, the manufacturer (in many industries) has struggled gamely but ineffectively by increasing the variety of his products. For this purpose he has usually employed the services of a decorative artist, whose work has proved quite abortive. The result has been to extend the range and complexity of the manufacturing process and to increase costs of production disproportionately. Reference to the pottery industry provides a clear and factual example. Total exports of pottery in the years before the war were in the region of £3,000,000 per annum. The industry was then represented by more than 350 firms—most of them producers of domestic earthenware and china. Each of these firms produced a large variety of "body" shapes and a larger variety of patterns with which to decorate them. According to Miss Moira Forsyth, "A medium-sized firm employing 400 to 500 people was in the habit of carrying about 300 stock patterns, all of which had to be available in tea, dinner, breakfast and coffee sets, so that orders for replacements and matchings could be met." Under these conditions it was not surprising that the industry, as a whole, was unable to compete in an open market with the potters of the Continent and Japan. Professor Sargent Florence has described the effects of design rationalisation in American industry. He has shown that improvements in the functional qualities of such common articles as grocers' paper bags, milk bottles and saucepans have increased demand and cheapened production very markedly.

To quote such evidence is not to plead for stan-

dardisation. The employment of competent designers in industry would automatically result in a limitation of designs through voluntary discrimination and improved demand. Not a little of the public's apparent liking for variety is really attributable to its restless pursuit of articles combining functional and aesthetic qualities at a reasonable price. Where such articles are marketed—and there are, of course, notable examples of successful design in Britain—demand becomes canalised to a remarkable degree.

In the sphere of industrial design British industry has much to learn from America. Mr John Gloag has written:

In America, the man who can design a streamlined tram, a motor-car body, a gas-cooker, a trailer-caravan, an electric iron or a radio set is now regularly consulted as a technician—as a qualified engineer, a chemist, an electrical expert or an architect is consulted.

The results of this policy have been very encouraging. Mr Raymond Loewy, the American industrial designer, estimated in 1941 that \$850 millions worth of goods manufactured to his design specifications would appear during the year. Between 1938 and 1940 the sales of the Studebaker corporation (employing Loewy as designer) increased by more than 125 per cent. In 1940 Loewy's designs for General Motors ("Frigidaire" products) contributed to increased sales amounting to 100,000 units (or a 25 per cent increase over the previous year). These are hard facts and they could be matched by designing successes in Britain. But examples are all too rare.

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There is, however, a growing awareness of the vital importance of industrial design and various independent and public bodies are already at work endeavouring, by precept and example, to educate the business man to a full and effective appreciation of its market value. Much can be done by skilful propaganda as was proved, from 1917 onwards, by the *Svenska Slöjdföreningen* in Sweden. It is too soon yet to say whether the Board of Trade's Utility designs will have a permanent and purist influence on public taste or will produce violent reactions. The Council for Art and Industry was established by the Board in 1934. Its influence has been very considerable. In 1937, on the Council's recommendation, the Board of Trade established the National Register of Industrial Art Designers. The existence of this register enables the manufacturer to select an industrial designer with confidence. Qualifications for registration rest on proof of genuine creative ability. Registered designers have been responsible exclusively for the designs of Utility furniture. Another wise step has been the setting up of a Sub-Committee of the Department of Overseas Trade to consider design in relation to overseas markets. Industrial design cannot flourish under a strict paternalism (in Nazi Germany and Soviet Russia it has become a matter of bureaucratic *clichés*) but before the desired marriage between art and industry can take place both parties will need much prodding and coaxing. The Central Institute of Art and Design, a federation of numerous national organisations covering the whole field of graphic and plastic arts, was formed in 1939. Its services to industry and Government departments have been available in time of war. As the merits of industrial design achieve wider recognition the Institute's work should gain in effectiveness.

An ideal example of the planned use of industrial design in the service of industry is afforded by developments in the cotton industry. The industry now has its own Centre to advise on all problems of design, colour and style. This Centre has embarked upon a policy which should remove a main cause of the overseas decline in the cotton trade before the war—the mediocrity of its woven and printed design. In the long run everything depends on the business man's recognition of the value of the new industrial resource at his command. If his conversion can be speedily effected the future of British exports will be incomparably more bright.

NOTES OF THE WEEK

Bretton Woods

The battle of the quotas at Bretton Woods ended in the inevitable compromise last week-end, and with this major obstacle to agreement overcome, Mr Morgenthau could announce that "the International Monetary Fund has been born." The redistribution of quotas was made easier for the losers by increasing the aggregate contributions from \$8 billion to \$8,800 million. This is how that total was ultimately distributed:

(In \$ millions)		
U.S.A.	2,750	Mexico 90
U.K.	1,300	Yugoslavia 60
U.S.S.R.	1,200	New Zealand ... 50
China	550	Norway 50
France	450	Chile 50
India	400	Colombia 50
Canada	300	Cuba 50
Netherlands ..	275	Egypt 45
Belgium	225	Greece 40
Australia	200	Iran 25
Brazil 150		Peru 25
Czechoslovakia ..	125	Philippines ... 15
Poland 125		Venezuela 15
South Africa ...	100	Uruguay 15
		Bolivia 10
		Luxembourg 10
		Iraq 8
		Ethiopia 6
		Costa Rica 5
		Dominica 5
		Ecuador 5
		Guatemala 5
		Haiti 5
		Salvador 2½
		Honduras 2½
		Nicaragua 2
		Paraguay 2
		Iceland 1
		Panama ½
		Liberia ½

The distribution is at places incongruous. The significance of the quotas can only be derived from the foreign trade of each member country, and to give to the USSR virtually the same allocation as to the UK appears more than slightly absurd. Equally difficult to justify is the grant of a higher quota to China than to France. These incongruities are the price paid for agreement on the wider aspects of the scheme, and the more glaring discrepancies will no doubt be remedied in the light of actual experience. The dispute on the constitution of the executive committee of the Fund has been settled by increasing the number of directors to twelve, five being appointed by the "big five," and two by the Latin American nations, leaving five to represent "the rest." The South Americans thus won their fight, showing as much aptitude in capitalising their newly won creditor status as they have done in other directions in wielding the power of an international debtor. There was some dignified argument about the location of the Monetary Fund and world bank headquarters between the British and US delegations. The Americans won, and it is to New York that the delegates will have to travel in order to attend meetings of the boards. In order to complete the discussions of the second commission, concerned with the reconstruction bank scheme, the conference, which was due to close last Wednesday, was extended to the end of the week. The main argument on this commission has been concerned with the ratio of the bank's guarantees to its capital resources, the proportion of capital that should be made available for rehabilitation and for development (the Latin-American countries fearing that too much would go to the war-devastated countries), and finally, the inevitable fight over representation on the board of the bank. These relatively minor hurdles are being satisfactorily surmounted. One of the most satisfactory features of the whole conference has been the excellent cooperation between the American and British delegations, a tribute not only to the wisdom of the delegates, but to the thoroughness of the preparatory work.

Abnormal Sterling Balances

The problem of abnormal sterling balances has overshadowed a good deal of the proceedings at Bretton Woods. Hardly an issue arose which the Indian delegates could not interpret in terms of their frozen sterling balances. The pressure to get the conference to deal with this and related problems was successfully resisted, and the matter was referred to bilateral discussions between the debtors and creditors. The spokesman of the British delegation at Bretton Woods announced this week that invitations have been sent out to Empire countries with sterling balance problems to meet in London after the International Monetary Conference and discuss the whole question. The Indian delegates have estimated the ultimate size of their abnormal sterling at £1,000 million. The Egyptians have placed the size of their sterling balances at £250 million. The question of abnormal sterling was raised in Parliament this week

during the debate on the new £1,000 million vote of credit. The Chancellor of the Exchequer did not disguise the fact that "we are here presented with a formidable problem of which we have not hitherto in history had any comparable experience."

Houses Under Private Enterprise

The publication of two reports by the Ministry of Health's Central Housing Advisory Committee, together with the second reading of the Housing (Temporary Provisions) Bill on Wednesday make this week a landmark in housing policy. The Private Enterprise Housing report (Stationery Office, 1s.) is a particularly valuable document. Between the wars, private enterprise provided more than 3 million of the 4.2 million houses built in England and Wales, and was subsidised in respect of only 433,000 of these. If the Government's aim of building more than twice as many houses after the war (the target is 10 million in 10-12 years) is to be achieved, both public and private enterprise will be fully occupied. But if both agencies are to be used to meet the same needs, it is only fair that they should be treated on a par. The Government have accepted the committee's recommendation that the Exchequer should subsidise houses built under private enterprise during the early post-war period, subject to conditions about size, construction, rents and selling prices. This is commonsense. No suggestion is made about the form or period of the subsidy, which must vary according to the area and the type of house built, but the Committee thinks that it should be withdrawn as soon as practicable since "given favourable conditions, housing needs can be met without assistance from public funds." The most essential condition is, of course, that the present swollen level of building costs should be reduced and kept in line with the general cost of living. The Committee heard conflicting estimates of post-war costs, but seemed inclined to favour the view of the National Federation of Registered House Builders that houses could sell at 20-25 per cent above prewar prices. Perhaps insufficient account is taken in the report of the reductions in cost which should result from technical improvements, such as standardisation, prefabrication and the economies of large-scale site preparation—but on the other hand, the estimates of labour costs may be too optimistic. In the uncertainties of the transition period, people will tend to rent houses rather than buy them, and the Committee considers that private builders, with financial assistance from building societies, should be prepared to build more houses for letting than for sale. It is a pity, perhaps, that the Committee has rejected the idea of compulsory control over building standards, in favour of a voluntary scheme, and that the Government has accepted this view. Two important recommendations are that the local authorities should provide financial assistance to housing associations, and that a permanent body should be set up to review building costs periodically. One notable omission is the subject of rents, which must wait for the report of the Interdepartmental Committee on Rent Control.

Houses Under Public Enterprise

The ground covered by the Design of Dwellings report (Stationery Office, 1s.) is more limited and specialist. It deals exclusively with the standards of houses built by local authorities, and its recommendations, many of which have already been incorporated in a Housing Manual now being prepared by the Ministry of Health for the guidance of local authorities, do not involve legislation. The report lays down a number of unexceptionable principles: design and construction should keep pace with progress in other fields; local authorities should aim at making their housing estates pleasing to the eye; the standard of rural housing should not be lower than that of urban housing. It suggests a healthy balance between flats and houses; separate accommodation on estates for old people and better provision for single people. Local authorities have already been asked to co-opt housewives on to their housing committees, to em-

ploy trained architects and to appoint more trained housing managers. Flats, it is suggested, should provide more communal facilities and present a less barrack-like appearance than they usually do. The standard proposed for a 3-bed-roomed dwelling, consists of two ground-floor rooms, one for meals and the other for general purposes (or else a dining recess off the living room) a "utility" laundry room, separate bath and lavatory, and adequate outbuildings. Many improvements on prewar lay-out and equipment are proposed, especially for cooking, heating, laundry and cupboard facilities. The report does not lay enough emphasis on the provision of constant hot water, which should probably be included as a minimum compulsory requirement; nor, surprisingly, is there any mention of refrigerators. But, on the whole, its recommendations are attractive and sensible, and the estimated selling price of £467—an increase of 16½ per cent over the better type of pre-war Council house—is not unreasonable, if it can be attained. The question, however, is what control there will be, beyond exercise of persuasion, to secure that local authorities adopt the proposed standards.

Coal and the Commons

Last week's debate on coal in the House of Commons was singularly inconclusive. Members seemed to be so overwhelmed by the weight of statistics in the Ministry of Fuel's White Paper that they were unable to offer any constructive suggestions for improving the coal situation. Major Lloyd George added little to the general picture of the industry presented in the Statistical Digest, and he failed to correct the very gloomy impression created by the declining output figures. His estimate that an increased output of one hundredweight per manshift would result in an annual increase of 10 million tons points to the need for raising productivity and makes all the more disappointing his admission that no large increase in production can be expected before the end of the coal year (i.e., April, 1945) from the use of American machinery. The most encouraging parts of his speech were his statements that eight out of ten "Bevin boys" are proving satisfactory and that a higher proportion of pit production committees are working effectively. It is also satisfactory to know that much-needed surveys of the coal resources of the various coalfields are now being undertaken. Perhaps the most effective speech of the debate was that of Mr David Grenfell, ex-Secretary for the Mines, who described very vividly how miners in the Kent coalfield had stuck to their posts under the invasion threat of June, 1940. Speakers on both sides of the House—who seemed mainly to be either ex-colliers or colliery directors—were in complete agreement about the need for a drastic reorganisation of the industry, though not about the methods. The Labour spokesmen concentrated on nationalisation, using principally the psychological arguments, while the Conservatives favoured rapid amalgamation as an alternative. Both were concerned primarily with production and scarcely any reference was made to distribution though, as will be seen from a table on p. 121, the need for reorganisation of distributive methods is urgent. By and large, it cannot be said that the coal position is any forrader as a result of the debate, and since Parliament will sooner or later have to decide whether or not to nationalise the mines, it seems a pity that MPs should have had so little to contribute to the discussion.

Back to Rome

The Government of Signor Bonomi has transferred its seat from Salerno to Rome. Allied hesitations whether to recognise the Government of Marshal Badoglio's successor have apparently come to an end; and as the fighting lines move towards the north, the new Government will soon be master of the whole of southern and central Italy. Signor Bonomi is now confronted with economic and political problems which it would be difficult to overrate. According to Press reports, the Italians have been notified that after this year's harvest, they will no longer be supplied with food by the Allied relief agencies. It is not clear, however, whether relief is going to be withheld from the whole of Italy or only from those areas in southern and central Italy where this year's crop will be more or less normally harvested. The Lombardy plain is no less important as a food producing area than as an industrial area. If the harvest there is not gathered in this summer, or if a high proportion

of the crop is requisitioned by the Germans, a substantial gap is bound to appear in Italy's larder. In southern and central Italy, the crops ought to cover the demand for the coming year, provided the Government succeeds in buying up sufficient quantities of grain from the peasants. At present the farmers are rather reluctant to sell their produce, because of the chaotic condition of the Italian currency, the wide differences in prices which vary from place to place and—last, but not least—because their money is unable to buy consumers' goods. What is now needed in order to feed Italy is probably not so much to import food as to import shoes, clothing and agricultural implements which would induce the farmers to sell food. Politically, the Italians hope that, owing to its anti-fascist record, the new Government will be able to secure some undefined mitigation of the Allies' still unpublished armistice terms. Signor Bonomi's Government has cautioned the people against unduly optimistic and light minded expectations, and Signor Ercoli, the Communist Minister of State, has warned them that they cannot hope to be painlessly redeemed from their part in the war. Italy, he pointed out, can mitigate the consequences of its defeat only by the most active war effort on the side of the Allies. A mobilisation of some classes and a recruiting campaign of volunteers for the Italian Army are to start soon. The Italian partisans, who fight in Northern Italy, have been formally incorporated in the Army organisation in order to protect them against German reprisals. Even so, the political situation of the Bonomi Government is in some respects awkward. It rather resembles the situation of the democratic Weimar Government in Germany in 1919, which had to bear the odium of supporting the Versailles Treaty which to many Germans appeared unbearably harsh. The difference between Germany and Italy is that, unlike the German Liberals and Socialists, the Italian democratic parties were always genuinely opposed to the military adventures of their predecessors. Even so, Signor Bonomi will need much political wisdom to carry on a regime so loaded with liabilities from the Fascist era.

Vilna and Lwow

The capture of Vilna by the Russians has revived the old controversy over the fate of that town. The Russians in their official communiqué have described Vilna as the capital of the Soviet Lithuanian Republic, for this it was proclaimed to be after the setting up of the Republic in 1940. The Polish Government has protested against this description in a restrained but categorical form, pointing out that it has been the common view of the United Nations that no territorial changes take place during the war can be recognised without the consent of the interested parties. Both Governments, the Russian and the Polish, stick to a formal viewpoint. Until they reach a new frontier agreement the Poles still regard the Riga Treaty as valid. The Russians, on the contrary, think that the *status quo* of 1941 remains in force. Apart from this, the Russians have not shown themselves ready in their recent territorial proposals to envisage the return of Vilna to Poland. This presumably explains their somewhat demonstrative insistence on the "Soviet" and "Lithuanian" character of Vilna. A similar controversy is likely to arise over Lwow now that the Red Army is advancing towards the city. The Russians have often indicated that under certain conditions they would be prepared to return Lwow to the Poles. The proposal of the Curzon Line has not prejudged to whom that town ought to belong. There are two versions of the Line. Under one, Lwow remains on the Polish side, under the other it goes to Russia. Informal negotiations about the resumption of

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Polish-Soviet relations seem to have broken down completely for the time being. And the line which the Russians take about Lwow will be an important indication of their further intentions towards Poland. If Lwow, like Vilna, is claimed as a Soviet town, then the prospects of Russo-Polish agreement are very remote.

After Saipan

The defeat at Saipan has been followed by the resignation of General Tojo's Government. Tojo came to power in October, 1941, and presided over Japan's first sweeping victories. Now the pendulum has swung so steadily towards defeat that the Emperor's advisers have counselled a change in the leadership of the nation's war effort. Marquis Kido, the former Home Secretary, is to be Prime Minister. Other details of the reshuffle are not yet available, and Tojo may or may not retain the post of War Minister. He has managed to identify himself in a special way with the Saipan disaster, for it is the first major engagement to follow his centralisation, five months ago, of all power in his own hands. Until then, at the apex of the military and naval hierarchy, there had been a War Minister and a Navy Minister responsible for the administration of the armed forces and an Army Chief of Staff and a Navy Chief of Staff who were in charge of operations. In February these four offices were fused into two. General Tojo, who was already Prime Minister and War Minister, became Army Chief of Staff as well. At the same time the Navy Minister, Admiral Shimada, became Navy Chief of Staff. Now, apart from the change of Prime Minister, General Yoshijiro Umezu, the former Commander of the Kwantung Army, now becomes Chief of Staff. Admiral Shimada is to remain as Navy Chief of Staff, but a new Navy Minister has been appointed, Admiral Naokuni Nomura.

The loss of Saipan has obviously been a shrewd blow at Japan's military power and at its self-confidence. There are some signs of tension in Japan, of which the readjustments in the High Command are the chief example. Nevertheless, it would be very foolish to over-estimate the effect of this defeat, since it has been countered by a substantial Japanese advance in China. The Japanese Army is making a determined effort to link up its zone of occupation in Central China with the occupied zone round Canton. Changsha has in the past been a frequent scene of battle and this is not the first attempt that the Japanese have made. This time, however, the thrust seems heavier and it is uncertain whether the Chinese can hold it. The effect of a complete junction would be disadvantageous to Allied strategy. It would cut off the American air fields in South-East China and it might strengthen Japan in an area where, according to some reports, Admiral Nimitz finally intends to make a massive landing.

The New Evacuation

The third big evacuation of the war is now taking place. From July 2nd, when the Government announced that the official scheme would be reopened for priority classes in London and other areas of southern England, up to July 14th there had been 207,468 registrations and 152,652 departures, according to a statement by the Minister of Health at the week-end. As usual, the transport arrangements are working smoothly, which is a considerable achievement in view of the present congestion on the railways. But also as usual, difficulties over billeting are being met with in the reception areas. The unwillingness of householders there to receive evacuees has possibly been exaggerated, but there is no use denying that a hard core of resistance exists now as it did in 1939 and 1940-41. In fact, it has probably grown since the blitz days, when the sense of imminent danger united people as never before or since, and invigorated them. To-day, though there are fewer justifiable complaints for the reception householder to make than in 1939—the children are medically examined before departure and deloused where necessary—people are everywhere cross and tired enough to make unwanted guests a resented burden. Moreover, if tempers are frayed, supplies are short. Since 1940, towels have been rationed, other household goods are scarce and dear, and domestic help is difficult or impossible to come by. On a household toiling along on bottom gear, the imposition of another household is thus more than an

inconvenience, and it is ludicrous to pretend, as the billeting authorities claim, that the evacuees do not have to be done for, but need only be provided with facilities for doing for themselves. It is well-nigh impossible for two housewives to share a kitchen and precious pots and pans and maintain good relations, with the result that, as before, it is not the school children, but the mothers with small children whom it is difficult to place. Another grievance lies in the shortage of food, especially milk. Most of the evacuees are in the priority classes for milk, and for the first few days at any rate their priority rations can often only be met at the expense of the residents. This is not to say that householders should not be expected to take in evacuees if they do not want them. To do so is a national duty which they must tolerate with good sense if not with good will, and at the very least with thankfulness that they have not had to experience the flying bomb. But the unpleasantness of their obligation should be recognised. What is wanted is not un-called-for denunciation of the reception areas by London journalists who have never had evacuees billeted upon them, but co-operation from the guests, tolerance from their hosts and all possible facilities and help from the authorities concerned.

Emergency Powers

The Home Secretary had no difficulty last week in persuading the House of Commons to renew the Emergency Powers (Defence) Act for another year; but the debate made abundantly clear that exceptional limitations of individual freedom will not be tolerated for one moment that is not strictly necessary. Mr Morrison pledged the Government to review the emergency powers when hostilities in Europe come to an end. Some of these powers have been earmarked for abolition before that time; some will be swept away with the Nazis; but others will be necessary for continuing the war against Japan and "in relation to the economic problems and equitable distribution of supplies during the transition." Members were content generally to proclaim the orthodox libertarian principles, but Mr W. J. Brown used the occasion to denounce "the unholy alliance between the employers' federations and the trade unions"—an "alliance" which he thought as repressive of personal liberties as any emergency powers. There can be no two opinions about the intrinsic viciousness of the emergency powers and it is natural enough that they should be suspected, in some quarters, of covering the machinations of sectional interests. It is for this reason that the House of Commons, while authorising such powers for the duration of the war, will withhold them, in their present form, when party politics are resumed. The fact that the Home Secretary's licence to employ emergency powers is subject to annual renewal provides opportunities for regular scrutiny and revision.

Peace Terms in Parliament

The end of the war is coming so obviously in sight that Members of Parliament can be excused their anxiety to know what the Government intends to do, once the German collapse begins. That anxiety underlay a series of questions asked in the Commons on July 18th. First of all, there were several smart exchanges on the old topic of the "Two Germanys." Mr Eden had a passage of arms with Mr Stokes and Mr Bevan, the Foreign Secretary maintaining that Hitler was "symptomatic of the dominant sentiments and tradition of the German people," while Mr Stokes and other Socialist Members argued that Nazism was the product of defeat, despair and unemployment. Mr Rhys Davies obviously had the same question in mind when he asked Mr Churchill whether

the Allied Powers, in deciding on the policy of unconditional surrender for the enemy, envisaged the possibility that the workers in Germany might overthrow the present Nazi Government and establish a Communist régime instead, and whether the Allies were prepared for such an eventuality.

From the answers given by the Ministers it must be assumed that the Government does not share the view that there is a non-Nazi Germany to which an appeal can be made. This naturally throws light on its attitude towards the second problem raised in the Commons—could the war be shortened by a statement of the Allied armistice terms, coupled with an appeal to surrender? Many Members were

obviously disquieted by the depth of official silence on this question. They received no comfort. The armistice terms are not yet to be announced. This being so, it is hardly surprising that Mr Stokes got no satisfaction on his final question, in which he tried to discover whether the Allies had decided to detach East Prussia from Germany. Mr Churchill said that there was no secret agreement made at Teheran over East Prussia, but as the armistice terms themselves are still secret, it would be perfectly possible for them to include a clause on East Prussia which, if not secret in the strict technical sense, would nevertheless be completely secret to the House of Commons—or to anyone else who happens to be perturbed over the extent to which the British people may be committed to peace terms which none of their representatives have had any opportunity of discussing.

Turkish Non-Belligerency?

It begins to look as though the dismissal of Mr Menemajoglu will make a decisive difference to the trend of Turkish foreign policy. Talks with the Allies have been renewed, and Von Papen is reported to be taking a very gloomy view of the probable future of Turkish-German relations. It is not likely that the Turks will actively enter the war at this stage, though it is a possibility not to be excluded altogether. It is more likely that they will show their solidarity with the Allied cause by breaking off relations with Germany, a step which might perhaps be accompanied by the concession of some bases and other "non-belligerent" aids. The risk of German reprisals cannot be completely dismissed, and as long as this is so, more direct intervention is unlikely. On the other hand, the Turks were deeply perturbed by their isolation in the Spring. The absolute balance between safety without influence and responsibility with risk is difficult to find. Mr Menemajoglu leant over too far in the direction of neutrality. A lean in the direction of cordial non- or pre-belligerency may now correct the bias.

Dual Power in Yugoslavia

After the formation of the Yugoslav Government, under Dr Subachitch, it was generally assumed that the new arrangement meant reconciliation between King and Partisans. The dismissal of General Mikhailovitch, the former Minister of War, seemed to bear out that interpretation. It was also assumed that two of Dr Subachitch's ministers were direct representatives of the Partisans. A recent statement from Marshal Tito's headquarters shows that these assumptions have probably been somewhat hasty and inaccurate. Marshal Tito has declared his confidence in the two ministers who were said to represent the Partisans, but he denied the report that they spoke for his movement. The attitude of the Partisans' leader towards the new Government appears to be one of friendly expectancy, but not of complete solidarity. Nor does Marshal Tito seem to have accepted the new Government as the sole Yugoslav authority. While he recognises it as the legal representative of Yugoslavia abroad, he reasserts the claim of the National Committee of Liberation to act as the competent authority in Yugoslavia itself. The dualism of power is to end at some later stage, when the two Governments merge into one. As in Greece, reconciliation with the dynasty seems to arouse opposition among the radical groups of the Partisans. But unlike the leaders of the EAM at the Lebanon Conference, Marshal Tito has been more cautious in framing the terms of the compromise. He has probably thought it expedient to agree only to terms which would be more or less acceptable to his followers. Given his great prestige with the Partisans, he may perhaps succeed in making the reconciliation effective by stages, since reconciliation "at a stroke" seems to be impossible. The incident illustrates rather clearly the social and political tensions prevailing in Yugoslavia. In addition, the representative character of Dr Subachitch's Government continues to be emphatically questioned by many Serb politicians, who claim that the peasants in Serbia proper are still firmly behind General Mikhailovitch. Whatever the truth, there seems to be no possibility for the time being of forming any Government that would suit the political tastes of all the national and social groupings in Yugoslavia. In the absence of any better

alternative, Dr Subachitch's Government may possibly be the best political combination that meets the needs of the moment; but its limitations ought not to be overlooked.

Workmen's Compensation

The British system of workmen's compensation is moribund. Most of its numerous defects spring from the faulty principle on which the pioneer scheme of 1897 was based—that the employer is legally liable "to compensate any employee for loss of earning capacity due to accident or industrial disease arising out of and in the course of his employment," irrespective of any direct or indirect negligence on the part of the employer, and in spite of negligence by the employee. Long adherence to this principle has produced a system that rests, in the last resort, on the threat or practice of litigation, and, for that reason, necessarily has some elements of suspicion and grievance. The scheme fails in its main purpose of providing adequately for all industrial casualties; it does not promote the conditions necessary for the successful rehabilitation of those temporarily or partially disabled; and its administration is piecemeal and costly. The Government are committed to a policy of reform. The elements of a reformed system are not hard to state. It should guarantee the worker an adequate income should he become, for any reason, an industrial casualty; it should enable the worker to recover damages for injury caused by the direct or indirect negligence of his employer or fellow workers; and it should remove the employer's liability to compensate for injuries and accidents for which he cannot reasonably be held responsible. Whatever the system of financing the Government's scheme it is certain to prove controversial. The monetary burden of industrial disability should be shared by as many shoulders as possible, but separate firms and industries with so-called "clean" records in industrial health would not easily be persuaded that a pooling of responsibility is necessary.

A report on "The Law and Employer's Liability" issued this week by Mr Quintin Hogg and six other Conservative MPs, puts forward somewhat vague proposals as alternatives to those contained in the Beveridge Plan. The report is so loosely worded that comment upon it can be based only on an estimate of the authors' intentions. The first recourse it is proposed should be to National Health Insurance, to which both employee and employer have contributed and on which they have a justified claim. But in addition to these subsistence benefits the employer should be liable to make up an injured employee's income to two-thirds of his earnings before the accident. It is suggested that the principle of compulsory insurance should be extended to all employers, and that the State should underwrite the solvency of insurers. This "doubledecker" proposal of a private liability, compulsorily insured, on top of an orthodox social insurance scheme is an interesting variant. Certain statements in Mr Hogg's report suggest, however, that he has not fully appreciated some of the real disadvantages of the existing system. Thus there is little recognition of the need to reduce administrative costs, or of the need to remove the control of the rates of industrial disability benefits from the jurisdiction of courts of law and the atmosphere of litigation. On the question of commutation the report suggests the abolition of the employer's right to insist on composition, but finds it "a doubtful move to abolish the ability to commute altogether."

Schools for Londoners

With the Education Bill well on the way to the Statute Book, the time has now come for local authorities to consider the reorganisation of their schools within the new framework. The London County Council is among the first to tackle the problem. Its Education Committee is to study various recommendations and plans, and it has already accepted the suggestion that London should be provided with "comprehensive high schools," each with about 2,000 pupils. The idea, apparently, is to avoid the differentiation in status, as unfortunate as it is undeniable, that is commonly drawn between the grammar and technical school and the "modern" or senior elementary school. The motive for the

change is a laudable one. There can be few things so demoralising or hampering in development, as for a school to feel itself inferior and a home for dullards. To counteract this tendency, which is bound to persist so long as the pupils of one school are due to leave at 15 or 16 and those of the other at 17 or 18, everything must be done to prevent the standard premises, staff, equipment and amenities of the "modern" school from sinking below that of other post-primary schools. The proposed solution, largely based on the urban American high schools, is one which it would take many years to establish. The general sub-committee of the LCC which has submitted it admits as much, since 90 sites of 8 or 9 acres each have to be found in place of the existing premises which, before the war, housed 963 separate post-primary schools. The re-organisation would inevitably be slow and difficult and it should be firmly established that the ultimate goal is desirable before it is begun. It has not yet been satisfactorily proved, for instance, that the weight of such large numbers of children in one school does not bear heavily on the administration, the headmaster or headmistress and finally on the children themselves. Secondly, it should be realised that the new schools would necessitate much longer journeys—twice a day and probably at rush-hour periods. The LCC should consider whether as much could not possibly be accomplished by a more complete integration of school activities rather than of school buildings, so that exchanges of staff and special amenities and other administrative measures might foster a feeling of greater unity between all types of local schools.

Durham's View

The proposal of the North-Eastern Electric Supply Company to erect a large generating plant at Durham has caused heated opposition, and has led to an appeal for a public inquiry made to the Minister of Town and Country Planning by the Bishop, the Dean, the University, and others. It is the threat to the celebrated view of cathedral and castle from the railway which has aroused the strongest protests. Many of them have clearly been made without any knowledge of the actual site chosen, which lies, in fact, on the northern outskirts of the city, and would not affect the foreground of this view. It is true, however, that the two high chimneys and three high cooling towers of the plant would preside over the city jointly with the cathedral, and, however well designed—and the opportunity for good architecture certainly exists—they would be bound to clash sadly with the medieval atmosphere of the city. The City Council have decided not to oppose the proposal, provided that no alternative site is available. It is hard to believe that there is not an equally suitable or more suitable site to the north of Durham itself along the river Wear. Here lies a depressed industrial area, where the arguments of bringing work and prosperity, used by the scheme's supporters, have surely still greater justification. It would be short-sighted of Durham to concentrate on its own prosperity rather than on that of the area as a whole. There may be good economic reasons for choosing a site within the city's boundaries. But, until they are stated, the man in the Durham street as well as the man on the Flying Scotsman is likely to be more swayed by aesthetic considerations.

Future Doctors

In the long run, the success of a national health service depends, not on its organisation—on whether it is administered by central authority, local authority or the medical profession—but on the quality and quantity of doctors. The White Paper on the health services admitted this by implication, but the supply of doctors was left undiscussed until the findings of the Inter-Departmental Committee on Medical Schools (the Goodenough Committee) had been made known. This committee's report has now been published. For improving the quality of doctors it makes many valuable recommendations. The committee was not concerned with the details of medical curriculum, but its conclusions on the outline of a student's training are very much in line with those of the sub-committee of the Royal College of Physicians published in May. It recognises, that is, that the medical student to-day is so overloaded with facts that he loses all sight of principle and method. Further, he spends his clinical training under different specialists

who very rarely see their specialty in relation to medicine as a whole. He thus becomes a jack of all specialties and anything but a master of general medicine. When he comes to practise it, he tends to rely more and more on the removal of symptoms, in which he is helped by the great advance in therapy in recent years, instead of concentrating on the diagnosis of disease. The Goodenough Committee emphasises that potentially good doctors must be found by drawing students from all sections of the community, which will involve a larger and better system of grants, including adequate maintenance grants and family allowances where the student would otherwise be expected to contribute to the support of his or her family. Like the Royal College of Physicians, the committee is also in favour of a system of selection, as well as examination, in admitting students to medical schools. Secondly, it emphasises that the student should be a person with a good general education, that early specialisation in vocational subjects is to be avoided and that "there is no better background to a medical training than a university course of study in some other faculty"—in, for instance, the classics, history, languages or pure science. But even good students have to be well taught. At present, very few clinical teachers hold whole-time appointments. Most of them are consultants and specialists who earn their living through private practice and can, therefore, spare only a few hours a week to their unpaid teaching work. The Committee recommends that every medical school should be an integral part of a university—as is already the case with one exception in England and three in Scotland—and that the staff of every medical school should include a whole-time professor in each of the departments of general medicine, general surgery, and obstetrics and gynaecology. There should be many more whole-time appointments, senior, intermediate and junior, and though specialists who are part-time teachers are recognised as having an essential contribution to make to the training of students, the Committee realises that clinical teaching is a specialty of its own and that the best doctors are frequently the worst teachers.

But though there will probably be general approval of the Committee's recommendation for improving the quality of doctors, the question of their supply, and particularly of their distribution, is dealt with less satisfactorily. The Committee "assumes that more doctors will be needed." At the beginning of this year, those in active practice, including those temporarily serving with the Forces, numbered 45,413, which is roughly equal to 1 per 1,000 of the population. (The number of general practitioners is roughly taken as 1 per 2,000 of the population.) The Committee takes "a cautious" view of the increases that will be needed to implement the new health service, and comes to the conclusion that if the existing medical schools enlarge their entries to admit a total entry of 2,500-2,600 students a year, the supply of doctors in civilian practice in Great Britain may be expected to have grown to 50,000 by 1953 and 55,000 by 1958. But, from the point of view of the public, it is the distribution of doctors as much as their total supply that is important, particularly the distribution of consultants and specialists. At present, the chief drawbacks of the medical schools are the concentration of schools and students in London and the absence of schools in certain areas such as East Anglia and the south-west. Yet the Committee recommends no big dispersal or amalgamation. It disapproves the LCC's plan to found another medical school, based on an LCC hospital, and it recommends that Charing Cross Hospital be moved into Middlesex and St. George's to a site in south London. The Committee also recommends that the West London Hospital school, founded solely for women students, should close, since it comes down firmly and rightly for co-education in the other schools. It is also recommended that every medical school should have access to 1,000 hospital beds, which will mean the association of other hospitals, including local authority hospitals, with the teaching hospital. From the point of view of medical education, these recommendations may go far enough. But if the Government were relying on this Committee to produce a scheme which would involve a dispersal of consultants and specialists it will be disappointed. There will be a better organisation of their services within the present framework, but hardly a better distribution of their services to the country as a whole. Thus, the organisation of a consultant service, one of the worst omissions of the White Paper, is still left in the air.

AMERICAN SURVEY

Presidential Priorities

(From Our Washington Correspondent)

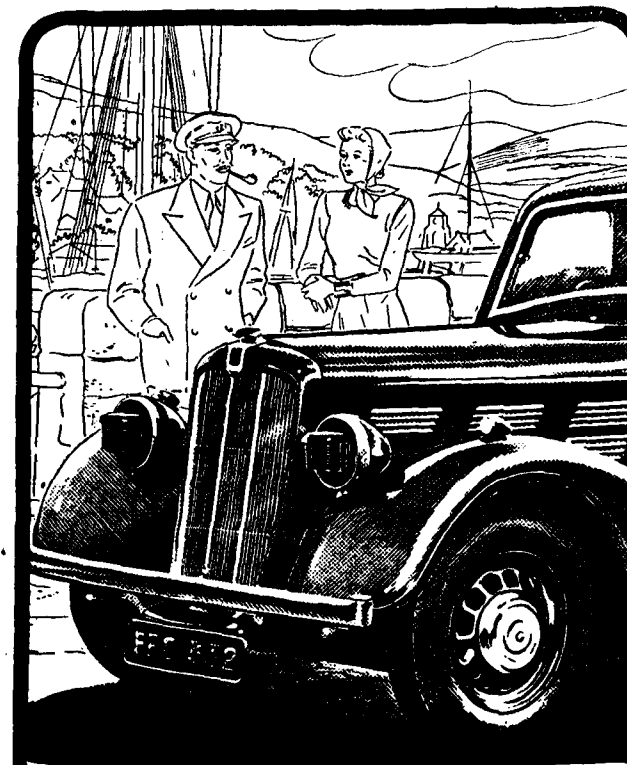
THREE separate strands have to be woven into the strategy for the election in November. One will be woven by the generals and by the course of military events. The other two are largely a matter of choice for the President.

Parallels between the country's other war-time election, in 1864, and the present, are many and pertinent, but none is more likely to hold true than the influence that the course of military events will exercise on the contents of the ballot box. If the impression is general that the war, while not over, is being well fought, support for the Administration responsible for its direction can be predicted. In this very cynical war, it is hard to say how much the public will assess ideological victory along with military victory. Probably the country will be more interested in square miles recaptured, rate of casualties, signs of developing German and Japanese weakness, than in the name and spirit in which such gains are won. Yet the political record that was an integral part of military operations in North Africa and Italy, and the civil and military responsibility that was placed as a double burden upon General Eisenhower when he embarked for France, do confuse and disturb a proportion of the electorate; the results of these policies,

besides the purely military progress achieved, will have a certain effect on the enthusiasm of the Roosevelt vote.

Obviously, the President has little say in the military victory. Unconditional surrender, first of Germany, then of Japan, is a formula which permits of variations only in military strategy. But when it comes to the transition to peace, now occurring before fighting has reached its climax, and to the post-war problems which are preceding the end of the war, not only strategy, but priorities, remain to be established. And these priorities are election agenda of a prime order.

In determining those priorities and in picking the issues for his election campaign, the President has to have two distinct objectives in mind: to win in November, 1944; and to win in circumstances which will also permit him to win in Congress in 1945. Unless all the effort that he has spent in avoiding a repetition of the Wilson story is to be in vain, he must rate the second objective as equal to the first. Nevertheless, he must address himself to different audiences for each. For re-election, he most badly needs the help of the left-of-centre groups, of which the CIO Political Action Committee is typical. For successful relations with Congress, he must woo the Conservatives, led by the Southern

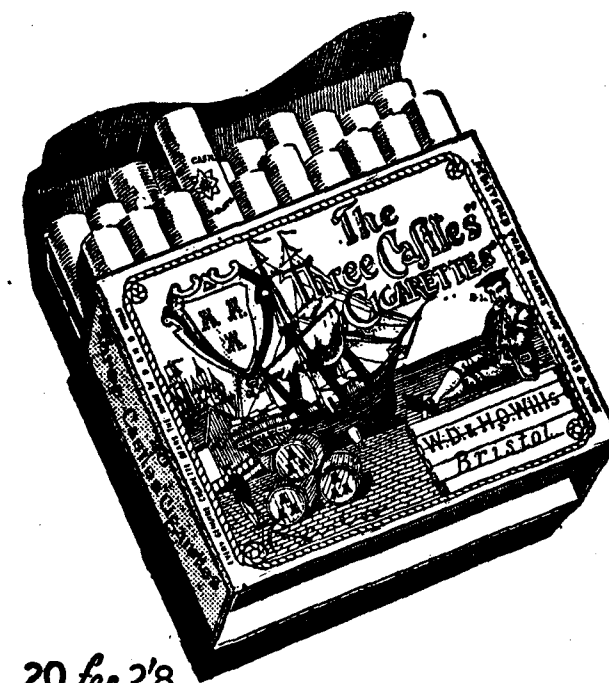


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Democrats. The right of his party can be disregarded in the elections but is strong in Congress; the left has few representatives in Congress, but can command votes in the crucial states. To attain both his objectives, the President must carry both wings with him. If he cannot do that, he must make a choice.

The South is beginning to realise that its bargaining power at election times is low, because of its traditionally solid adherence to one party. This realisation is currently witnessed by the move to allow to the electoral college—that is, the body of 531 delegates from the States who do the final electing (the election on November 7th is, formally, to choose the electoral college, not to elect the President)—a discretion which that body has rarely exercised since the appearance of parties on the American political scene. During the New Deal honeymoon, the Democratic National Convention abandoned its former two-thirds rule for the nomination of candidates; now, with selection on the basis of a simple majority, the South's delegates no longer hold a veto power. But in the electoral college, if the 148 votes represented by the Southern states (it takes 266 to elect a president) were not committed to the party's choice, the election could either be decided in the college, without reference to the popular mandate, or be thrown into the House of Representatives, as the Constitution prescribes when the electoral college does not show a majority. The official Democratic organisations in Texas, Mississippi, and South Carolina are already toying with this possibility. Their candidate might be Senator Byrd, who also has some support in Louisiana and in his own state of Virginia.

Meanwhile, the pro-Roosevelt forces are considering the possibility of an appeal to the courts, in which they would hope to establish the force of precedent as binding the electoral college to the people's choice. They are aware that the South can outsmart itself by short-circuiting the popular majority; constitutional abolition of the electoral college, stimulated by such tactics, might be coupled with abolition of the poll tax as a condition of voting in federal elections. So far as November is concerned, the conservative Democratic efforts may not amount to much. As long as the South reliably adheres to a one-party system, it will have to strain hard to get political consideration at election time. But in Congress next year? That is another story.

The Left Wing

The CIO Political Action Committee is currently being given great credit, particularly by Conservatives, for its effect on the recent primaries—Liberal successes in Alabama, Florida, California, Oregon are credited to its organisation, and its registration record is thought to have contributed to the ill-health of Mr Dies in Texas. The homely precinct touch of its local committees is an asset that politicians understand.

Moreover, an issue congenial alike to left-of-centre groups and broader populations through the country was dumped on to the front pages and into political laps by the sit-down strike at the Brewster plant, which until recently produced planes for the Navy.

The Brewster incident was an impressive post-war preview. The plant has been a focus of difficulty from the beginning of war production. Conspicuous inefficiency of management, reflected in both costs and delivery schedules, led the Government to insist on changes last fall, when Henry Kaiser was brought in to straighten out the kinks. The company operates two plants, one in New York that makes parts, and one in Johnsville, Pennsylvania, that assembles the planes. At the end of May, the Navy terminated its contract with the company as from July 1. That constituted a month's notice as far as assemblies were concerned but practically no notice for the manufacture of parts further back up the production line. Dismissals at the New York plant were therefore made immediately. A "stay-in" strike was staged by the workers in protest; it was called off by the union (United Auto Workers, CIO) when Government investigation of possible new contracts or alternative placements was promised.

For practically all of the Brewster employees who had been dismissed getting new jobs meant dislocation, moving families, finding new ways to get to work, etc. Some of them are being hired for war-work elsewhere at their top skills and at the rates they got at Brewster. Others, who are returning to their pre-war jobs, are taking a cut from about \$1.06 an hour to about 67-70 cents, with a correspond-

ing effect on total earnings. A certain number are still looking.

The importance of the incident is that a case involving only a few thousand people has shown the country a sample of what will happen when setbacks of 30-40 per cent of entire war-production programme follow the defeat of Germany, perhaps within the year. It takes little political perspicacity to grasp the relevance of the resulting question: What is going to happen to me? From the left-of-centre standpoint, therefore, nothing would be more desirable than for the President to base his election appeal on a satisfactory answer to that question. But what will be the effect, after the election, if the answer embraces policy that the conservatives do not like?

The Republican groundswell about which much was said some months back may have considerably less than the tidal proportions given it by earlier estimates; the Political Action Committee may be able to widen, at the election, its success at some of the recent primaries. But even if both these assumptions were fulfilled, the present nearly-equal division of the House would need to be remembered, including the number of right-wing members who will be without significant opposition in November. In the Senate, a move toward the left is even less visible. What about votes on foreign affairs in 1945?

The present probability is that the President-candidate will give the campaign minimum attention; an overseas trip in the midst of it might have the character of a political gesture. It is also not impossible that Congressional voting on foreign affairs, as military victory comes in sight, will likewise be kept at a minimum with a fluid series of executive agreements taking the place of peace conference and peace treaty.

But some votes there will be, in November and later, and therefore also some Presidential choices on how best to win, both times. The old choice between Henry Wallace and Jesse Jones keeps on presenting itself.

American Notes

The Vice-President Reports

Mr. Wallace has a keen and imaginative eye for new frontiers. He has perceived one in Asia, an opportunity for American economic leadership to confer great benefits and reap both material and spiritual gains by raising the standards of living of the Pacific peoples. In his first report last week he subscribed to what might be called the new Pacific School and to a belief in what he called the "manifest destiny of the West of America and the East of Asia" and their potentialities for new trade, new investment and new accomplishments. He urged that vigorous trade with China and Asia would greatly increase the population and prosperity of the American north-west; and that in China there was an opening for almost unlimited American technical and material assistance, "given on a businesslike basis." While agreeing that China would and must be industrialised, Mr. Wallace, with a farmer's eye, insisted that this must be preceded and accompanied by agrarian reform—a "New Deal for the Chinese farmer." This reform would require technicians, information, agricultural implements, fertilisers and insecticides. Machines for transport, by sea, air and land, as well as machine tools, and materials, will be needed.

Mr. Wallace's speech was interesting, but nothing in it was sufficiently startling or out of character to affect his political future, being decided this week at Chicago. Normally, the nomination to the Vice-Presidency is not a great issue. It is characteristic of the extraordinary nature of this year's election that the main drama should centre about Mr. Wallace rather than about the unprecedented spectacle of any man running for a fourth term. In part this may be due to the belief that this time Mr. Roosevelt's Vice-President stands a good chance of succeeding to higher things, should Mr. Roosevelt be translated to some more cosmic post or should his health prove unequal to the full four-year strain. In part it is also due to the fact that through force of personality and circumstance the Presidential nomination is outside controversy, and the only expression of the stresses in the Democratic Party is to be found in the vice-presidential selection. The choice this week may cast an interesting light on the relative weight pulled by the party's Conservatives and New Dealers. Mr. Roose-

velt has expressed his personal preference for Mr. Wallace, but not with the emphasis of a command, and the nomination may go to one of the other contenders, of whom Senator Truman of Missouri seems to be emerging as the main challenger. But such speculation pales into insignificance compared with the fashion in which the country, which found a third term hard to swallow, has become so inured to the idea of a fourth term that it has to turn to the vice-presidency to find a real issue.

OPA and Cotton Prices

The compromise on the Bankhead amendment to the Price Control Renewal Act will increase prices at cotton mills by about \$150 millions a year, according to an estimate by the Price Administrator. The extent of individual increases still is being worked out, but according to the provisions of the Act they will be effective from June 30. The Act provided that each major textile item should be considered separately, to determine whether its ceiling price reflected parity prices to the cotton grower. This provision was contested by industry representatives in meetings with OPA representatives. They proposed instead that there should be an all-round temporary increase, equal to the rise in the cotton parity price since May 31, 1942, plus all increases in labour costs. According to Mr. Bowles, the Price Administrator, this would have meant a general increase in mill prices of more than 10 per cent, equal to more than \$200 million a year. He insisted that such an interpretation of the Act would shock both Congress and the country, and that Congress could justifiably resent being saddled with the responsibility for the resulting increase in prices to the consumer. Instead, OPA has determined to authorise increases on only the following items: combed and carded cotton yarns, sheets and pillow-cases, denims, chambrays, combed yarn fabrics, and grey print cloths, the categories in which it might reasonably be charged that the price ceilings were too restrictive. Mr. Bowles has not retreated from OPA's often repeated assertion that, in general, textile ceilings permit the payment of parity prices to the grower as well as fair margins to the manufacturer; and he has nimbly assumed the support of Congress in beating off the second frontal assault by the industry. The modified victory won by the cotton manufacturers and growers is not the major difficulty presented by the renewal of the Act. In signing the Bill, President Roosevelt remarked that if the relaxation of penalties for non-wilful violation of rationing regulations (and who violates an act wilfully?) proved an insuperable obstacle to efficient enforcement, he would return the Bill to Congress for reform. That the amendments weaken enforcement there is no doubt; how seriously will be shown by the experience of the next few months. It is doubtful, however, no matter how injudicious the relaxation of penalties is proven to be, that Congress will be willing to tighten controls at a time when the war will, presumably, be close to a successful conclusion, and the campaign against restrictions more vigorous than ever.

Economic Charter

Plans for an Economic Charter, to create a world of expanding trade and equal trading opportunities, have been submitted by a group of economists to the recently established Committee on International Economic Policy, headed by Mr. Winthrop Aldrich, of the Chase National Bank. The theme of the report is the great contribution which can be made by freer international trade to stable employment and high living standards, and the unique opportunity offered by a moment when the "established patterns of costs and prices have been dissolved by the pressures of war." It is proposed that the United Nations should establish an International Economic Organisation to supervise the carrying out of the principles of the Charter. These principles follow fairly closely the acknowledged characteristics of official American economic policy, and include the barring of discrimination against alien traders and the "most favoured nation" policy; the modification of regional arrangements such as Imperial Preference in return for the reduction of the American tariff; the prohibition of exchange control used as a trade barrier; elimination of export subsidies to commodities in world surplus, and abolition of excessive export prohibitions and taxes, and of import restrictions and

quotas. There is evidence of a growing interest in post-war trade outlets for American goods, and the distinguished businessmen who constitute the membership of the Committee on International Economic Policy no doubt share the belief that foreign trade may help to solve the employment problem of the fifties, as well as hoping that advantage may be taken of the opportunities to lower trade barriers. They are more certain of a sympathetic reception in the United States for the first proposition. The need of searching every avenue for solutions to the problems of employment is widely appreciated. But it is more doubtful that they will make a lasting impression on the resurgent economic nationalism of the United States. Understanding of the political requirements of stability has gone much further than appreciation of the economic underpinnings. The question might also be raised whether too much emphasis on the American stake in foreign trade does not tend to put the cart before the horse. Foreign trade may well constitute the "crucial 10 per cent" of American business. But if after the war the American national income can be maintained,—not, indeed, at the war levels, but at a level high enough to keep unemployment at a minimum—foreign trade will be correspondingly stimulated. If the domestic problem cannot be solved, no amount of agreement to reduce trade barriers or clutching at export markets will suffice.

Detroit Dream

The dispute between the War Production Board and the Services over the advisability of allowing men's minds to turn, to a limited extent, to the problems of peace-time production has been postponed rather than decided. Part of Mr. Nelson's programme is to go into effect at once; the rest is to be delayed for a month in deference to the Services. It appears that one phase of the programme has aroused dissension within the WPB itself. This is the provision that regional directors of the Board be allowed to release manufacturers from war restrictions on an individual basis. The opposition comes from the automobile industry. Representatives of the industry have refused the Board's offer to let them plan for the resumption of civilian production, on the grounds, apparently, that they want a guarantee that they will all start together. The Board has issued what is called a "dream sheet" to guide industry back from war-work into the manufacture of everything from cars to bobby pins. The prospect for the automobile industry is for immediate production of 2 million cars a year as soon as hostilities with Germany are over. Prices, it is thought, will be about 25 per cent higher than those before the war. One Detroit headache is the intentions of Henry Ford. Mr. Ford has prophesied that his company will be producing cars within a month of victory; and he sees no reason why prices should be higher than they were before the war. It is not clear how seriously this threat is taken. Detroit is full of rumours of the imminent disintegration of the Ford company. Resignations among high Ford executives are not new, but they have been plentiful recently. Willow Run was hardly proof of the supremacy of Ford organisation. Henry Ford himself is 81, and his grandsons are too young to take over control of the business. But the fact remains that Ford has always been a maverick, unwilling to make agreements with other companies; and he has the resources and the plant to make the Detroit dream a rather uncomfortable nightmare. The determination of the rest of the automobile industry to hang together may hinge as much on what Ford may do as on their fear of outsiders breaking into the business. There is also a certain alarm—not felt in Detroit alone—that public expectation may have to be taken down a peg or two. The advertising profession has gone so far in prophecies that the "age of alchemy" is just around the peace that some wholesome debunking is needed.

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THE WORLD OVERSEAS

Algiers at Work

GENERAL DE GAULLE has returned from Washington to Algiers with the assurance that the sovereignty of France and the integrity of its Empire will now be scrupulously respected by the Allied forces in France, and that the Americans, as well as the British, have recognised the Provisional Government of Algiers as the sole *de facto* authority over all liberated French territories. This puts an end to the anxieties and suspicions that were rife among Frenchmen until recently. The fear of a new version of Darlanism has been effectively allayed. General de Gaulle's personal prestige has grown; to many Frenchmen he now appears not only as the champion of France in its struggle against Germany, but also as the man who reasserted the rôle of France among the Allies. On the other hand, the clarification of the Allied attitude towards France and its provisional Government has undoubtedly served to increase the confidence of the French people in their allies; and it has done something to prevent the French from drifting into a mood of morbid national ego-centricity. The new position ought also to stimulate serious political discussion among Frenchmen who have until quite recently avoided raising controversial issues of domestic policy in the fear that internal controversy might be used abroad as a reason for not recognising the Provisional Government.

The Provisional Government has in the meantime speeded up the building of a new French administration. It has invalidated all laws and decrees of a political character passed by the Vichy Government since the conclusion of the Armistice—such as the constitutional laws, the laws on racial discrimination, and the decrees designed to promote collaboration with the invader.

A new decree issued on July 8th defines the status of the regional Commissioners, appointed by the Provisional Government to administer the liberated areas. The Commissioners form, according to that decree, the "provisional administrative body" in those zones in which civilian administration is devolved upon them by the Allied Supreme Command. They will be responsible for military security behind the Allied lines, for the re-establishment of Republican law and for the economic needs of the civilian population. They are to be directly responsible to the Provisional Government. Only when they are unable to communicate with the Provisional Government, and only for so long as the interruption of communications lasts, are they endowed with wide emergency powers. The regional Commissariats replace the Prefectures appointed by Vichy.

The Commissioners are also entrusted with the task of ordering and supervising the elections of new French legislative bodies in accordance with the ordinance of April 21st last. This ordinance, it will be remembered, provided for elections in three stages. Immediately after the liberation of any department there were to be municipal elections followed by the formation of a General Council in each department. In the second stage the General Council were to choose delegates to the Consultative Assembly; and only in the last stage, not earlier than a year after the complete liberation of Metropolitan France, were General Elections to the Constituent Assembly to take place.

In the light of experience in areas liberated so far it seems that this scheme will have to undergo some modifications. For various reasons, municipal elections have had to be postponed in all freed territories. In Corsica the delay has been due to the fact that the island has been a military zone. In Algeria some groups of Moslems are being enfranchised; and until this is finished there can be no complete voters' register. Similarly in France, the municipal elections and the formation of the General Councils will be delayed not only by military considerations, but also by the need to draw up a new electoral register in connection with the recent enfranchisement of women.

For some time, therefore, the Consultative Assembly will remain what it is now, a relatively small body with little effective control over the activities of the Provisional Government. How that Government will use its extremely

strong position is a question to which no reassuring answer can be given on the basis of recent experience. The authoritarian tendency in the Provisional Government has now found a fresh expression in the new press law which has created a legal framework for bringing the whole French press under the strict control of the Government. Ostensibly, the press law is directed against the Vichy press only; it provides for the closing down of all newspapers published under Vichy, and for the requisition of their printing shops and facilities for distribution. A "syndicate of the clandestine press" will transform the clandestine papers into large and openly published dailies and periodicals. The authors of the press law are not satisfied with this. In future the publication of newspapers will require special licences to be granted by regional Commissariats of Press and Information. The Commissariat of Information will have the right to suspend every publication, and to deny journalists the right to work in their profession. All broadcast and information services, as well as film productions, have also been subjected to the Government's control.

In so far as the new press law aims at the closing down of the collaborationist press, it is difficult to criticise it. But the closing down of the collaborationist press ought to be a single measure which the Provisional Government would carry out under special powers over a strictly limited period of time. The new law, however, makes the Government permanent master over the life and death of the French press. In the history of French press laws it can only be compared with the despotic Bonapartist press law of 1852, of which it is almost a replica. The new press law has been supported by some Algiers papers as an indispensable remedy for the corruption of the French press under the Third Republic and for its dependence on sectional interests. No doubt the press of the Third Republic suffered largely from these evils; but it is difficult to avoid the impression that the remedy now devised is more likely to kill than to cure. For the old dependence of the press on financial interests, which was not, in any case, very complete, there is now substituted total dependence on the single control of the State.

The press law is only one example of the difficulties created by the undoubted necessity of some sort of purge in France. The Augean stables of Vichy must obviously be cleaned. But it would be disastrous if in the process the Gaullist administration were to acquire "iron brooms" with which to sweep away any independent groupings or tendencies. Decrees covering the purge continue to multiply. A new and interesting addition to them has been the "law of national unworthiness"—*indignité nationale*. Unlike the other decrees covering the punishment of traitors, this decree is apparently directed not against outright traitors and collaborators, but against a rather undefined category of Frenchmen who have been lacking in "national dignity." Citizens in this category will be deprived of their civil rights for not less than five years. If rightly and justly applied, this law might help to eliminate the "guilty men's" influence from French political life. But if used in a partisan spirit the same law could be employed to disfranchise the "intractable" men belonging to any opposition.

This fixation on the purge tends at times to tragi-comedy. This week the Consultative Assembly at Algiers excluded one of its members, M. Serda, former deputy for Bone, on the ground of his association with Pucheu. At the same time, the boomerang of the purge turned against a member of the Government itself. M. Frenay, the Commissar for Prisoners of War and Deportees, has also been attacked in the Consultative Assembly as a friend of Pucheu. It can be seen from these two incidents that the aftermath of the Pucheu trial can still be felt at Algiers. The busy production of quasi-authoritarian decrees, and the regular witch-hunting in Cabinet and Assembly, provide a strange and melancholy contrast to the great drama of liberation in France itself, in which the French people are playing so active and heroic a part.

Canadian Mutual Aid

[FROM OUR OTTAWA CORRESPONDENT]

THE first report of the Mutual Aid Board contained an effort to present items in terms of material rather than of dollar values, so as to reflect the scale of assistance furnished by Canada in non-financial terms. The same device, of course, would place the commercial trading relations among nations in a different light than the usual one of a settlement of cash values.

The cost, nevertheless, is met in dollars and cents, though they are furnished by the Canadian Treasury. In the ten-month period to March 31, 1944, covered by the report, the Mutual Aid Board expended \$912,603,000. The new appropriation for 1944-45 was \$800 million, of which \$67 million was earmarked for UNRRA. This vote unexpectedly faced less opposition than did the corresponding billion dollar appropriation the year before. It was carried by 122 votes to 8, the nays all being French-Canadian nationalists. Their arguments are mainly that Canada is over-exerting itself in the war, a plea which becomes understandable when one examines the disruptive effect of the war upon the old social fabric of French Canada.

Mutual aid represents an important sector of the Canadian war effort; and Government supporters pointed out to the dissenters that substantially less war employment would exist without mutual aid. Out of a war expenditure of some \$15 million, mutual aid and its earlier counterparts accounted for the following items:

Aid to Britain, 1942	1,000,000,000
Repatriation of British-held debt	700,000,000
Interest-free loan to United Kingdom	700,000,000
Purchase of U.K. assets in Canadian plants	200,000,000
Private repatriation of debt	100,000,000
Mutual aid, 1943	1,000,000,000
Mutual aid, 1944	800,000,000
Total	\$4,500,000,000

Somewhat less than one-third of the Canadian budget costs for war, therefore, represents assistance to Allied countries at Canadian expense. The chief recipient has been the United Kingdom.

War Exports

The mutual air report makes it abundantly clear that British ability to buy in the Canadian market has been by no means exhausted. Britain has bought and paid for more war supplies in the past year than Canada has furnished free of charge. Over the same period, mutual aid to Britain was \$723,753,000 and British purchases in Canada were \$1,149 million. The report made by Mr Howe, as chairman of the Mutual Aid Board, gave both the actual goods furnished and the cost of them to Canada. The list included 42 Lancaster bombers; 102 Mosquito bombers; more than 600 other planes, mostly trainers; 551,900,000 rounds of ammunition; 2,014 universal carriers; 92,648,000 lb. of chemicals; 17,536,000 lb. of explosives; 39,149 Bren guns; 78,585 transport vehicles; 16,183 wireless sets; 534 landing craft; 90 vessels of 10,000 tons each, and so on. The list includes military clothing and food supplies.

To other countries, mutual aid included \$23,282,000 to Russia, \$20,959,000 to Australia and \$4,101,587 to China. Other destinations were \$874,000 to the West Indies, representing flour only, and \$482,000 to India, representing wheat only. The flow of war goods on a mutual aid basis to Russia, Australia and China is increasing, and these countries are now receiving a larger share than they did last year. Substantial mutual aid orders are being filled for the French Committee of National Liberation, which will be shown in the accounts for the current year.

Mr Howe's report provided the first outline of the extensive consultation that takes place before it is decided where Canadian mutual aid shipments shall go. Consultations with British and American officials at the strategic and economic planning levels permit close correlation with war supply originating in the United Kingdom and the United States. To allow for co-ordination with needs of Canadian armed forces, the Canadian chiefs of staff consider, and decide upon, requests for mutual aid.

Britain's Dollar Resources

An accounting of the British Government's resources of Canadian dollars, by which purchases of \$1,149 million

were financed in the year to March 31, 1944, was contained in the mutual aid report. The chief source, by far, was payments made by Canadian forces in the United Kingdom. A tabulation of funds showed:

	\$
From British exports to Canada	101,000,000
From receipts for freight services	38,000,000
From interest and dividends	59,000,000
From other current receipts	38,000,000
From capital receipts, less capital payments not shown elsewhere	27,000,000
From payments by Canadian forces overseas	534,000,000
From adjustments of intergovernmental transactions, sales of non-sterling exchange and changes in official balances (net)	40,000,000
From the sale of U.K. equity in Canadian war plants to the Canadian Government	165,000,000
From cash withdrawals from working capital funds formerly advanced to Department of Munitions and Supply and contractors	190,000,000
Deduct: Net balance of Canadian dollars required by sterling area other than the United Kingdom and furnished from United Kingdom dollar pool	-61,000,000
Total	\$1,131,000,000
Add: Apparent errors and omissions	18,000,000

Total

The figure of \$61 million did not include amounts paid by other parts of the sterling area to the United Kingdom for military supplies purchased in Canada. In addition, the United Kingdom drew upon a working capital fund used to finance war production in Canada and this item is estimated to be about \$90 million.

The mutual aid report showed that Canada had not received any items under the reciprocal clauses contained in its agreement with other countries. That this would be a substantial item, if strictly taken into account, is suggested in the fact that payments made by Canadian forces overseas amounted to \$534 million.

WHEN will you get Black Magic again?

[WE GIVE YOU ONE GUESS]

All the nice things that used to be in Black Magic Chocolates — are they dead?

No.

They exist.

But they might as well be dead, for all the use they are.

The Mauritius sugar that gave the tang to the Black Magic caramel — it's in Mauritius.

The Valencia almonds that went into the Black Magic truffle-and-nougat and montelimar — they're in Valencia.

Brazil is no longer where the nuts come from. It's where the nuts stay.

Venezuela no longer sends us its peculiar fruity cocoa beans. It sends us petrol.

We didn't use petrol in Black Magic.

All the nice things are in all the nice places—except Britain.

They'll come again. When they do, so will Black Magic.

You can call that a threat or a promise, as you please.

ROWNTREES

Germany at War

Falling Efficiency

LABOUR efficiency, "just" wages and "just" profits are subjects of perennial discussion in Nazi Germany. The abolition of free markets before the war, rationing and the almost complete freezing of money wages and money profits have produced problems which have not been solved. Productivity—output per worker and per machine—has become a grave problem. The spur of competition to individual efficiency has been replaced by "efficiency comparisons" between different factories.

Wages are paid according to individual or group efficiency on the basis of wage schedules drawn up by time-study engineers. The German Labour Front is responsible for most of this work. Between 1933 to 1943 the Front trained 50,000 of these time-study engineers. But the result has not been an increase in productivity or individual efficiency. There has been a gradual loss in efficiency only partly compensated by longer working hours, the employment, where possible, of more workers and the utmost simplification of production processes and working methods.

The loss of efficiency has been a steady and cumulative process. Recently the German press published the results of a long-period inquiry into working hours (at one factory). The results are shown in the following table:

	Working Hours 48-Hour Week (Peacetime)	60-Hour Week (Wartime)
Effective hours lost	16	30
Cause of lost time:—		
(a) Illness, holiday, etc.	4	11
(b) Bad use of time	3	5½
(c) Idling, etc.	5	8
(d) Shoddy work	3	5

Generalisations cannot be made from these figures. It is not even possible to say whether these can be taken as average. The object in this particular factory was apparently to achieve an increase in output of 25 per cent by a simple extension of working hours by 25 per cent. The table shows that the actual increase was only 5 per cent.

Wartime Shortcomings

The idea that a war-economy increases productivity is, in general, an uncritical one. It is usually overlooked that the extreme standardisation and rationalisation which make it possible to dispense with the high percentages of very skilled workers do not result in an actually higher output per manhour—though they do, of course, result in considerable increases in output per unskilled manhour. Rationalisation and standardisation are devices which enable industry to employ unskilled labour.

There is in all countries at war a considerable increase in faulty material and rejects. The cause may be bad raw material, unskilful use of machinery, inexperience, carelessness in checking or the wrong assembly of parts. And the absence of competition tends to prevent this increase in faulty material from reducing profits; the incentive to good work and good organisation is reduced.

In Germany there are a number of additional causes for the very considerable fall in efficiency. Foreign workers are employed in great numbers. So, too, are very many unskilled women under the Compulsory Work Order. Longer working hours and the general strain of wartime conditions are reflected in the fact that this particular German factory reveals an increase in the incidence of sickness from 3.67 per cent in 1938 to 6.37 per cent in 1942. Innumerable attempts have been made in Germany to stem the steady decline in efficiency. The purely technical method of measuring the output at each stage of a particular working process by comparative time studies has been familiar for decades. The only addition made by the Nazi engineers is that the standard times so carefully worked have been made the basis for official wage schedules.

Crude psychological methods are employed to stimulate production. To counter absenteeism, blackboards are set up

on which every absentee is named. "Efficiency competitions," medals, decorations and special facilities for holidays are employed to replace the normal incentive of better wages. Foreign workers are given the opportunity of attending special classes, after which they may become foremen or skilled workers. For young workers efficiency competitions are held on a large scale all over Germany, rather in the manner of sports competitions. The prizewinners are offered places at technical colleges or schools for foremen.

These methods are not very effective. Other devices are provided by the Institutes for Labour Physiology. These Institutes have been busy for at least two decades studying the relations between working hours, fatigue and individual output. The fact that individual efficiency varies in degree during the day and during the week has been rediscovered by Nazis. The most recent "discovery" is that longer working hours produce greater fatigue if there are only one or two long breaks. Consequently the normal ten-hour day has now been broken up by a greater number of short breaks. It is asserted that after the introduction of more and shorter breaks output increases considerably.

Hot meals provided by works canteens are also said to have had a good effect. Not much headway has been made, however, with the improvements that have long been recognised everywhere as making for greater efficiency—better lighting, properly designed benches with seating accommodation, and so on. This suggests that neither the material nor the labour is available to carry them out. Safety first measures were already fairly well developed in pre-Hitler Germany.

Automata

The most interesting item, perhaps, is the concentration of the Nazis on semi-automatic and automatic machines. The gulf between the small number of highly skilled engineers and the great mass of unskilled and semi-skilled labour has grown tremendously during the war. The automatic machine which superficially reduces the machinist to a feeder-arm is matched by an attempt to make the skilled worker, too, into a "one-track" or "one-purpose" worker, particularly in the metal-working industries. This has already gone so far that young workers are being trained in a very short time for one single measuring operation or for minding one particular part of a machine tool. It has been observed that the introduction of a new and technical simplification or a new psychological or physiological approach usually increases output at first. But the success is always short-lived, and, in fact, most of the Nazis' difficulties have been overcome—where it has been possible to overcome them—by the simple expedient of increasing the number of workers.

There is now no possibility of increasing the number of workers further. This explains the frantic efforts of the Nazis to get at the causes of falling efficiency. An overriding condition, in present circumstances, is that there should be uniform standards all over Germany. The "air-war economy," with its extreme dispersal of factories, requires that machines and their parts should be wholly interchangeable. From blast furnaces to spades, standard models have been developed instead of the wide variety of designs in use before the war.

All this makes for mobility of labour. In the most important industries workers can be switched readily from one part of Germany to another. This is another reason for the official schedules which set out uniform working times for all working processes and make them valid for all parts of Germany. The wages paid for these working processes are then only variable by special regional allowances in accordance with traditional differences in standards and conditions of living.

The trend is clearly towards uniform mechanical efficiency, with workers tied to the machines by uniformly applied psychological and physiological principles. All technical initiative is confined to a small number of scientists and engineers who display more and more a purely technocratic outlook. And all the time both productivity and total output go down and down.

THE BUSINESS WORLD

Bank Assets and Profits

THE aggregate balance sheet figures of the London clearing banks for June 30 do not disturb the well established trends in the growth and distribution of bank assets since the outbreak of the war. These are brought out in the following table, which gives the June 30 figures for each year since 1939 and expresses each of the main assets item as a percentage of the relative total of deposits.

	(In £ million)											
June 30	1939	1940	1941	1942	1943	1944						
	£	%	£	%	£	%	£	%	£	%	£	%
Cash	235	10.8	270	10.9	311	10.5	354	10.8	387	10.7	427	10.4
Short Loans	150	6.9	166	6.7	143	4.9	147	4.5	165	4.5	184	4.5
Bills	249	11.5	384	15.6	193	6.6	292	8.9	236	6.5	202	4.9
T.D.R.'s	...	...	...	...	482	16.3	543	16.6	859	23.6	1,246	30.4
Investments	600	27.7	636	25.8	880	29.9	1,058	32.4	1,159	31.9	1,169	28.5
Advances	988	45.5	962	39.0	859	29.2	800	24.5	744	20.5	770	18.8
Deposits ...	2,167	...	2,469	...	2,946	...	3,263	...	3,630	...	4,100	...

* Of Deposits.

* Of Deposits.

Within the framework set by a continuous expansion of bank credit, the tendency has been towards an ever increasing dominance of Government paper in the balance sheets. By June, 1941, investments had ousted advances from their pre-eminence among the assets. By June of last year advances had been pushed back to third place by that new form of short-term bank investment, the Treasury Deposit Receipt. By June, 1944, the upstart had taken first place. Since short loans are now almost wholly secured by Treasury bills and since the banks' bill portfolio is just as exclusively made up of Treasury bills, the proportion of deposits covered on the other side of the balance sheet by Government paper had by June 30 last risen to 68.3 per cent. To this might be added the 10.4 per cent ratio of cash which, in effect, is an interest-free loan to the Government. It will thus be seen that what is left of the genuine commercial business of the banks is extremely small beer. The ratio of advances to deposits, which was 45.5 per cent in the last balance sheets to be published before the outbreak of the war, had by June 30 last fallen to 18.8 per cent—probably the lowest figure in the history of joint-stock banking.

Of the movements for the twelve months to June 30 last perhaps the most interesting is the fall, both absolutely and relatively to deposits, in the holding of bills. It is not the banks' fault that their bill portfolios should have fallen so drastically, since it is the Treasury, through the Bank of England, which fixes the weekly amount of TDRs that the banks must take and which thus determines the amount of bills for which there is room in their portfolios. The progressive decline in bills discounted is now in process of being remedied with the increase of the weekly tender offering of bills to £110 million, but it is evident that the TDR has established its pre-eminence as the most important means of Government borrowing from the banks and it is difficult to see how this new bank asset can be dispensed with in the immediate post-war years.

The virtual stability of investments over the past year is gratifying. The ratio of this item to deposits has actually fallen and the absolute increase of no more than £10 million is the smallest for any comparable period since the beginning of the war and shows how little the large subscriptions to Government loans during the past year have owed to direct applications by the banks. The other interesting movement shown by the bank figures for the past year is the first check in the absolute decline of bank advances since the beginning of the war. Loans for the "small man" may have played some part in the modest recovery in this item. A more important factor is probably the positive encouragement to borrowing from the banks for effecting tax payments which is provided by the Excess Profits Tax law. The main recovery in the banks' advances occurred in the early months of 1944, i.e., at the season when tax loans would normally be at their peak and though some of the ground

then gained has been held, it is still too early to claim that a new trend in the demand for bank loans has begun to manifest itself and that this item is now set for a long-term recovery.

Since the growth in banking credit has been comparatively even over the past five years, these mid-year figures provide a reasonably accurate basis for comparing the gross earnings of the past four years and the prospective earnings for 1944. Estimates of the yields on the main categories of assets are made in the following table and the gross earnings for 1939 and 1944 are calculated on that basis.

	1939	%	1944	%
Call Money ..	150	at 1½	184	at 1
Bills	249	at 1½	202	at 1
Investments ..	600	at 3½	1,246	at 1½
Advances	988	at 4	770	at 3½
Gross Earnings	67.1		84.1	

It will be seen that the loss of income on advances—due not merely to the fall in advances, but to the lower rate for the business still transacted—is rather more than offset by the increased income from investments. Looking at the picture of gross earnings in its broadest outlines, it appears as though the main difference between the years 1939 and 1944 were provided by the new item of Treasury Deposit Receipts, on which the banks this year should earn a gross figure of about £14 million.

These figures of gross yield of assets are, however, a most misleading measure of the changes in the banks' earnings. The increase in deposits has meant a heavier outlay on interest paid to depositors—though this item is probably small owing to the banks' limitation of their special deposit rates to a maximum of 1 per cent. Moreover, the bulk of the increase in deposits has taken the form of current accounts and not of fixed deposits. More important has been the loss to the banks of earnings from foreign exchange business, new issues, foreign acceptance and other sources of income which were considerably reduced and in some cases completely dammed up on the outbreak of war.

General charges have, moreover, increased considerably. The salary bill has risen owing to cost-of-living bonuses and to the general practice of the banks of making up the pay of their employees serving in the forces. Additional staff has had to be recruited. ARP work has involved considerable expenditure. Not only was constructional work put in hand, but such precautionary measures as the duplication of records and the reorganisation and decentralisation of Head Office control meant heavy outlays. If generous allowances are made for these items, it would seem that the clearing banks' net profits were now running at a figure about £5 million in excess of that for 1939.

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In the light of these estimates it may once more be asked why in these circumstances the banks are still not paying EPT. There are many answers to this question. The first is that the banks were, on the whole, able to claim good standards owing to the special profits on realisation of investments which fell during the EPT standard period. Another reason is that the clearing banks have been allowed to write off the whole of their German standstill commitments as a set-off against taxable profits. For the clearing banks alone these commitments amounted to £11 million on the outbreak of the war and even by spreading the set-off over a number of years, the annual impact of this factor on the figure of taxable profits has been considerable, but must by now have largely disappeared. Another factor explaining the absence of

EPT payments by the banks must be sought in the sudden fall in taxable profits during the early war years. In the years 1939 to 1941, inclusive, the banks had hardly begun to feel the effect of increasing credit. On the other hand, certain items making for lower net earnings made their impact felt immediately. Among them were the loss of foreign exchange and new issue earnings, the higher staff costs and ARP expenditure. It is more than probable therefore, that

in those years the profits fell appreciably below the EPT standards and that in this period the banks accumulated a deficit which they have since been working off. Since the beginning of 1942 the taxable profits have probably ruled higher than the standard and in due course—perhaps this year for certain banks, and perhaps in 1945 for others—the deficiency will have been used up and the banks will start paying EPT.

Wartime Control of Industry

An article on page 103 of this issue discusses some of the issues raised in the Fabian Society's pamphlet "Government and Industry; A Framework for the Future" (Fabian Society; 6d. net.) The section of the pamphlet entitled "Wartime Machinery" gives a succinct and accurate account of the machinery of control that has been built up during the war, and is, by permission, reprinted here.

BEFORE attempting to design the layout of a peacetime organisation, it is worth examining the actual details of what has come to prevail during the war, particularly as certain peacetime functions of Government—e.g. housing, will be not dissimilar in principle from munition production. Many of the facts of wartime production have to be kept secret for security reasons; but the general lines of the organisation are available for public knowledge. Probably what bulks largest in the public eye—though not in the eye of the business world—is the system of "controls":—the Iron and Steel Control, Non-Ferrous Control, Timber Control, etc. These have been the subject of intermittent public controversy since the beginning of the war. Yet they are in fact only one section, and probably not the most important, of the Government's wartime machine for supervising industry.

This machine can really be divided into two main sections:

- (a) The buying departments, and
- (b) the supervising departments.

The most important function is probably that of the buying departments, though to some extent the two have naturally been intermixed, and the same Ministries (notably the Ministry of Supply) have undertaken both. Besides controlling the direct contractors, the buying departments also administered the inner ring of Government factories. The Ministry of Supply, as is well known, following the example of the last war, evolved a very large group of Royal Ordnance Factories, based on the peacetime Woolwich Arsenal. These were Government factories in the full sense and every worker in them (the number of whom was very great) was a direct employee of the State. There is no doubt that the great success of these production units rested on the fact, not merely that their location and working conditions were better and more intelligently planned than most private business factories, but that the labour force felt themselves to be working directly for the State, without any profit-making "entrepreneur" intervening—just as if they were in the Forces.

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Intermediate between these ROFs and the ordinary private firm stood the "agency" factories. In these the Government were the owners of the factories, but an important firm managed them and employed the labour force for a fixed management fee. They were thus also non-profit-making, but the workers were employees of a business firm—e.g., ICI, Bristol Aircraft Company or whatever the case might be. Undoubtedly despite the absence of the normal profit-making set-up, the psychological atmosphere was very different in these agency factories (which were regarded by the workers as ICI or Bristol Aircraft Company rather than Ministry of Supply or MAP) than in the ROFs. The Ministry of Supply built a large number of agency factories, outside the inner ring of ROFs, and the MAP depended on them almost entirely and set up virtually no direct Government factories. Though the agency system had obvious practical advantages from both the Civil Service and business point of view, being in fact the line of least resistance, the predominance of it in the aircraft industry—as against the predominance of

real Government factories in the last war—probably had far-reaching effects on the war effort.

It is worth considering the function of the Buying and Supervising Departments in separate detail:

Buying Departments

The kernel of these has been the straight production departments of the Ministry of Supply, MAP and Admiralty, which have had the job of buying, and securing the production of, all the munitions and equipment required for fighting the war by the Services—from aircraft and tanks to boots and shoes and petrol cans. Whereas in old-fashioned peacetime deflationary conditions this could largely be done by mere Contracts Departments, because in conditions of general unemployment there was only a buying problem and not a production problem, in wartime conditions of full employment and later hyper-employment, the production part of the job became much the most important. The kernel of the Supply Departments therefore became a series of production directorates, each concerned with a given article of equipment. In the Ministry of Supply, for instance, there would be such a directorate for weapons, another for tanks and vehicles, another for ammunition, another for general stores, and so forth. In the MAP there would be one for aero-engines, another for aircraft equipment, and so forth. In the Admiralty, there would be similar branches covering, of course, merchant ships as well as war ships.

From these directorates, which provided the central drive of the war production effort, a variety of subsidiary organisations covering the necessary services sprang up as the intensity of the war effort and the resulting labour scarcity or hyper-employment deepened. The Supply Departments required branches of this kind to ensure that, for instance, premises, labour and capacity in general, should be available, and that clashes between the production directorates which sprang from these needs should be reduced to the minimum. The business firm producing for one of these directorates, therefore, found itself dependent on the Government not merely for orders, but for labour, premises, plant, finance and materials. Since the provision of these depended on the authorisation of the central production directorate, the firm found itself in fact subordinated to the will of this directorate to a more or less absolute degree, whatever the legal position might be. Without political agitation it was hardly possible to escape from its grip. One could say that virtually the whole of the enormously expanded engineering and many attendant industries were themselves under Government control more complete than had ever been contemplated by the most drastic "planners" of peacetime. Indeed, it was sometimes asked just what function a managing director performed when the Government supplied him with orders, finance, labour, machinery, premises and materials. The answer was, of course, that he supplied (or did not, as the case might be), the essential function of management, i.e., of combining all these together in an economical fashion.

Supervising Departments

The essential function of what might be called the supervising departments was to ensure supplies of articles not bought directly by the Government, but required for the life of the community, either by the public as a whole or by firms in Government factories working directly for the Government.

It was to meet this need that the "controls," so familiar in public discussion, grew up. These controls covered three main areas of industry:

- (1) materials required for munitions,
- (2) food for the community,
- (3) other necessities such as clothing.

The great bulk of the control over supplies of materials for munitions, etc., was administered by the controls of the Ministry of Supply, leaving a few to MAP in the case of specific aircraft materials. As is well known, the general type of Ministry of Supply control was a converted trade association supervised—in a greater or lesser degree—by the Raw Material Department of the Ministry. The Ministry of Supply controls and Raw Material Department thus became responsible for the whole of the iron and steel, chemicals, non-ferrous, timber, cotton, wool, jute and a host of subsidiary industries. The machine tool control of the Ministry of Supply also became responsible for ensuring supplies of machine tools for all war purposes, and therefore for supervising the machine tool industry. MAP confined its "control" activities to certain special materials. The Ministry of Food naturally performed the same function in the case of the food industries, and the Board of Trade in the case of other civilian necessities such as clothing, boots and shoes, and retail trade. The Ministry of Works (which also acted to a considerable extent as an agency for building to the orders of the other departments) administered controls for certain building materials.

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The essential function of the supervising, as opposed to the buying departments, was to settle the volume of production, to allocate it between firms, to allocate materials, supplies and orders at various stages, and to fix prices. The supervising departments usually did not actually buy products at any stage, though in certain cases—e.g., food or non-ferrous metals—it might be a buyer or an importer on a very large scale for subsequent resale to the public or other departments. In practice, therefore, the success of the control organisations necessarily came to be judged by the extent to which they delivered the goods at reasonable prices. Inevitably, from the crisis of 1940 onwards, this became the main criterion of success; and we must probably allow that, despite the theoretical defects in the forms of organisation and the prevalence of trade association personnel, the controls, judged by this test, largely achieved their purpose. This is not to say that their success might not have been more complete if the organisation had been somewhat nearer the ideal. For instance, those which were run by business men from other industries turned Civil Servants, were probably the most successful.

Business Notes

Disposal of Surplus Stocks

The Government's plan for the disposal of surplus stocks (Cmd. 6539) is necessarily tentative and provisional, and it may have to be revised as a result of international discussion or in the light of changing circumstances. The White Paper does not deal with the disposal of fixed assets, such as land, buildings and factories, or of machine tools, which will be considered separately, as will the problems raised by the disposal of surplus aircraft supplies. It concentrates on the disposal of manufactured stores suitable for civilian uses. The disposal of raw materials will be governed by the appropriate controls, while surplus munitions will be broken up for scrap or spare parts. Some surplus stores will be earmarked for the relief of liberated countries, and others may be needed for the Japanese war. The three main principles which the Government proposes to follow are first, that while the rate of release should be such as to satisfy the most urgent consumer requirements, and to relieve pressure on storage and production space, it should avoid flooding the market; secondly, that stocks should be distributed through the normal channels; and, thirdly, that "fair and reasonable" prices should be secured, if necessary by statutory price control, while the number of intermediaries should be minimised and profiteering prevented. In every case, the representatives of the industries and trades concerned will be consulted. Disposal arrangements will vary according to the nature of the goods, the state of the market, and other factors. While the appropriate departments will handle the collection and classification of surplus goods, the Board of Trade will be generally responsible for the arrangements for their disposal.

It seems, from the very sketchy outline of the plan, that

The actual type and degree of control over price, supplies, allocation, etc., naturally varied greatly from industry to industry and depended on circumstances. The controls, in fact, worked independently, and tightened their grip over the firms in their own industry in so far as appeared necessary to maintain essential supplies. The average business man came to see that if within reason he delivered the goods, he would not be interfered with further. But if he did not deliver them, more drastic control would be exerted. In the last resort his business might be taken over altogether. No doubt very few businesses actually were; but it has to be remembered—both for wartime and peacetime policy—that for obvious inescapable reasons of manpower, the Government must as to 95 per cent or so work through the existing managerial personnel of industry. The supplies of such personnel are just not great enough either in quantity or quality for it to be easy to set them aside in very many cases in conditions of full employment.

To complete the picture of the war production set-up, one should mention two other types of authority:

- (a) the Co-ordinating Authorities,
- (b) the Allocating Authorities.

As hyper-employment began to be reached, the need for co-ordinating authorities was felt more and more keenly in order to referee any major clashes between the active production departments, and even perhaps occasionally to avoid such clashes by planning in advance. The Ministry of Production was set up for this purpose, and is generally admitted to have achieved a certain amount of co-ordinating work both at HQ and through the Regional Organisation, which was thus provided with a referee on the spot in the case of local clashes. The chief Allocating Authorities were, of course, the Ministry of Labour for manpower, a special committee for materials, the Machine Tool Control for machinery, and the Factory and Storage Control of the Board of Trade for premises. The Ministry of Production and Ministry of Labour attempted to plan jointly the location of new factories and Government orders in such a way as to direct these into those parts of the country where there was still manpower, labour and capacity. No new factory could be set up without the recommendation of the production directorate and the approval of the Ministry of Labour and Ministry of Production.

the Government is thinking along the right lines, but there are certain principles which must be observed if the aim of a "fair and orderly" disposal of surplus stocks is to be secured. It is above all essential that the methods used after the last war should be avoided, and that the Government should not act as a commercial entrepreneur, interested primarily in securing the maximum yield from the sale of goods in the minimum space of time. Policy should be

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guided by wider issues, and by consideration of the effect of disposal on production, prices and the market generally. In most cases, the supply of goods available for release is likely to fall short of demand, both from industrial and civilian users. The criterion in such cases should be to release the goods as rapidly as possible, provided that reasonable prices can be preserved. The question of what constitutes "fair and reasonable" prices is left vague in the White Paper. There will almost certainly be a tendency for the trade associations, who are to be consulted, to press for a slower disposal and for higher prices than would be reasonable or desirable. The Government must, at all costs, resist this tendency; it must maintain sufficient control over the whole process and machinery of the disposal of surplus stocks to ensure that there is no "breaking the market." The danger of "breaking the market" will, of course, be greater where the supply of goods exceeds the immediate demand, as in the case of machine-tools. In such cases the Government would be justified in holding the stocks, and only releasing them when it is assured that the market can take them. It is right that the market should not be "broken." But there are two possible definitions of a broken market. One—the correct one—is that a market is broken when even a fully efficient producer cannot compete. The other—which will be that advanced by the average trade association—is that the market is broken when the least efficient producer is deprived of his full margin of profit. "Fair and reasonable prices" should be defined with an eye to the first definition not to the second.

Form of Accounts

The latest recommendations of the Institute of Chartered Accountants concern the form in which the balance sheet and profit and loss account should be presented. Although adopted by the Council, these recommendations emanate from the special committee set up to study the problem and it is to be noted that they differ appreciably from the evidence which the Institute tendered to the Cohen Committee. The full value of the latest recommendations can only be assessed by considering them in relation to the previous statements from this source, but there are certain definite points which can be considered in isolation. In the first place, while continuing to state that standard forms are neither practicable nor desirable, the Council stress the fact that a proper view of the trend of events can only be obtained if certain principles are consistently applied. These principles appear to be the separation of all figures into sub-groups, so that each of these contains only items similar to one another, and the arrangement of sub-groups into groups. It is possible to quarrel with some of the details of the arrangement suggested, but there is no doubt that the principle is correct. The only question is whether it goes far enough for there is nowhere any statement that there should be agreement among accountants as to definitions. It is, perhaps, assumed that this exists to the necessary degree, but, if that is so, there are excellent reasons for doubting whether the assumption is justified.

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Much of the practice recommended is in accordance with that already adopted in the case of a small fraction of the best accounts presented in the past year or two. Two excellent suggestions appear, however, to have received virtually no acceptance so far, namely, that commitments of material amount for capital expenditure should be dealt with in a note to the balance sheet, and that both debts and credits not expected to mature for over a twelvemonth should be stated in a separate category. Further points which are of particular importance are the recommendations that, where the previous year's figures are given—and their inclusion should be obligatory—they must be prepared on the same basis as the figures of the year under review, and that the word subsidiary should be considered to include sub-subsidiary. There have been recent cases where the former principle was certainly not observed and at least one recently where in addition no mention was made of the lack of comparability. The recommendations as to profit and loss accounts are reasonably sufficient so far as they go, but they suggest only proper disclosure of "the amount available for appropriation." That is to say, there is to be no statement even of administrative costs, let alone factory or comparable costs. It cannot be too frequently stated that, until information is available which enables those concerned to obtain a wide view of the functioning of these institutions, there is no means of combating the dissatisfaction which results from the concentration of power in the hands of a few people who are, in existing circumstances, protected from criticism—favourable or otherwise—by a lack of information which ought to be made available.

Motor Taxation

It would be hard to find a more complete contrast than exists between the suggestions laid before the Chancellor of the Exchequer for the revision of motor taxation by the Society of Motor Manufacturers and Traders, on the one hand, and the Motor Agents' Association, on the other. The former advocated, in the main, the mere substitution of cubic capacity of the cylinder for diameter as the basis of taxation. The latter ask for a complete scrapping of any taxation which would tend to influence design and the substitution of a graded tax on initial value for both private cars and commercial vehicles. They advocate this only as a *pis aller*, for the whole basis of their case is that the motor, as a tool of production, should be exempt from all taxation. Except insofar as private cars and some other passenger vehicles are to be regarded as contributing to entertainment rather than to production, this is certainly sound, and the great merit of the solutions advanced by the MAA is that it is possible to switch from one to the other, or indeed to any interpolated position, without any more inconvenience to makers and distributors than is necessarily involved in a variation in prices. The arguments in favour of some such system of taxation were set out in some detail in an article in *The Economist* of May 13th, and they are very similar to those now advanced by the MAA, except that two of the alternative schemes of that body call for a marked reduction in total tax on motors, starting with total abolition of all taxes, including the Fuel Tax. The first step away from this principle is to retain the Fuel Tax and impose a registration fee of £1 per vehicle; the second adds a comparatively low scale of *ad valorem* taxes, based on original list prices; whilst the third and last suggests the stepping up of this scale to a point where the present tax yield is provided. While it is certainly very desirable that transport costs, which enter into all goods in greater or less degree, should be kept as low as possible, the vital matter which the Chancellor is now called upon to consider is what type of tax will produce a large, flourishing motor industry in this country, capable of taking its full part as an exporter to world markets. As has already been stated more than once, *The Economist* believes that for this purpose the *ad valorem* tax combined with a fuel tax is the most useful instrument so far suggested and that any tax which cramps design is deleterious.

The Distribution of Coal

Lack of space prevented more than a cursory reference last week to the very interesting information about coal distribution provided in the Ministry of Fuel's statistical White Paper. Table I, in page 121, shows how the total out-

put of coal has been distributed between various users between 1938 and 1943. Out of a greatly reduced supply available, the needs of home consumers increased both absolutely and relatively—the greatest proportionate increases being recorded for manufacturing industry and electricity undertakings, whose percentage of the total was doubled. Increased home consumption was offset by the virtual cessation of exports, the fall in which was not very much greater than the decline in output, although its share of total output fell during the six years from 20 per cent to 3.6 per cent. After the war, coal exports will have to be resumed on a considerable scale. To meet both foreign and home demand it will therefore be necessary not only to step up production but to effect further economies in utilisation, and possibly to maintain some restrictions on domestic and industrial users. Since the fuel efficiency campaign was started at the end of 1942, Fuel Efficiency Committees have visited some 25,000 factories and nearly 20,000 people have been trained in special Fuel Efficiency courses and centres. These developments are of great importance from the point of view of securing efficient coal utilisation after the war. Table II shows in more detail the different industrial users of coal.

Coal Merchants

The census of coal merchants in April, 1943 (Table III), indicates the need for an overhaul of the distributive system. The number of merchants, 27,000, nearly half of whom dispose of less than 20 tons a week, is altogether

excessive, and leads to considerable overlapping and duplication of service. Distribution is not a simple operation, owing to the need for dealing with a variety of different grades which do not readily lend themselves to standardisation, but costs could undoubtedly be lowered by such measures as an amalgamation of merchants, the increased introduction of machinery and the delimitation of areas. In this connection, the proposals of the Tory Reform Committee for "a more orderly structure of the trade" merit consideration. Its recommendations include controlled entry to the trade and the appointment of area committees with powers to fix selling prices, by adding fixed margins to the pithead prices—these margins to include a "service charge" from which a Distributive Charges Account could be created. The White Paper does not give any information about present costs of distribution; an example of a typical area in the *Times* (July 13th) gives a pre-war average retailer's margin of 13s. 1½d. in winter and 12s. 11½d. in summer. It is clear that the cost to the consumer may become prohibitive if the upward trend of production costs revealed in the national ascertainment is continued. Total net costs rose from 16s. per ton in 1938 to 27s. 6d. in 1943.

Absenteeism Among Miners

Table IV gives the results of an interesting survey of absenteeism during three separate weeks. It shows that in a normal working week, over 76 per cent of the men lost no shifts at all, voluntarily, while 17 per cent lost only one shift, and only about 7 per cent lost two or more. The survey shows a definite correlation between voluntary absenteeism

TABLE I.—DISTRIBUTION OF COAL, FROM 1938
(Million Tons)

	1938	1941	1942	1943	Approximate Percentage of Total Consumption	
					1938	1943
Total Production.....	227.0	207.4	205.1	197.3	...	...
Consumption.....						
Gas Works (coal carbonised).....	19.1	19.3	20.6	20.9	8.4	10.5
Electricity.....	14.9	20.4	22.3	22.6	6.6	11.4
Waterworks.....	0.4	0.4	0.4	0.4	0.2	0.3
Railways.....	12.5	14.0	14.7	14.9	5.5	7.6
Coke Ovens (coal carbonised).....	19.1	21.1	21.6	20.9	8.4	10.5
Miners' Coal.....	4.6	4.7	4.7	4.5	2.0	2.3
Collieries.....	11.9	12.1	12.0	11.6	5.3	5.7
Iron and Steel Industry.....			11.3	11.3		5.7
Engineering Industry.....			5.2	4.9		2.5
Other Industries.....			29.2	27.7		13.9
Disposals to Domestic Consumers, Service Departments, Coastwise Bunkers and Miscell.....	96.0	55.7	53.6	48.8	42.3	24.5
Inland Total.....	178.5	193.8	195.6	188.5	78.5	94.7
Shipments to N. Ireland Exports and Foreign Bunkers (incl. Services Abroad).....	2.2	2.5	2.4	2.6	0.9	1.3
Total Consumption.....	227.0	205.4	205.3	198.4	100.0	100.0
Changes in Stocks: Inc. (+) or dec. (-).....	...	+2.0	-0.2	-1.1	...	...
TOTAL.....	227.0	207.4	205.1	197.3	...	...

TABLE II.—CONSUMPTION BY CLASSES OF CONSUMERS FOR THE COAL YEAR 1943/44
(Thousand Tons)

Class of Consumer	Total
Gas Works.....	20,934
Electricity.....	23,587
Railways.....	15,138
Coke Ovens.....	20,328
Water works, domestic consumers, Service departments, coastwise bunkers and miscellaneous.....	48,754
Industry groups—	3,816
(a) Food, drink and tobacco.....	6,954
(b) Chemical and allied trades.....	2,200
(c) Cotton spinning, doubling, weaving.....	3,486
(d) Textile, leather, clothing.....	2,567
(e) Paper, printing and stationery.....	787
(f) Quarries, mines, pottery, glass, etc.....	1,874
(g) Bricks, tiles, fireclay, building and contracting.....	1,470
(h) China, earthenware, glass.....	1,987
(i) Cement.....	110
(j) Timber trades.....	2,257
(k) Miscellaneous trades and P.U. services.....	4,829
(l) Engineering and other metal trades.....	11,019
(m) Iron and steel.....	43,356
Total Industry.....	172,097
Total Inland Consumption (excluding colliery consumption and miners' coal).....	172,097

TABLE III.—CENSUS OF COAL MERCHANTS AT 1ST APRIL, 1943
Number of Merchants with average weekly disposal tonnage of House Coal.

Region	Less than 9	10-19	20-49	50-99	100-499	500-999	1,000 and Over	Total No. of Merchants
England and Wales.....	6,221	5,630	8,202	2,670	1,619	69	13	24,424
Scotland.....	642	399	946	384	229	10	3	2,613
Great Britain.....	6,863	6,029	9,148	3,054	1,848	79	16	27,037
Percentage of Total Merchants.....	25.4	22.3	33.8	11.3	6.8	0.3	0.1	100.0
Approximate percentage of Total Tonnage.....	3.0	8.6	28.5	20.0	33.4	5.0	1.5	100.0

TABLE IV.—RESULTS OF SPECIAL SURVEY OF ABSENTEEISM DURING THREE SELECTED WEEKS; A PERCENTAGE OF POSSIBLE MANSHIFTS

Period and Classes of Absenteeism	Sun. and Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Av. for the Week
Normal Working Week (week ended 4th December, 1943).	%	%	%	%	%	%	%
Voluntary Absenteeism—							
Working face.....	8.46	5.82	5.53	5.55	4.98	8.69	6.26
Elsewhere below ground.....	6.80	5.19	4.86	5.13	4.59	6.93	5.54
Surface.....	3.20	3.59	3.33	3.31	2.66	4.21	3.29
Involuntary Absenteeism—							
Working face.....	10.90	11.10	11.00	11.02	10.98	11.81	11.07
Elsewhere below ground.....	8.84	9.91	9.89	9.86	10.29	9.64	9.64
Surface.....	5.94	7.95	8.05	8.16	8.10	8.57	7.67
Pre-Holiday Week (week ended 18th December, 1943).							
Voluntary Absenteeism—							
Working face.....	5.82	3.99	3.94	3.81	3.53	6.71	4.53
Elsewhere below ground.....	4.67	3.71	3.77	3.61	3.35	5.52	4.04
Surface.....	2.42	2.73	2.77	2.72	2.66	3.72	2.66
Involuntary Absenteeism—							
Working face.....	8.35	8.63	8.59	8.59	8.73	9.56	8.70
Elsewhere below ground.....	6.98	7.87	7.95	7.86	8.00	8.36	7.78
Surface.....	5.13	6.89	6.89	6.90	6.91	7.34	6.59
Post-Holiday Week (week ended 1st January, 1944).							
Voluntary Absenteeism—							
Working face.....	20.43	24.15	10.29	5.41	5.81	13.78	11.72
Elsewhere below ground.....	13.27	17.76	7.55	4.64	5.47	11.40	9.13
Surface.....	4.02	9.26	3.78	2.85	2.58	5.20	4.51
Involuntary Absenteeism—							
Working face.....	10.79	12.81	10.89	10.40	10.46	11.15	11.10
Elsewhere below ground.....	7.96	10.71	9.41	9.00	8.99	9.51	9.40
Surface.....	3.60	7.95	7.23	7.04	7.04	7.15	6.91

and holidays, and between different days of the week. Thus, whereas face workers' absenteeism was as high as 24.5 per cent on the Tuesday after a holiday, it was as low as 3.5 per cent on the Friday before a holiday. Involuntary absenteeism was not subject to the same fluctuations. Major Lloyd George told the House of Commons that the voluntary rate had decreased recently; in the first quarter of this year it was 4.7 compared with 5 per cent in the first quarter of 1943. He attributed this reduction in part to the success of the system of voluntary fines, which was started in Durham and has now been adopted in a few coalfields. Under this system, a maximum fine of £1 can be imposed on the spot by a Regional Investigation Officer of the Ministry, accompanied by two assessors from the management and workers' side; if the offender makes good the fine is refunded. In Durham, 12,600 cases have been dealt with in ten months, and only 34 per cent. of the fines have been forfeited. Durham's rate of avoidable absenteeism, 2.4 per cent for all workers, is far below the national average of 4.9 per cent, and, to judge from this experience, the extension of the scheme to all other regions would undoubtedly be beneficial.

Australian Loan Repayments

No surprise can be felt at the announcement of the Australian High Commissioner that the £8,125,000 of debentures and registered stock of the 3 per cent Commonwealth loan, repayable October 1st this year is to be redeemed without re-borrowing. It is also the intention to pay off the Melbourne and Metropolitan Tramway 5 per cent loan of £1,000,000 on that date, while notice had already been given to redeem twice that amount of Brisbane Tramways 5½ per cent stock. The two last are optional maturities which are being tackled on account of the high nominal rate of interest. There exist a number of other optional maturities of the Commonwealth and State Governments, repayable at any time on due notice, mostly costing around 4 per cent. A January figure of sterling holdings of the Commonwealth showed a total of £74 million which is, according to some authorities, an understatement even for that date. It would seem possible to repay some of these optional maturities forthwith, but it is extremely probable that the Commonwealth authorities are holding their fire for a larger operation which ought to be undertaken some time next year. At various dates, starting on July 1st next, there occur the first optional maturities of the 5 per cent loans of the Commonwealth and States repayable 1945-75. If one adds in a New South Wales loan with maturity dates of 1945-65, the total to be dealt with is well over £100 million; on which the potential savings are really substantial. It is extremely probable that Australia will wish to deal with this operation next year. No one suggests that sterling holdings, surplus to requirements, will suffice to repay the whole of this sum, but the Commonwealth should be in a very strong position to approach a partial conversion. By announcing its intention to make a partial repayment, it will be able to exact the most favourable terms possible and will, probably, be able to re-borrow a portion at long term at a very low rate. The market, with this possibility in view, has already reduced the official minima for these loans to par so that the disappearance of existing premiums, which are already much reduced, will cause no disturbance to dealings. It need hardly be said that investors will be unable to obtain 5 per cent elsewhere and the prospective operation is likely to stimulate demand for lower interest securities.

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A Profitable Liquidation

According to a statement made last week-end by the board of the Hyderabad (Deccan) Company, the Nizam's Government has made an offer of £708,000 for the principal asset of the concern, the Singareni Collieries Company. The shares of the Hyderabad Company are of £3 denomination. They have rarely stood as high as 35s. in recent years until a few weeks ago, and on the eve of the announcement they were quoted at 38s. If the offer is accepted, the board expect to make a distribution of the order of 68s. per share. Over the past decade, the average dividend on the capital has been about 3½ per cent and there is no apparent reason to expect an early improvement in earnings from the colliery company. What, in these circumstances, suggests to the Nizam that he should bid almost double the best price recently quoted for the shares? The answer, presumably, lies in the quite abnormal exchange position. On the one hand, India, and presumably the Nizam's Government, holds a huge and growing accumulation of sterling which it will be by no means easy to convert into goods, except over an extended period. On the other, there is no certainty as to the purchasing power of either sterling or rupees over that period. The local Government may feel that it can get more out of the property than the Hyderabad Company has done, but it is, in all probability, also taking into account the fact that it may be worth paying a very high premium to be certain of getting real assets now for its sterling holdings. It may be worth while looking into the prospects of other companies in India and in other areas, such as Egypt, where holdings of sterling balances are large, with a view to seeing whether there is any chance of similar transactions.

Labelling Food

The Minister of Food has made an Order which implements the policy set out in the White Paper, "The Labelling and Advertising of Foods" (Cmd. 6482), published last November. With certain minor exceptions, the Order provides that pre-packed foods shall be labelled to show the name and address of the packer, the name of the food, the names of the ingredients in the order of the proportions in which they were used, and the minimum quantity of food in the package. Special rules apply to labels and advertisements when claims are made about the presence of vitamins or minerals in a food. Claims are only permitted when specified vitamins or minerals are present, and the proportion has to be stated. The Order comes into force on January 1, 1945, to give manufacturers time to amend their labels. The Order will provide a necessary safeguard to the public. It is particularly important when so many foods are pre-packed, and at present when, owing to zoning, shoppers are confronted with unfamiliar trade names. Although the need for such control is enhanced by the war, the provisions of the Order deserve a permanent place in the marketing of food. For this reason it is a pity that the regulations were not laid down by Act of Parliament rather than by Defence Regulation which might be too hastily set aside when the war is over.

Argentine Investments

Whatever the true position may be with regard to the question of economic sanctions against Argentina, there is some evidence of a change of attitude by those responsible for running British enterprises in that country. In the past, it has always been their policy to stress the good relations existing between them and the Argentine Government. But in the past few months there has been a change. It is true that the policy of discrimination against foreign capital has been carried further than hitherto, but, until recently, the change was one of degree rather than of kind. Some of the aspects of the treatment of Argentine Tramways, the projected expropriation of Primitiva Gas and, one may gather, the impression created on the railway managers in their negotiations in Argentina, seem to mark a new departure; an intention not only to reduce earnings to a level where even depreciation cannot be adequately covered, but also to assume complete control with a minimum of compensation. In these circumstances, the comments of the boards of several Argentine enterprises have been much more outspoken than was at all usual, and the matter has been brought to something of a climax by the statement last week of Mr J. A. Goudge, chairman of the Buenos Ayres and Pacific Railway. All Mr Goudge said was that there was

little prospect that the British stockholders would be allowed to derive any benefit from the recovery in Argentine prosperity and that there had been a change in the Argentine Government's attitude. In the past the statements of railway chairmen have been so consistently mild that even this modest amount of criticism marks a decided change in policy. It is not fanciful to see in it the dawning of a belief that the policy of appeasement in matters of investment is as little likely to succeed as such policies usually are. What is required, in this connection as in other matters, is that this country and the USA, at least, should concert a policy which will hold out hopes of development for backward countries, among which Argentina must now be counted, and make it abundantly clear that only those who are prepared to observe the rules will receive the benefits.

Hudson's Bay Successes

The preliminary results of Hudson's Bay Company for the year ended January 31, 1944, show a net profit of £124,874 against £114,138. This favourable result is reached despite an increase of over £275,000 in the amount required for taxation, which is £1,533,948. This makes possible the payment of a 5 per cent ordinary dividend, one point higher than last year and the highest distribution made in the last ten years. Far more profitable to the ordinary shareholder, however, is the tax-free payment from receipts of land sales of 5 per cent, which compares with a total of 8.5 per cent previously distributed under this head since payments were recommenced in 1938. Altogether it is a bumper year for the ordinary shareholder. Figures for the land account for 1943-44 are not yet available, making comment difficult, but it must be remembered that profits from land receipts represent in effect, not current earnings, but the repayment of a capital asset. The difficulty is to know what is the real value of the very large land assets held by the company, which would help to indicate the break-up value of the ordinary shares. In the long run the proposed repayment of £600,000, the remainder of the preference capital (£200,000 having been repaid last year and £600,000 in both 1942 and in 1936), is of more permanent value for equity prospects. The elimination of the preference shares will leave ordinary as the only class of capital, a factor which should greatly help an enterprising postwar policy. In view of these facts, it is not surprising that the ordinary shares have risen by 14s. 1½d. to 78s. 9d., cum dividend, in the week following the preliminary announcement. Assuming that tax relief on the ordinary dividend is at the same rate as last year, namely 7s., and including the payment out of land receipts, the yield on ordinary shares amounts to £2 2s. 4d. per cent tax free.

Public Departments' Investments

This is the season of the year when Sir Waldron Smithers MP is seized with his annual hunger for information on the more obscure details of the national debt position. This year he has improved on his previous performances and has extracted from the Chancellor of the Exchequer a considerable amount of information for which the statistician should be duly grateful. The following table gives the average outstanding amounts of the main constituents of the floating debt and is chiefly remarkable for its revelation of the extent to which the Treasury is now in debt to the Bank of England in the day-to-day course of business.

Quarter Ending	Average Amounts Outstanding during Each Quarter (£000)			
	Treasury Bills	Ways and Means Advances by		Treasury Deposit Receipts
		Bank of Eng.	Public Depts.	
1943				
31 March	2,770,796	25,922	261,896	986,328
30 June	2,907,118	2,619	265,300	999,786
30 September	3,044,500	3,163	320,515	1,022,315
31 December	3,055,614	17,076	369,107	1,282,832
1944				
31 March	3,096,732	15,132	379,982	1,406,412
30 June	3,365,226	9,088	442,302	1,408,456

The rate of interest paid on advances from the Bank of England varied throughout between ½ per cent and 1 per

cent. Rather less than half the advances from public departments were interest free. The balance bore interest at 15/16 and 1 per cent. The following information was given showing how many TDRs were encashed prior to maturity in each of the last four years and the loans into which the proceeds of such encashments were invested.

TREASURY DEPOSIT RECEIPTS (£ millions)

Year to	Loans Into Which Proceeds of Encashments have been Applied				Total Encashed
	3% Savings Bonds	National War Bonds	Tax Reserve Certificates	Post Office Issues	
30 June, 1941	28	113	—	—	141
30 June, 1942	77	200	136	10	423
30 June, 1943	110	210	177	10	507
30 June, 1944	105	248	281	14	648
	320	771	594	34	1,719

The debt charge in 1943-44 on certain items of the debt was as follows:

	in £000's
Treasury Bills	27,733
Ways and Means Advances	1,818
Treasury Deposits by Banks	12,121
National Savings Certificates	7,900
Tax Reserve Certificates	3,289

During the year to June 30, 1944, the Tax Reserve Certificates redeemed in payment of taxes amounted to £658,683,000 as against £11,834,000 repaid in cash. The Chancellor also stated in answer to a later question that the national debt held by Government departments on March 31, 1939, was £630 million and on March 31, 1943, £1,927 million. These figures do not include the holdings of the Issue Department of the Bank of England (which can readily be ascertained), of the Exchange Equalisation Account, and of a number of smaller departments such as the Crown Agents, the Treasury Solicitor and the Ecclesiastical Commissioners.

Glyn, Mills & Co.

(Established 1753)
Registered with unlimited liability 1885
Incorporating
CHILD & CO. and HOLT & CO.
(Established before 1600) (Established 1809)
BANKERS
Army and Royal Air Force Agents.

One Hundred and Twentieth Statement of Assets and Liabilities
30th June, 1944.

Dr.		LIABILITIES.		£	s.	d.
To Capital authorised and issued	1,000,000	By Reserve Fund	850,000	0	0	0
To Reserve Fund	850,000	By Current, Deposit and other Accounts (including provision for Contingencies)	59,878,631	11	8	
To Current, Deposit and other Accounts (including provision for Contingencies)	59,878,631	To Amounts due to Subsidiary Companies	38,377	18	0	
To Amounts due to Subsidiary Companies	38,377	To Acceptances and Engagements on account of Customers	5,528,183	11	9	
To Acceptances and Engagements on account of Customers	5,528,183					
				567,350,193	1	5
ASSETS.		Cr.		£	s.	d.
By Coin, Bank Notes and Balance at Bank of England	6,179,188	By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	4,268,468	13	1	
By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	4,268,468	By Money at Call and at Short Notice	9,006,700	0	0	
By Money at Call and at Short Notice	9,006,700	By Bills Discounted	1,806,500	6	6	
By Bills Discounted	1,806,500	By Treasury Deposit Receipts	7,500,000	0	0	
By Treasury Deposit Receipts	7,500,000	By Investments:—				
By Investments:—		British Government Securities	619,165,112	9	4	
British Government Securities	619,165,112	Other Securities	567,595	9	7	
Other Securities	567,595	Subsidiary Companies				
Subsidiary Companies						
				19,722,767	12	11
By Advances to Customers and other Accounts	12,648,448	By Liabilities of Customers for Acceptances and Engagements as per contra	5,528,183	11	9	
By Advances to Customers and other Accounts	12,648,448	By Bank Premises (at cost, less amounts written off):—				
By Bank Premises (at cost, less amounts written off):—		Freehold	2850,000	0	0	
Freehold	2850,000	Leasehold	75,000	0	0	
Leasehold	75,000					
				695,000	0	0
				267,350,193	1	5

FRANCIS GLYN, Chairman.
IAN LESLIE MELVILLE,
C. G. RANDOLPH,
QUINTIN BROWN, Accountant.

17th July 1944.

AUDITORS' CERTIFICATE AND REPORT.

We report that we have examined the above Balance Sheet with the Books of the Bank, and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books.

KEMP CHATTERIS & Co., Chartered Accountants.
JACKSON FIDLEY & Co., Chartered Accountants.

17th July, 1944.

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

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

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

Cocoa Supplies

At Messrs Rowntree and Co., Ltd.'s last annual meeting some months ago, Mr G. J. Harris, the chairman of the company, suggested that there was a distinct threat of a cocoa shortage after the war. He gave two reasons for his opinion; these are: the apathy of West African native planters as a result of the low cocoa prices paid by the Government since the outbreak of war, and the menace of cocoa diseases, especially the "swollen shoot disease," in some of the West African cocoa regions. The cause of the first of these difficulties has since been removed. The Colonial Office has recently extended its West African Cocoa Control scheme, in force since the outbreak of war, until the end of the 1945/46 season, and it has raised its buying prices with immediate effect. Thus in the Gold Coast, the world's most important cocoa supplying area, native farmers received 11s. per load of 60 lbs for their recently harvested mid-crop, which compares with 7s. 6d. originally fixed for purchases during this season. From the beginning of the next season on October 1, 1944, the price will be raised to 12s. 6d. per load, and this should go a long way in overcoming the apathy of farmers, especially as the Government is pledged that any surpluses it derives from its cocoa transactions will be handed back to the producers or used in their favour. The fight against the cocoa diseases, which have made considerable headway during the war, is more difficult and requires time. Following the visit of Dr. H. A. Tempny, Agricultural Adviser to the Colonial Office, to the West African cocoa regions last winter, however, the problem has engaged considerable attention and measures to meet it have been taken by the Government in co-operation with the Wartime Association of the British cocoa and chocolate industry. While full details of the extent of the damage by disease have not yet been published, the latest data about current crops do not suggest that current supplies have been decisively reduced. Meanwhile, it is encouraging that through the improvement of the shipping position, losses of West African cocoa supplies through inadequate storing in the Tropics have been reduced to a negligible level and that at least some surpluses from present shipments may be available to supplement supplies for relief and immediate post-war requirements. As Brazil, the world's second largest cocoa producing area, too, has lately reported a prospective recovery in its cocoa production and exports, the danger of a cocoa shortage appears to be receding, although a skilful handling of available supplies and of the campaign against the cocoa diseases in West Africa remains essential. The extension of the West African cocoa scheme for another two seasons has postponed, but not removed, the need for reorganising the West African cocoa marketing system and of coordinating world cocoa supplies.

BANK OF LONDON & SOUTH AMERICA LIMITED

*Affords a complete international banking service
through its branches in*

ARGENTINA, URUGUAY, PARAGUAY
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Shorter Note

A conference is to be held towards the end of the month between representatives of the British, United States and the Netherlands Governments to discuss the probable nature of post-war problems in rubber, both crude and synthetic. It is proposed to draft a tentative programme of studies to be made by the three Governments as a basis for further discussions. They will discuss the desirability of establishing a committee to survey the crude and synthetic situation with a view to the consideration of post-war problems. The British delegation will be led by Mr O. S. Franks, Ministry of supply, and Mr P. H. Wjstermann, will lead the Netherlands delegation.

Company Results

General Electric Company.

	Years to March 31,		
	1942	1943	1944
Profit and contingencies after E.P.T.†	1,725,137	1,748,917	1,812,409
Depreciation	460,795	459,619	460,699
Income tax	685,000	700,000	700,000
Pension fund	78,911	89,276	106,645
Directors' fees	4,485	4,281	4,355
Preference dividends	126,000	126,000	126,000
Ordinary stock:—			
<i>Earned</i>	368,946	369,741	414,730
<i>Paid</i>	367,358	367,358	367,358
<i>Earned %</i>	17.6	17.6	17.6
<i>Paid %</i>	17.4	17.4	17.4
Carry forward	815,379	817,762	865,134
Net fixed assets	5,201,680	4,997,814	4,807,545
Net inter-company items	4,576,019	3,852,959	4,062,860
Net liquid assets	5,566,051	6,496,360	14,493,100
Gross liquid assets	12,995,990	15,004,681	15,730,165
Stocks	5,852,462	6,804,952	6,894,334
Tax reserve certificates	...	700,000	1,703,700
† Including dividends from Subsidiaries, after making full provision for any losses incurred by them.			
‡ After deducting loan, and interest accrued, maturing December 1, 1944.			
The £1 units of ordinary stock, standing at 98s. 6d., yield £3 12s. 4d. per cent.			

Guest, Keen and Nettlefolds. (Iron and Steel.)

	Years to March 31,		
	1942	1943	1944
Profit, after fees, taxation, etc.†	1,203,678	1,272,961	1,358,330
Depreciation	250,000	275,000	300,000
Debt interest	56,087	54,355	52,584
Debt redemption	38,967	39,832	40,718
War damage	46,000	22,000	13,500
Preference dividends	327,880	327,880	327,880
Ordinary stock:—			
<i>Earned</i>	494,744	553,894	629,648
<i>Paid</i>	321,723	321,723	321,723
<i>Earned %</i>	15.1	17.9	19.4
<i>Paid %</i>	10	10	10
Contingencies account	50,000	50,000	50,000
General reserve	100,000	150,000	150,000
Carry forward	496,458	527,629	629,554
Net fixed assets	2,504,938	2,460,632	2,516,438
Net inter-company items	11,288,974	10,315,203	10,201,849
Net liquid assets‡	4,130,003	5,330,329	5,889,881
Gross liquid assets*	7,515,951	9,177,302	9,528,181
* Including investments in Associated Companies.			
† Including dividends and interest from Subsidiary and other Companies.			
‡ In addition, surplus tax provision for four years to March 31, 1943, of £250,000 was allocated to general reserve previously included as a current liability.			
§ Including investments in Associated Companies, but after deduction of "reserves for taxation and contingencies."			
The £1 ordinary shares, standing at 40s. 6d. ex dividend, yield £4 18s. 9d. per cent.			

Cunard White Star.

	Years to December 31,		
	1941	1942	1943
Profit, after deferred repairs†	2,199,717	1,834,189	1,716,309
Depreciation	1,159,643	1,206,782	1,049,359
Fees‡	9,606	7,984	7,750
Debt interest	79,541	...	...
Ordinary shares:—			
<i>Earned</i>	950,927	619,423	659,200
<i>Paid</i>	375,000	500,000	500,000
<i>Earned %</i>	19.0	12.4	13.2
<i>Paid %</i>	7.1	10	10
Reserves	1,500,000	...	400,000
Carry forward	490,278	609,701	368,902
Net fixed assets§	13,625,830	11,489,193	10,442,113
Net liquid assets	675,999	6,081,353	7,287,633
Gross liquid assets	3,927,401	9,601,140	10,810,646
Government stocks	500,000	6,000,000	7,395,000
Fleet replacement and contingencies	3,811,551	6,960,845	7,360,845
Government tonnage account	753,900	1,740,100	1,740,100
† Including interest on investments of £32,758 in 1941, £54,773 in 1942, and £165,349 in 1943.			
‡ Including reserve for balances in European Countries of £1,856 in 1941, and £234 in 1942.			
§ Before deduction of Fleet Replacement and Contingencies Reserve.			

COMPANY MEETINGS

CUNARD WHITE STAR, LIMITED

ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1943

PROFIT AND LOSS ACCOUNT

	1942	1943	s.	d.
<i>Dr.</i>				
Depreciation of Fleet	1,196,162	1,039,692	0	0
Depreciation of Plant, Machinery and Office Furniture	10,620	9,666	11	1
Directors' Fees	5,000	5,000	0	0
Auditors' Fees	2,750	2,750	0	0
Reserve for Cash, Deposits and Balances in European Countries	234	...		
Balance—Profit for the year	619,423	659,200	6	10
	<u>£1,834,189</u>	<u>£1,716,308</u>	<u>17</u>	<u>11</u>
<i>Cr.</i>				
Operating Profit and Interest after providing for Deferred Repairs	1,779,416	1,550,960	0	8
Interest on Investments	54,773	165,348	17	3
	<u>£1,834,189</u>	<u>£1,716,308</u>	<u>17</u>	<u>11</u>

BALANCE SHEET, 31st DECEMBER, 1943

	1942	1943	s.	d.
LIABILITIES				
Share Capital:—				
<i>Authorised and Issued:—</i>				
10,000,000 Ordinary Shares of £1 each, fully paid	10,000,000	10,000,000	0	0
Reserves—Ships Replacement and General Contingencies	6,960,845	7,360,844	19	7
Creditors, Deferred Repairs and Open Voyage Accounts	3,269,787	3,273,012	11	10
Provision for Proposed Dividend	250,000	250,000	0	0
Reserve for Cash, Deposits and Balances in European Countries	129,854	129,461	13	8
Profit and Loss Account:—				
Balance brought forward from last account	490,278	609,701	7	1
Add Profit for the Year	619,423	659,200	6	10
	<u>1,109,701</u>	<u>1,268,901</u>	<u>13</u>	<u>11</u>
Deduct Amount transferred to Reserves		400,000	0	0
		<u>868,901</u>	<u>13</u>	<u>11</u>
<i>Deduct</i> Dividends paid:—				
15th December, 1942 (nett) ..	250,000			
29th July, 1943 (nett) ..	250,000			
15th December, 1943 (nett) ..		250,000	0	0
<i>Deduct</i> Proposed Divd. (nett)	609,701	618,901	13	11
		<u>250,000</u>	<u>0</u>	<u>0</u>
Carried forward to next account	609,701	368,901	13	11
	<u>£21,220,187</u>	<u>£21,382,220</u>	<u>19</u>	<u>0</u>

	1942	1943	s.	d.
ASSETS				
Ships at Cost, Less Depreciation	11,457,177	10,417,485	0	0
Plant, Machinery, Office Furniture, etc., at Cost, less Depreciation	32,016	24,628	0	0
Investments in Government Stocks	6,000,000	7,395,000	0	0
Ships' Stores, Provisions, Wines, Linen, etc., certified by Officials of the Company	250,070	180,940	3	11
Debtors, Agents' Balances, Open Voyage Accounts and Deposits in U.S.A.	1,425,382	1,373,522	8	4
Cash, Deposits and Balances in European Countries	129,854	129,461	13	8
Cash at Bankers and in Hand	1,925,688	1,861,183	13	1

NOTE.—At the 31st December, 1943, contingent assets amounted to £1,740,100 available for shipbuilding under the terms of the "Government Tonnage Replacement Account Agreement 1940."

PERCY E. BATES,
T. A. L. BROCKLEBANK, } *Directors.*

£21,220,187 £21,382,220 19 0

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the above Balance Sheet. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

COOPER BROTHERS & CO.,
CHARTERED ACCOUNTANTS. } *Auditors.*

LONDON, 12TH JULY, 1944.

SIR PERCY E. BATES, BART., G.B.E.

A comparison of the profit and loss account for 1943 with that of 1942 shows a reduction of £228,000 in operating profit and interest after providing for deferred repairs, an increase of £111,000 in the interest on investments, a reduction of £156,000 in the depreciation, and an increase in the net profit of £40,000.

This straight comparison is perhaps rather crude, as the net result arises from the interplay of very many factors. In both years the charge for depreciation is on the same basis as that arranged last year with the Ministry of War Transport, namely, not less than 5 per cent. on the values which are the basis of the Company's remuneration. The charge for deferred repairs is also the same in both years. In round figures receipts from voyages are lower by £100,000 and voyage disbursements £100,000 higher mainly in wages. Victualling receipts have barely covered the cost of provisions. If we have succeeded in saving money on office and dock establishments, the benefit has been passed on to the Ministry and we have, therefore, recovered less in organisation expenses. In fact, no single short explanation will cover the situation; there have been swings in the figures in both directions.

In the balance sheet, on the assets side the Fleet at £10,417,485 shows the effect of the depreciation for the year. Investments in government stocks rose during the year by £1,395,000; the other items call for no special comment.

On the liabilities side, the main feature is the increase in the reserves, which have been increased by £400,000.

It is far too soon to say in what manner or for what purposes these reserves will be required, but it is not too much to say that the remoter future of the Company will depend on the degree of skill and prudence with which they are put to their proper employment. The responsibilities of the Company if it is to play a role in future trans-Atlantic traffic in keeping with its past history and background, are very great. To emphasise the importance attached to these reserves the item has been brought higher in the balance sheet, where it now stands next to the share capital.

The final dividend, if approved by the shareholders, will bring the total distribution to rather less than one-third of all the sums which during the year the directors have dedicated to the future.

As regards 1944, I see no reason to anticipate results very different from those of 1943. Half the year is already past—though in war anything is possible.

As regards the post-war future, it will be most important from the Government's point of view, as well as the Company's, that our ships should be withdrawn as soon as possible from troop service. There is a vast amount of restoration work to be done on all of them and this will be carried out far more quickly and cheaply if performed while there is an ample supply of labour available in the shipyards.

Of course, cash cannot be the sole criterion for the release of our ships, but when early release, Government money and the Company's interest are all in line, it is surely right to remark on the fact.

Not for very long can the Atlantic differ from the rest of the world, and it may well be that our post-war future will be exciting, but if we are in the least desirous of postponing our trial of it we will not be fit to live in it.

PERCY E. BATES,

Chairman.

12th July, 1944.

BLEACHERS' ASSOCIATION, LIMITED

COTTON EXPORTS' RECOVERY VITAL TO "FULL EMPLOYMENT" PLANS

SIR ALAN SYKES, BART., ON SOME POST-WAR DANGERS

The forty-fifth ordinary general meeting of Bleachers' Association, Limited, was held at the Houldsworth Hall, Deansgate, Manchester, on Friday, the 14th instant. Sir Alan Sykes, Bart. (the chairman), presided.

The Chairman, in the course of his speech, said: I am sure that you will share the satisfaction which your directors feel in being able to place before you a balance-sheet which shows a better result than anything we have had within the past twelve years. Before dealing with other changes in the balance-sheet, I should like to refer briefly to the reasons for the improvement in our profits. This can be attributed almost entirely to an increase in turnover, that is, in the value of the work which we have done, and this increase in turnover has arisen from three distinct causes.

In the first place there has been a small but appreciable increase in the volume of our ordinary work, and by that I mean the usual types of finishes that are required for Utility cloth and for a large range of Government orders, as well as for the small export trade which is now done. In the second place, we have had the benefit during the past financial year of receiving the full increment of increases in prices which we were authorised to make early last year to cover increased costs of production which had become fully effective in the previous financial year. I am afraid that this is one of the disadvantages which is inseparable from the control which is now exercised over the prices we may charge. We may not vary our prices without authority from the Board of Trade and we cannot obtain that authority until we can justify the proposed variation. Therefore, we must experience the full effect of increased costs of production before we can apply for permission to raise our prices, and then a certain amount of time is required for investigation in order that the Board of Trade may be satisfied that our proposals are warranted. Even when we receive the necessary authority, some time must elapse before we obtain the full benefit from the increase, because our customers have entered into forward commitments on the basis of current prices and these must be honoured.

It seems probable that we shall have a somewhat similar experience in the present financial year, since our costs have recently been increased by higher wage rates and the extension of paid holidays, as well as by increases in the prices of certain commodities. I make no apology for dealing with this subject at some length, because it is essential that those who exercise authority over us should realise the strain that they will impose on industry and the injustice which they will do to shareholders if their methods result in a prolonged time-lag between the incidence of increased costs and the consequential adjustment of selling prices.

ASSOCIATION'S WAR WORK

The third contribution to the increase in our turnover has come from a substantial increase in the volume of special types of work which we have undertaken for various Government Departments, and by this I mean work which is quite distinct from the ordinary processes of bleaching and finishing which normally constitute the bulk of our trade. But although this work has added substantially to our turnover, it has not resulted in a proportionate increase in our profits, since, as I told you on previous occasions, the prices we are allowed to charge and the margin of profit we are allowed to make on Government orders is very strictly limited by an efficient system of costing. Of this we make no complaint, since it is of the highest importance that the Government ex-

penditure on war production should be kept at the lowest possible level, but I think I should add that the extension of these methods to the general control of prices in peace-time would very soon ruin an industry that could not maintain the rate of turnover of its capital which is assumed for the margin of profit allowed on Government contracts. At the best it would preclude any possibility of providing for those reserves which are essential if industrial plant is to be maintained in an up-to-date and efficient state. I should, however, like to take this opportunity of recording our appreciation of the invariable courtesy and fairness with which, in our experience, the Government Cost Accountants handle what must sometimes seem to be a somewhat thankless task.

The improvement in our turnover and profits is also due, in a large measure, to the untiring efforts of our branch managers and our technical staff in maintaining production under extremely difficult conditions of labour shortage, and by their ingenuity and resource in producing specialised finishes to meet the requirements of Government Departments.

HIGHER NET PROFITS

If you will refer to the directors' report you will see that the trading profit amounts to £471,131—an increase of £105,000 over the corresponding figure for the previous year. After deducting directors' fees, depreciation and debenture interest, which are the same as last year, the balance of net profit is £227,271 compared with £122,030 for 1942-43. The amount brought forward from the previous year's accounts was £94,485, making the available balance of profits £321,757. The directors recommend the payment of a dividend on the preference stock for one and a half years in respect of arrears to March 31, 1937, which will absorb £205,218, and, after providing £20,000 for war damage insurance premiums, they propose that the balance of £96,538 should be carried forward to the next accounts.

In submitting this recommendation to you I should like to remind you of the reasons which I gave in my speech last year which influenced your directors to limit their recommendation to the distribution of the profits earned in the year and to avoid diminishing the company's liquid resources. The position to-day is the same as it was last year, and for the same reasons our recommendation does not go beyond the distribution of the available balance of the year's profits.

FULL EMPLOYMENT

After dealing with various items in the balance-sheet, the chairman continued:

This concludes my review of the balance-sheet, and I earnestly hope that when we meet next year I may be able to tell you that we are concentrating our energies less upon war-time production and more upon perfecting the plans, for which the Government has already announced its policy, for maintaining full employment in industry. There is much to be done in the cotton industry if that ideal is to be achieved and maintained beyond the immediate post-war period. The Government has had before it for some months certain proposals upon the principles of which its views must be made known before the cotton industry can get to work on practical measures. The goal of Government policy is an ambitious one and it will not be reached by timidity and procrastination. Unrestricted competition and full employment are incompatible and a policy, the success of which depends upon the control of economic forces, cannot be put into practice by hampering industry with restraints founded upon nineteenth century economic theories.

The internal organisation of the cotton industry, however, is not the only question, nor indeed the most important question, upon which we need assurances as to the Government's future policy. A substantial increase in the export trade of this country is as essential to the maintenance of our world position as it is to the maintenance of the standard of life of our people. And one of the most important contributions to that increase should come from the recovery of our export trade in cotton goods.

POST-WAR EXPORTS

It will be worth while, for a moment, to consider the position in which we find ourselves to-day in relation to our overseas markets. Owing to the exigencies of war, some other nations have greatly expanded, not only the area of their export markets, but also the total volume of their trade, whilst we in this country have been compelled to cut down the volume of our output to little more than one-half, and have also been subject to a system of licences for every market to which we normally export—in some cases to the total exclusion of our goods, in others to but a fraction of our former trade. This is a serious handicap with which to start but it may not be the only one. We have reason to believe that the arrangements made with other Governments for the supply of materials for war purposes include conditions which, until they are revoked, would prevent us trading with certain markets even if otherwise we were able to do so. Such conditions can be justified whilst there is any danger that the materials supplied on special terms for war purposes might be used as the basis of export trade, but those conditions and those terms should not be continued for one moment longer than is necessary to maintain our united war effort.

A "PLANNING" DANGER

There is another danger which may emerge from the wealth of plans which are being devised. It may be that when we are in a position to produce increased quantities of cotton goods for export, such exports will—unless steps are taken to prevent it—be directed through inter-Governmental arrangements for relief to markets of a purely temporary character without regard to the long-term interests of our trade. There is every justification for directing all surplus war stocks to the relief of European countries, but to the extent that relief is to be provided from current production, it should come first from those countries which under war-time conditions have been able to expand their output. It would be manifestly unfair that the increased productive capacity of such countries should be used to meet the needs of our former markets whilst an undue share of our production is directed to fill the temporary demand from Europe. Unless our position in this respect is preserved during the first twelve or eighteen months after the end of the European war, the opportunity to recover our lost export trade may be permanently lost.

CONFIDENCE IN FUTURE

Although I have drawn your attention to one or two obstacles that may be encountered in the path that lies ahead, I do not want to leave you with the impression that the future does not hold some promise of an improvement in our trade provided the necessary action is taken by the Government to avoid the difficulties to which I have referred. We shall, of course, be limited in our activity by the available supply of labour and particularly by the extent to which that problem will affect the production of yarn and cloth, but, given freedom of access to our overseas markets, without Government interference as to direction, I think we can look forward with confidence to the post-war period when our productive capacity is restored.

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

BIRMID INDUSTRIES, LIMITED

FACTORIES FULLY EMPLOYED

The adjourned ordinary general meeting of Birmid Industries, Limited, was held at Birmingham on the 14th instant.

Mr Cyril C. Maudslay (chairman and joint managing director) presided.

The following is an extract from the chairman's statement circulated with the report and accounts:—Turning to the combined statement of assets and liabilities, I would make the following comments:—The fixed assets show an increase of approximately £43,000, which is accounted for by additions, less depreciation. The liquid assets of stock, debtors, and cash taken together show an increase of £502,000 over last year's figure; likewise, Tax Reserve Certificates, in the sum of £333,375, show an increase of approximately £97,000 over the corresponding figure last year.

On the opposite side of the account sundry creditors and reserves for taxation show an increase of £473,726 as compared with the corresponding figure last year, which reflects a substantial increase in turnover achieved by the group as a whole. The reserve for war contingencies, including deferred repairs, stands at £100,000, as against £50,000 last year. It will be noted that the surplus of liquid assets over liabilities shows an increase of £125,000 whilst the surplus of assets over liabilities has risen by £111,564.

The whole of our factories have been fully employed during the period under review, and we have every reason to believe that the various Government Departments for whom we have worked have appreciated the great efforts we have put forth to meet the demands made upon us.

POST-WAR PROBLEMS

It would be optimistic to suppose that when the war ceases we shall be able to pick up the threads of our normal peacetime activities without a break for general rehabilitation, but the directors have constantly before them the question of post-war problems, and how to use our increased facilities to the best advantage.

A large proportion of the company's normal manufacturing activities was linked with the motor-car and automotive transport trades. With the expected early resumption of the manufacture of cars and lorries in the post-war period, it is to be assumed that these portions of the various factories supplying this trade will find a fairly immediate opportunity for employment. In this connection the period for change-over of manufacture will be reasonably short and certainly in ample time to satisfy the requirements of customers. It is also hoped that whilst there will be a very heavy reduction in the requirements of light alloys for the aircraft industry there will remain a considerable amount of business in this connection.

WIDER APPLICATION OF LIGHT ALLOYS

Apart from this, however, there is reason to believe that the enormously increased amount of light metals available from the big expansion on production facilities, and the improvement in the manufacturing and fabricating technique resulting from the war programme, will cause a much wider application of light alloys for all kinds of purposes for which they have not hitherto been used, ranging from shipbuilding to household appliances. It is also expected that this will be further intensified by a reduction in final cost of articles made in light metals.

The directors have all these possible outlets for light metals regularly in review, and considerable exploratory work is being done in this direction. The continued expansion, coupled with the dearth of skilled labour, has entailed a large amount of dilution, which throws an additional burden on the nucleus of skilled personnel. I think that both the country and the shareholders should be especially grateful for the way in which all concerned have cheerfully carried on under the additional strain and stress of these four long years.

The report and accounts were adopted.

BEECHAMS PILLS LIMITED

LARGER PROFIT

The sixteenth ordinary general meeting of Beechams Pills, Limited, was held, on the 19th instant, in London.

Mr. Louis Nicholas, J.P. (Vice-chairman), presided and read the statement of the chairman, Mr Philip E. Hill, of which the following is an extract:—

The trading profit for the year ended March 31st last, earned by the companies of the group operating in the British Empire and in almost all parts of the world other than Europe, amounted to £1,471,560 as compared with £1,269,334 in the previous year. The overseas trade was most satisfactory and provides encouraging hope for the post-war periods.

Our group of companies has contributed to the National Exchequer £1,079,152 in excess profits tax and national defence contributions and £395,885 in income-tax, a total of £1,675,037.

The group as a whole has a reserve set aside for future taxation amounting to approximately £300,000. Nothing has been included in the accounts in respect of the post-war refund of excess profits tax, which is estimated to amount to £269,000 after allowing for income-tax thereon at 10s. in the £. The Chancellor of the Exchequer in his Budget speech in April last gave satisfactory assurances with regard to this refund.

This business commenced over 100 years ago by the sale of the proprietary medicine which gives its name to the company, but at the present time many goods other than proprietary medicines are sold, and your directors are year by year extending beyond proprietary medicines the variety of the group's products.

During the past four years much time and thought have been devoted to the development of overseas trade, and the company is confident of making a considerable contribution to the export trade of this country which will be so necessary after the war.

The report and accounts were unanimously adopted.

MANLEY AND REGULUS LIMITED

10 PER CENT. DIVIDEND

The twenty-fifth ordinary annual general meeting of Manley and Regulus and Regulus, Limited, was held, on the 19th instant, at Wolverhampton, Mr. P. J. Jemmett (chairman and joint managing director) presiding.

The following is an extract from the chairman's review circulated with the accounts:—We have provided for maintenance and/or depreciation of buildings, plant and machinery the sum of £18,716. Owing to the present heavy cost of repairs both of plant and buildings, we have made a transfer from profits for deferred repairs of £15,000. As I have previously mentioned the statutory amount allowed for depreciation is nothing like sufficient to cover the war-time wastage due to excessive wear and tear. During the year we have paid in taxation the sum of £84,000, and as provision for future payments we hold tax reserve certificates for the sum of £93,000.

The subsidiary companies have all made reasonable profits, the whole of which has been retained as additional working capital. I told you last year that due to the change-over in Government requirements the production this year would probably be considerably lower, but all the same we have managed to keep up a very high production record.

It is impossible for me to venture any prediction as to the future, but there is every reason up-to-date to expect that our next balance-sheet will be quite satisfactory.

The report was adopted and a final dividend of 5 per cent., making 10 per cent. for the year ended April 30, 1944, was approved.

VENEZUELAN OIL CONCESSIONS, LIMITED

THE NEW TERMS

The twenty-eighth ordinary general meeting of the Venezuelan Oil Concessions, Limited, was held, on the 17th instant, in London.

Sir Andrew Agnew, C.B.E., the chairman, in the course of his previously circulated statement, said that the profit of the year 1943 was £1,099,540, as compared with £1,256,668 for 1942. The difficulties in offtake which had occurred in 1942 and restricted the output in that year had not been experienced to the same extent in 1943. On the other hand, they had been operating for most of 1943 under the terms of the new Venezuelan Law of Hydrocarbons, with consequent increased surface and production taxes. Those increased taxes would have a continuing effect on operating costs; against that they had received from the Venezuelan Government the renewed concessions which gave them security of tenure over an extended period.

Although the revised terms of the concessions became applicable as from March 13, 1943, their new concessions ran for a period of 40 years from December 24, 1943, with the right of renewal on terms to be negotiated. They would, he knew, share the board's feeling that that was an important step in the company's history in that they had obtained security of tenure on terms which they had been assured by the Venezuelan Government would ensure a stable partnership between the Government and the company.

The increased surface taxes, which were now at a rate per hectare of five times that formerly applicable, would naturally increase their incentive to keep the prospects of their undeveloped holdings under constant investigation so as to ensure that their surface tax payments were incurred to the best advantage by periodic surrender of territories found to have little prospect and, as opportunity offered, to acquire new promising areas in place of those surrendered.

From that point of view and looking to the long-term producing life of their concessions as a whole, it was of interest that the attention which had recently been focused upon the Caribbean area generally as a source of crude oil production had made it possible for them to resume exploratory drilling on an increased scale. When circumstances permitted full information would, of course, be given of the results of their efforts to enlarge certain of their present producing fields and to locate new ones.

The report was adopted.

WM. CORY AND SON, LIMITED

Sir Arthur Cory-Wright, Bt. (the chairman), who presided, on the 13th instant, at the forty-eighth annual general meeting of Wm. Cory and Son, Limited, said that the net profit amounted to £706,850. Earnings from ships showed an increase. Although they had been able to add to their fleet, it was still a long way from its pre-war proportions.

The market value of their holdings in marketable securities at the date of the balance sheet was over £700,000 in excess of their book value. The resources of the Cory group had been still further augmented, and the new presentation of the balance sheet emphasised a position of considerable financial strength, which would enable them to look forward with confidence to post-war developments.

The board recommend a final dividend of 15 per cent., subject to income tax, on the ordinary and employees' stock, making 20 per cent. for the year.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
July 13....	6,277	5,068	114.0	134.2	3.16	3.68
" 14....	6,355	5,259	114.2	134.2	3.16	3.68
" 17....	8,200	5,066	114.4	134.2	3.16	3.69
" 18....	6,075	6,340	114.7	134.2	3.16	3.68
" 19....	4,385	6,012	114.8	134.2	3.16	3.68

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 114.8 (July 19); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

STANDARD STATISTICS INDICES DAILY AVERAGE* OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
July 7....	129.9	1,277,000	July 11....	131.1	1,348,000
" 8....	130.1	855,000	" 12....	131.0	1,417,000
" 10....	130.7	1,837,000	" 13....	131.3	1,377,000

1944: High, 131.3 (July 13). Low, 113.8 (Feb. 8). * Two-hour session.

(WEEKLY AVERAGES) (1935-36=100)

1944	Low Mar. 15	High July 12	June 28, 1944	July 5, 1944	July 12, 1944
37 Industrials.....	95.1 (a)	108.4	105.9	107.4	108.4
32 Rails.....	88.9 (a)	106.8	103.4	104.3	106.8
40 Utilities.....	85.0	92.2 (c)	90.9	92.2	91.6
419 Stocks.....	93.6 (a)	105.7	103.4	104.9	105.7
Av. yield %*.....	4.84 (b)	4.43	4.54	4.46	4.43

* Common Stocks. (a) Feb. 9. (b) May 3. (c) July 5.

Capital Issues

Week ending July 22, 1944	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 129.			
Year†	Including Conversions	Excluding Conversions	
1944.....	952,659,545	938,838,564	
1943.....	1,069,394,068	1,052,658,410	

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Nature of Borrowing*		
				Deb.	Pref.	Ord.
1944....	938,507,843	330,721	Nil	934,435,320	2,117,789	2,285,455
1943....	1,050,327,640	1,092,093	639,677	1,043,750,174	1,454,552	7,453,684

* Conversions excluded. † Includes Government issues to July 11, 1944, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

Cotton Cloth Exports Cut.—The export cotton allocations for the third period of the year show a reduction of about 10 per cent in the yardage compared with the previous quarter. This has been due partly to the supply position and partly to the fact that there has been a marked tendency recently for exporters to claim production in heavier and better cloths, with the result that the weight of yarn required to meet the yardage allocated has exceeded the provision made. In recent periods, the allocations have amounted to about 80,000,000 square yards, and the total has been cut to about 72,000,000 square yards. As before, 20 per cent. of the yardage will be held in reserve for free production at a later date. All contracts under these allocations have to be arranged by July 28th.

Unregistered Veterinary Practitioners.—In accordance with the recommendation made by the Loveday Committee on Veterinary Education in Great Britain, the Minister of Agriculture and the Secretary of State for Scotland have appointed a committee to inquire into the extent and effect of veterinary practice in Great Britain by persons who are not registered veterinary surgeons and to recommend any measures which may be desirable to limit or regulate such practice. The chairman of the committee is Lt.-Col. Sir John Chancellor.

"The Economist" Sensitive Index.—There was no change in the index during the week ended July 19th. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

The Bacon Ration.—For eight weeks from July 23rd, the bacon ration will be raised from the present 4 ozs. to 6 ozs. a week. This is the first increase for three years. Bacon was first rationed on January 6, 1940, when the allowance was 4 ozs. a week. It was raised to 8 ozs. on January 25, 1940, and reduced again to 4 ozs. on June 10, 1940, since when it has been unchanged.

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

	Daily Average Sales			Stocks (at Cost) End May
	1944			
	Mar.	Apr.	May	
(a) By Commodities				
Non-food Merchandise				
Piece-goods	+ 5.7	- 2.2	+ 9.2	- 8.4
Women's Wear	+ 15.0	+ 2.0	+ 14.3	- 19.6
Men's and Boys' Wear	+ 22.5	+ 4.1	+ 24.3	- 8.9
Boots and Shoes	- 0.5	- 9.4	+ 2.3	Nil
Furnishing Departments	- 8.1	- 10.5	- 0.4	- 6.6
Hardware	- 1.9	+ 8.6	+ 5.6	- 13.2
Fancy Departments	+ 3.0	+ 4.4	+ 8.0	- 19.8
Sports and Travel	+ 19.8	+ 13.3	+ 15.0	+ 1.5
Miscellaneous	+ 5.2	+ 1.5	+ 8.4	- 7.9
Total				
Non-food Merchandise	+ 7.4	+ 1.0	+ 10.3	- 13.7
Food and Perishables	+ 6.8	+ 5.5	+ 9.3	+ 5.3
Total				
All Departments	+ 17.0	+ 3.5	+ 9.7	- 12.1

Source: Board of Trade Journal.

FINANCE AND BANKING

THE MONEY MARKET.—The securities bought by the Bank of England during the final days of June to help the market over the turn of the half year are maturing and concurrently the temporary expansion in bank cash is disappearing. During the week to last Wednesday Government securities of the Bank of England fell by £14,750,000 and bankers' deposits accompanied this decline with a fall of £19,889,000. The difference between the two movements is wholly accounted for by an increase of £6,413,000 in Public deposits. This reflects the heavy transfers of tax and war damage contribution money made to Exchequer accounts this week. These payments have played a conspicuous part in draining surplus cash from the money market and though credit has been in adequate supply, all previous evidence of abundance has disappeared. This week the Treasury bill maturities rose to £100,000,000 and next week they will be £110,000,000, thus equalling the current weekly offerings by tender. The banks were called upon to pay £70,000,000 against T.D.R.'s this week against effective maturities of about £30,000,000.

MONEY RATES, LONDON.—The following rates remained unchanged between July 13th and July 20th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between July 13th and July 20th (Figures in brackets are par of exchange).

United States. \$ (4.86) 4.024-03; mail transfers 4.021-03. Canada. \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.24) 17-30-40. French Empire. Francs 1971-2004. Syria. p. 8-81-85. Sudan. Krona (18-159) T.T. 16-85-95. Dutch West Indies. Florin (12-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. \$ 4-02-04; mail transfers 4-02-04. Brazil. \$ 64-4 cr. (buying); mail transfers 83-56 ½. Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between July 13th and July 20th.

Egypt. Piastres (97) 97½. India. Rupee (184 per rupee) 17½-18½. Belgian Congo. Francs 176½. China. National \$ 3-3½. Iran. Rl 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-23 pesos.

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

NEW YORK EXCHANGE RATES

New York on	July 12	July 13	July 14	July 15	July 17	July 18	July 19
Cables:							
London.....	402½	402½	402½	402½	402½	402½	402½
Montreal.....	90-430	90-31	90-31	90-25	90-125	90-125	90-180
Zurich.....	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires.....	24-75*	24-75*	24-75*	24-75*	24-75*	24-75*	24-78*
Rio de Janeiro.....	5-18	5-18	5-18	5-18	5-18	5-18	5-18
Lisbon.....	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona.....	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm.....	23-86	23-85	23-85	23-85	23-86	23-86	23-86

* Official Buying Rate 29-78. † Free Rate. ‡ Bid.

GOVERNMENT RETURNS

For the week ended July 15, 1944, total ordinary revenue was £49,015,000, against ordinary expenditure of £109,562,000 and issues to sinking funds of £360,000. Thus, including sinking fund allocations £277,239, the deficit accrued since April 1st is £954,292,000 against £1,024,759,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to July 17, 1943	April 1 to July 15, 1944	Week ended July 17, 1943	Week ended July 15, 1944
ORDINARY REVENUE					
Income Tax.....	130,000	200,321	208,707	19,746	21,155
Stamp Duty.....	80,000	8,770	7,504	200	330
Excise, etc., etc.		29,611	32,280	2,057	1,580
Duties.....	100,000				
Stamps.....	19,000	3,950	2,602	200	300
Notes & Coin.....	500,000	6,456	7,740	540	510
R.P.T. & other Inld. Rev.	1,000	140	80	20	...
Total Inld. Rev.	200,000	364,662	389,004	33,723	35,520
Customs.....	564,900	155,641	164,610	8,648	7,834
Excise.....	472,900	120,100	130,195	4,500	4,795
Total Customs & Excise.....	1,037,800	275,741	294,805	13,148	12,629
Mot. & Duties.....	27,000	2,348	2,675	138	305
P.O. (Net Re-ceipts).....		Dr. 3,250	...	300	...
Wages & Licences	4,850	830	850	...	...
Crane Lands.....	800	240	270	...	...
Receipts from Sundry Loans	7,350	1,702	2,183	786	905
Miscell. Receipts	24,000	22,245	19,445	3,007	1,656
Total Ord. Rev.	3,101,800	664,518	709,232	51,102	49,015
SELF-BALANCING P.O. & Broadcast	112,370	33,000	31,750	1,450	1,900
Total.....	3,214,170	697,518	740,982	52,552	50,915

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to July 17, 1943	April 1 to July 15, 1944	Week ended July 17, 1943	Week ended July 15, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	420,000	116,923	124,397	5,853	6,087
Payments to N. Ireland.....	9,000	2,012	1,992	...	...
Other Cons. Fund Services.....	7,000	3,219	3,225	225	226
Total.....	436,000	122,154	129,614	6,078	6,312
Supply Services.....	550,139	156,442	153,110	10,800	10,350
Total.....	986,139	278,596	282,724	16,878	16,662
SELF-BALANCING P.O. & Broadcast	112,370	33,000	31,750	1,450	1,900
Total.....	604,979	171,956	169,250	11,628	11,142

A charge has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £970,465 to £2,528,738, the other operations for the week (no longer shown separately) raised the gross National Debt by £56,031,486 to £20,540 million.

NET RECEIPTS (£ thousands)	
War Damage Act.....	4,165
Land Settlement (Facilities) Act.....	11
Total.....	4,176
NET ISSUES (£ thousands)	
P.O. and Telegraph.....	250
Oversea Trade Guarantees.....	20
Total.....	270

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1943				
July 17	1165.0	Not available		
1944				
April 14	1170.0	" "		
" 21	1180.0	" "		
" 28	1200.0	410.4	1431.0	5059.7
May 5	1220.0	Not available		
" 12	1240.0	" "		
" 19	1260.0	374.9	1419.5	5259.3
June 2	1300.0	Not available		
" 9	1320.0	" "		
" 16	1340.0	" "		
" 23	1360.0	437.8	1351.0	5354.2
July 7	1400.0	Not available		
" 14	1420.0	" "		

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1943				
July 16	90.0	175.4	90.0	20 0.00
1944				
April 14	100.0	209.1	100.0	20 2.58
" 21	110.0	216.8	110.0	20 2.83
" 28	110.0	208.3	110.0	20 0.25
May 5	110.0	209.1	110.0	19 11.81
" 12	110.0	198.2	110.0	20 0.32
" 19	110.0	202.4	110.0	20 0.35
" 26	110.0	195.7	110.0	20 0.98
June 2	110.0	216.1	110.0	19 11.89
" 9	110.0	203.4	110.0	20 0.45
" 16	110.0	197.5	110.0	20 0.49
" 23	110.0	199.5	110.0	19 11.93
" 30	110.0	203.6	110.0	20 0.57
July 7	110.0	197.4	110.0	20 0.84
" 14	110.0	199.7	110.0	20 0.59

On July 14th applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 41 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 14s. for bills to be paid for on Saturday of following week were accepted in full. £110 million of Treasury Bills are being offered on July 21. For the week ending July 22 the banks will be asked for Treasury deposits to the maximum amount of £70 million.

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

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	July 15, 1943	June 29, 1944	July 13, 1944	July 13, 1944
12 U.S.F.R. BANKS				
Gold certifi. on hand and due from Treasury	20,146	18,619	18,552	18,528
Total reserves	20,555	19,312	19,240	19,225
Total U.S. Govt. secs.	7,645	15,080	14,758	14,816
Total loans and secs.	7,668	15,143	14,771	14,872
Total resources	30,235	36,345	35,748	36,096
LIABILITIES				
F.R. notes in circ.	14,094	18,832	18,972	18,959
Excess m. bank res.	1,310	1,500	1,500	1,600
Mr. bank res. dep.	12,260	13,081	12,987	12,849
Govt. deposits	616	560	219	517
Total deposits	14,341	15,619	15,067	15,229
Total liabilities	30,235	33,345	35,748	36,096
Reserve ratio	72.3%	56.1%	56.5%	56.2%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,362	21,193	21,133	21,114
Treasury & bank currency	4,086	4,107	4,107	4,107
LIABILITIES				
Money in circulation	17,658	22,421	22,598	22,561
Treasury cash and dep.	2,883	2,875	2,515	2,820

BANK OF CANADA

Million Can. \$'s

	June 16, 1943	May 31, 1944	June 7, 1944	June 14, 1944
ASSETS				
Reserve: Gold	32.2	0.26	13.46	22.80
Securities	1120.4	1427.70	1391.20	1390.57
LIABILITIES				
Note circulation	750.7	911.54	913.72	911.86
Deposits: Dom. Govt.	57.9	101.80	68.69	80.46
Chartered banks	310.3	377.65	398.86	398.79
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.				

RESERVE BANK OF INDIA

Million rupees

	July 9, 1943	June 16, 1944	June 23, 1944	June 30, 1944	July 7, 1944
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	148	125	131	131	128
Balances abroad	847	1,766	1,773	1,737	1,745
Sterling securities	5,708	8,228	8,228	8,283	8,283
Ind. Govt. rup. secs.	1,184	583	583	578	578
LIABILITIES					
Notes in circ. India	7,376	9,287	8,252	9,314	9,319
Deposits: Govt.	244	796	781	828	754
Banks	541	926	1,013	944	984
Reserve ratio	82.2%	92.5%	92.4%	92.5%	92.5%

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	May 17, 1943	May 8, 1944	May 15, 1944	May 22, 1944
ASSETS				
Gold and English ster.	35.14	46.79	46.79	48.04
Other coin, bullion, etc.	12.05	13.15	14.13	11.85
Call money, London	45.67	90.41	98.11	99.06
Secrts. and Treas. bills	216.86	240.70	237.20	237.20
Discounts and advances	21.82	22.01	22.85	23.00
LIABILITIES				
Notes issued	138.36	184.51	184.51	184.51
Deposits, etc.	181.70	173.11	179.93	182.81

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	April 26, 1943	April 17, 1944	April 24, 1944	May 1, 1944
ASSETS				
Gold and stg. exch.	24.97	32.39	32.57	32.46
Advances to State	10.29	11.74	11.74	11.73
Investments	10.29	11.74	11.74	11.73
LIABILITIES				
Bank notes	31.68	37.00	37.03	37.05
Demand liab.: State	14.72	12.15	12.66	12.19
Banks and others	27.09	31.88	31.81	33.29
Reserve to sight liab.	34.0%	39.9%	39.9%	39.9%

COMPANY RESULTS (July 1, 1944, to July 19, 1944)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Distillers Company Limited	May 15	2,053,445	...	1,989,346	2,603,680	66,000	1,405,189	18½	500,000	+ 20,157	1,963,879	1,772,221	16½
Kinloch (Charles) & Co.	Mar. 31	85,007	...	15,174	35,348	...	15,000	15	...	+ 174	83,087	19,884	15
Mansfield Brewery Co.	Mar. 31	217,164	2,927	67,242	107,173	17,000	21,000	20	25,000	+ 4,242	201,672	59,336	20
Coal, Iron and Steel													
Allen (Edgar) & Co.	April 1	368,607	37,408	54,299	91,640	7,500	17,956	12½	20,000	+ 8,843	457,781	46,455	12½
Avon (W. & T.)	Mar. 31	200,372	50,995	129,377	196,195	7,510	65,220	15	55,000	+ 1,647	189,985	128,150	15
Brook (John) & Co.	Mar. 31	526,604	61,946	367,619	590,504	49,010	215,390	10½	100,000	+ 3,219	530,338	365,854	10½
Cory (Wm.) & Son	Mar. 31	714,850	...	706,850	1,828,296	42,500	590,019	20	...	+ 74,331	683,587	675,897	20
Guest, Keen & Nettlefolds	Mar. 31	1,358,330	300,000	951,528	1,479,157	327,880	321,723	10	200,000	+ 101,925	1,272,961	881,774	10
Lloy (F. H.) & Co.	Mar. 31	90,624	16,628	10,341	22,591	1,250	12,500	10	...	+ 3,409	133,539	27,266	10
North's Navigation Collieries	Dec. 31	76,687	25,000	11,187	76,694	2,500	...	...	...	+ 8,687	7,135	1,135	Nil
Partridge, Jones & Paton (John)	Mar. 31	215,178	...	128,644	343,075	80,482	33,458	31½	150,000	+ 48,162	195,064	99,438	31½
Powell Duffryn Limited	Mar. 31	730,641	...	602,494	734,935	83,125	333,458	8	...	+ 35,911	684,345	571,946	8
South Hetton Coal Co.	Mar. 31	74,695	22,131	23,794	67,318	7,500	12,500	5	...	+ 3,794	81,407	18,068	5
Whitehead Iron & Steel	Mar. 31	488,489	70,000	159,610	202,746	...	78,383	20	75,000	+ 6,227	600,935	159,660	20
Financial, Land, &c.													
Chaplin Holdings Limited	Mar. 31	28,863	...	11,328	35,719	2,500	6,250	5	...	+ 2,578	29,332	883	5
Duff Development	Mar. 31	10,084	...	10,084	13,097	...	...	...	...	+ 10,084	Dr. 2,081	Dr. 2,081	Nil
Forestal Land, Timber, &c.	Dec. 31	665,619	...	388,376	552,255	74,110	196,393	9	100,000	+ 17,873	661,424	292,344	9
Investment Corporation of Canada	April 30	18,019	...	5,025	31,197	4,338	...	...	...	+ 687	16,657	4,471	Nil
Hotels, Restaurants, &c.													
Spiers & Pond	Mar. 31	204,429	...	74,002	92,537	32,342	41,557	10	...	+ 103	156,135	69,903	7½
Trust Houses	Mar. 31	764,144	...	51,920	94,027	22,500	37,500	6	...	+ 8,080	640,438	61,805	6
Motor, Aviation, &c.													
Crossley Motors Limited	Mar. 31	62,415	20,000	30,096	53,113	22,500	15	...	...	+ 7,596	58,485	35,872	15
King's Motors (Oxford)	Mar. 31	11,757	653	93	6,064	1,931	...	...	...	+ 1,838	19,281	5,158	6
Oil													
Phoenix Oil & Transport	Dec. 31	6,250	...	Dr. 23,760	146,675	...	...	...	...	+ 23,670	7,036	Dr. 23,314	Nil
"Shell" Transport & Trading	Dec. 31	2,424,225	...	2,373,301	3,019,368	800,000	1,447,282	5½	...	+ 126,019	2,361,141	2,306,809	5½
Wenman Oil Concessions	Dec. 31	1,836,452	736,912	1,099,540	1,281,513	168,694	1,046,863	16½	...	+ 115,017	2,021,380	1,256,668	16½
Rubber													
Dutch Plantations of Java	Dec. 31	11,985	...	Dr. 32,158	16,950	...	...	...	...	+ 7,158	12,250	Dr. 38,283	Nil
Union F.M.S. Rubber	Dec. 31	1,175	...	...	26,174	...	...	...	...	+ 17	1,396	131	Nil
Volca Ceylon Co.	Dec. 31	6,410	...	3,470	6,431	...	3,600	6	...	+ 130	20,305	4,601	7½
Consolidated Rubber	Mar. 31	3,413	...	1,766	36,622	...	...	...	...	+ 1,766	3,179	997	Nil
Latam Rubber	Mar. 31	1,894	...	Dr. 8,701	27,439	...	...	...	...	+ 8,701	2,241	Dr. 9,460	Nil
Latam Rubber	Mar. 31	1,172	...	Dr. 391	3,082	...	...	...	...	+ 391	648	Dr. 4,745	Nil
Latam Rubber	Dec. 31	874	...	Dr. 409	12,776	...	...	...	...	+ 409	518	Dr. 3,421	Nil
Latam Rubber	Jan. 31	914	...	2,860	13,219	...	...	...	...	+ 2,860	2,851	1,187	Nil
Latam Rubber	Dec. 31	378	...	2,064	3,695	...	...	...	...	+ 2,064	3,208	Dr. 2,878	Nil
Latam Rubber	Sept. 30	861	...	Dr. 335	1,781	...	...	...	...	+ 335	520	Dr. 3,870	Nil
Latam Rubber	Dec. 31	372	...	Dr. 2,371	5,923	...	...	...	...	+ 2,371	410	Dr. 2,720	Nil
Latam Rubber	Mar. 31	662	...	142	9,557	...	...	...	...	+ 142	591	Dr. 44	Nil
Latam Rubber	Mar. 31	1,259	...	Dr. 679	2,209	...	...	...	...	+ 679	21,880	5,714	5
Latam Rubber	Dec. 31	17,637	1,000	5,399	6,536	...	4,235	5	1,000	+ 164	21,880	5,714	5
Latam Rubber	Mar. 31	1,070	...	Dr. 1,480	1,480	...	...	...	Dr. 2,000	+ 376	970	Dr. 2,105	Nil
Shipping													
Cunard White Star Limited	Dec. 31	1,716,309	1,049,358	659,200	1,268,902	...	500,000	10	400,000	+ 240,800	1,834,189	619,423	10
Union Castle Mail Steamship	Dec. 31	1,867,120	599,587	308,800	569,588	94,872	85,282	5	...	+ 128,646	2,029,970	184,945	5
Stores and Stores													
Home & Colonial Stores	Jan. 1	453,203	57,288	127,415	254,283	71,876	48,920	3	...	+ 6,619	437,749	128,041	3
Lipton Limited	Jan. 1	354,581	60,114	59,527	68,366	45,000	8	...	...	+ 14,527	356,777	28,805	6
Meadow Dairy Co.	Jan. 1	170,571	15,786	61,185	134,149	31,875	28,181	10	...	+ 1,129	208,444	71,409	10
Plummer Roddis Limited	Jan. 1	118,178	...	52,198	100,870	26,000	25,000	10	...	+ 1,198	117,840	52,643	10
Riding's Stores Limited	Feb. 12	118,178	...	Dr. 4,751	8,729	3,900	...	...	...	+ 8,651	4,653	Dr. 10,385	Nil
United Drapery Stores	Mar. 31	93,619	...	36,083	62,167	4,125	25,000	5	...	+ 6,958	84,318	33,549	4½
Tea													
Ceylon Proprietary Tea	Dec. 31	15,050	...	9,161	11,557	1,306	7,650	8½	...	+ 205	23,063	9,018	8½
Imperial Ceylon Tea	Dec. 31	16,947	4,941	6,095	13,164	...	4,508	6	1,500	+ 87	36,536	6,478	6
Lunyuva (Ceylon) Tea, &c.	Dec. 31	189,166	...	54,625	136,024	...	54,613	10	...	+ 12	258,680	55,231	10
Mayfield (Dimbula) Tea of Ceylon	Dec. 31	8,366	123	3,527	8,938	1,320	2,043	10	...	+ 164	13,025	2,521	9
Pabbolay Tea	Dec. 31	11,792	...	10,822	32,429	...	12,500	10	...	+ 1,678	59,275	24,525	15
Pudulaya Tea of Ceylon	Dec. 31	12,750	...	5,631	4,911	1,320	4,394	10	...	+ 83	24,115	6,129	11
Trusts													
British Shareholders Trust	Mar. 31	104,913	...	29,833	106,477	...	29,601	5½	...	+ 232	59,383	27,871	5½
British Steamship Investment Trust	June 30	236,419	...	64,052	326,625	9,450	52,087	25	...	+ 2,515	224,704	56,970	25
City & Commercial Investment	Jan. 31	48,215	...	21,776	41,947	...	20,890	2½	...	+ 886	45,927	20,731	2½
Clyde & Mersey Investment	Jan. 31	48,215	...	21,776	41,947	...	11,769	5½	5,000	+ 1,908	72,677	22,691	5½
Dominion & General Trust	May 31	76,949	...	24,513	51,138	6,975	3,875	24	18,210	+ 16,123	50,061	11,697	24
Forward Trust	April 30	59,316	...	12,937	18,733	3,000	3,000	10	3,000	+ 1,927	14,311	7,383	7½
Melville Trust Limited	April 30	19,453	...	10,927	44,541	10,872	2,893	2	15,000	+ 12,094	57,603	15,697	2
Monk's Investment Trust	May 31	59,562	...	16,673	35,127	...	13,837	4½	10,000	+ 4,773	54,639	17,102	4½
Nineteen-Investment Trust	May 15	58,622	...	19,064	32,392	15,567	6,225	3	...	+ 1,059	54,461	22,290	3
Pentland Twenty-Nine Investment	Mar. 31	56,695	...	22,851	34,540	7,688	4,100	4	10,000	+ 5,641	47,572	13,894	4
Trustees Corporation Trust	May 31	52,223	...	16,147	144,276	21,123	46,940	10	...	+ 3,145	201,615	67,629	10
Other Companies													
Almrow Company Limited	Mar. 31 '43	54,945	...	13,174	39,627	3,000	9,375	25	...	+ 799	52,311	24,615	25
Anglo-Continental Guano Works	Sept. 30	96,155	7,711	42,517	57,539	11,250	31,287	(c)	...	+ 17,252*	55,812*	(c)	...
Asiatics of East Ham	Mar. 31	81,849	...	35,552	103,845	6,000	11,250	15	...	+ 18,302	69,702	32,751	15
Breams Pils Limited	Mar. 31	1,483,198	...	367,404	612,229	107,500	242,000	32	...	+ 17,904	1,331,790	441,973	30
Brimid Industries Limited	Oct. 31	121,554	...	120,354	160,533	...	59,937	17½	50,000	+ 10,417	121,032	118,920	17½
Bolton (Thomas) & Sons	Mar. 31	288,398	70,000	55,944	121,372	7,500	25,000	10	20,000	+ 3,444	299,043	49,771	10
British Glues & Chemicals	Mar. 31	98,740	...	75,702	109,207	47,250	17,500	10	10,000	+ 952	97,906	74,756	10
Carpet Master Board	Mar. 31	163,028	...	161,028	471,654	5,253	199,826	25	...	+ 44,051	252,633	250,633	25
Colman (J. & J.) Limited	Dec. 31	96,618	10,000	31,923	498,482	38,092	173,795	17	50,000	+ 20,833	243,364	221,214	16
Eastwood & Flettons Limited	Dec. 31	244,651	...	241,054	21,351	...	...	...	...	+ 338	30,286	10,768	Nil
Electric Construction Co.	Mar. 31	7,443	2,500	Dr. 338	75,661	3,500	18,750	12½	15,000	+ 4,770	233,627	38,201	12½
Enfield Furniture Manufacturing	Mar. 31	264,589	20,000	42,025	25,741	...	5,325	8	...	+ 7,077	69,482	15,489	8
Evo Proprietaries Limited	Feb. 29	57,814	2,000	106,600	183,619	27,500	118,875	22-4	...	+ 425	274,779	126,384	22-4
Fison Limited	Mar. 31	318,704	...	100,541	135,357	21,048	48,336	10	25,000	+ 6,157	347,790*	83,034*	10
General Electric Co.	Sept. 30	363,716	33,931	540,730	1,358,492	126,000	367,358	17½	...	+ 47,372	1,748,917	495,741	17½
Hall (L.) F. & Son	Mar. 31	1,812,409	460,899	12,252	51,208	2,250	6,875	13½	...	+ 3,127	30,708	10,048	11½
Hanson (Sam.) & Son	Dec. 31	30,877	9,122	14,454	6,875	...	4,200	6	7,000	+ 116	81,149	13,624	5
Hazell & Engineering Co.	Jan. 1	25,836	13,884	28,196	3,000	...	25,406	12	5,000	+ 422	116,025	37,225	5
Hazell, Watson & Viney	Dec. 31	158,559	15,091	89,437	194,578	5,617	165,300	34-80	...	+ 728	363,727	150,644	27
McLean's Limited	Mar. 31	404,297	...	187,099	194,578	21,071	6,376	10	...	+ 863	127,842	16,512	10
Mellows & Regulus Limited	April 30	104,619	18,716	7,939	49,010	5,000	5,000	21½	...	+ 8,961	419,131	Dr. 6,731	21½
Mellows Limited	Feb. 29	191,346	16,141	17,461	32,123	3,000	17,500	27½	5,000	+ 462	58,652	13,598	22½
Portsmouth & Sunderland Newspapers	Dec. 31	116,281	7										

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1868)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIATHE ALLAHABAD BANK LTD., with 16 Branches & Sub-Agencies
The Bank offers a complete Banking Service and provides
exceptional facilities for financing every description of trade with
the East.Deposits for Fixed Periods or repayable at call or at short notice
are received at rates which may be ascertained on application.
The bank also undertakes Trusteeships and Executorships.

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

West End Branch:

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

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

THE BANK OF AUSTRALASIA

Incorporated by Royal Charter 1835.

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

Court of Directors:

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

HEAD OFFICE: 4 Threadneedle Street, London, E.C.2.

Manager: G. C. COWAN.

Numerous branches throughout the States of VICTORIA,
NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA,
WESTERN AUSTRALIA, TASMANIA, and the DOMINION
of NEW ZEALAND.

The Bank offers facilities for the transaction of every description
of Banking business in Australia and New Zealand. Negotiates or
collects Bills, issues Telegraphic Transfers, Letters of Credit and
Drafts, also Circular Credits and Travellers' Cheques. Deposits
received at interest for fixed periods on terms which may be
ascertained on application.

NATIONAL BANK OF EGYPT

Incorporated in Egypt

Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

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

London Agency:

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

Branches in all the Principal Towns in EGYPT and the SUDAN

ROYAL BANK OF CANADA

DIVIDEND No. 228.

NOTICE IS HEREBY GIVEN that a DIVIDEND of 12 per cent.,
being at the rate of 6 per cent. per annum, upon the paid-up
Capital Stock of the Bank has been DECLARED for the three
months ending 31st August, 1944, and will be PAYABLE at the
Bank and its branches on and after 1st September, 1944, to
shareholders of record 31st July, 1944.

By Order of the Board,

E. B. MCINERNEY, London Manager.

6, Lothbury, London, E.C.2. July 14th, 1944.

CITY OF JOHANNESBURG

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

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

For Barclays Bank (Dominion, Colonial and Overseas),

C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C.2. 12th July, 1944.

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BANK OF SCOTLAND

Constituted by Act of Parliament 1695.

AUTHORISED CAPITAL ...	£4,500,000
CAPITAL FULLY PAID ...	£2,400,000
RESERVE FUND & BALANCE carried forward ...	£2,259,161
DEPOSITS & CREDIT BALANCES as at 29th Feb., 1944 ...	£62,235,580

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30, BISHOPSGATE, E.C.

PICCADILLY CIRCUS BRANCH, 16/18, PICCADILLY, W.

THE UNION BANK OF AUSTRALIA

ESTABLISHED 1837.

LIMITED

Capital Authorised and Issued ...	£12,000,000
Paid-up Capital ...	£4,000,000
Reserve Liability of Proprietors ...	£8,000,000
	£12,000,000

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

Reserve Fund ...	£3,250,000
Special Currency Reserve ...	£1,600,000

Head Office: 71 CORNHILL, LONDON, E.C.3

West End Agency: 15 CARLOS PLACE, W.1

Drafts are granted on the Bank's Branches throughout the
Australian States and Dominion of New Zealand. Telegraphic
Remittances are also made. Commercial and Circular Letters
of Credit and Travellers' cheques issued. Bills are purchased
or sent for Collection. Deposits are received for fixed periods
on terms which may be ascertained on application.

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)

Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ...	£12,000,000
Reserve Fund ...	£24,000,000
Total Assets over ...	\$400,000,000

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

Address enquiries to

London Branch:

108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

APPOINTMENT. Robson, Morrow and Co. are seeking a
outstanding man, a Chartered Accountant with wide commer-
cial experience, who could be trained in modern management
and accounting methods for work of national importance, four-
figure salary and exceptional post-war prospects. Mark envelope
"Application." Full particulars to Robson, Morrow and Co.,
Victoria Station House, Victoria Street, London, S.W.1.

TYPEWRITING and Duplicating of every kind executed with
efficiency and promptitude. The Holborn Secretarial Services,
20, Buchanan Buildings, E.C.1. Wordsworth 4159.

THE ECONOMIST

ESTABLISHED 1843

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No Policy for Germany.

THE Nazis have thrown a smokescreen of censorship
and counter-propaganda over the crisis that shook
the régime last week and any attempt to assess the reasons
for the revolt or to gauge its extent can only be pro-
visional. Yet some facts seem clear enough. The funda-
mental issue was whether or not to continue this desperate
war. The Nazis are committed to it and have, in the last
few weeks apparently planned a last drastic reorganisation
of the Reich to meet the threat of actual invasion. The
decrees published on July 25th were probably discussed
and prepared before. Their aim is a sort of totalitarian
levée-en-masse, a throwing into the front line of
Germany's defences of every man and woman who can
be combed out of the administration, out of industry,
out of the army's own reserves. The new "General Com-
missioner for total mobilisation," Goebbels, will

have to re-examine the whole State administration,
including the Reich railways, Reich postal services, and
all public establishments, institutions, and undertakings
with the purpose of freeing a maximum of manpower.
To do this, men and material must be used rationally
and to the last, tasks of lesser war importance stopped
or reduced, organisation and procedure simplified.

This is the challenge thrown by the Nazis to destiny.
With the Russians advancing with gigantic strides in the
East and the Allies massing for further blows in the West,

they have planned the defence of Germany literally to
the last ditch. Their attitude must have made it clear
to military and civilian leaders alike that so long as the
Nazis are in power, the course is set for a fight to the
bitter end, and, obviously, a certain number of the
military leaders opposed the plans—General Dittmar in
his commentary on the conspiracy revealed the fact that
defeatism had overtaken many officers and that some of
them had tried to sabotage the new measures.

The Nazis' leaders realised that a core of effective
opposition had begun to form. Their only course was to
repeat the manoeuvre of June, 1934, and smoke the rebels
out. Himmler appears to have moved SS units into the
War Ministry before the attack on Hitler. The attack
itself may have been staged by the Nazis, or it may have
been the last desperate throw of the rebels when they
realised that they were discovered. What does seem
certain is that the effect of the news on sections of the
Germany army was far greater than the Nazis feared.
Some units were in revolt. Many hours after the attack
Hitler, Goering and Doenitz had to come to the micro-
phone to appeal for loyalty, and to forbid the Germans to
obey the rival Government which the insurgents had, pre-
sumably, tried to set up. Himmler was given complete
control of the *Heimatheer*; a new chief of staff, General
Guderian, was appointed; and it was also necessary to

appoint a new chief of staff, General Stumpf, to the air force. These changes show clearly that the army was the storm centre of the crisis and that the Nazis are now in the desperate position of being able to trust least the instrument they need most.

Thus the first rift has appeared in the Nazis' "monolithic" state. Himmler may still be able to hold the state together, but the sentence of the watchers has gone out on Hitler's empire. The crisis will recur. The Berchtesgaden bomb set a fuse alight which must sooner or later blast the Nazi regime from power. It is obviously in the Allies' interests that it should be sooner, not later. Since revolt and unrest will break out again, is there nothing the Allies can do to accelerate the process and match the pounding of the enemy on the battle fronts by his disintegration at home? To undermine the enemy has always been the accepted target of the Fourth Arm of political warfare. Now, surely, a supreme opportunity lies ahead. Yet British and American propaganda was not ready for the crisis of July 20th, and there is at present little sign that its occurrence is going to make one jot of difference to the high political strategy of the war.

The reason for this paralysis lies chiefly in the determination of Allied statesmen not to be duped by Germany. The argument runs that last time a lenient peace was made with a supposedly democratic Germany, but the democrats were wolves in disguise. The German General Staff remained intact. Stresemann helped to rearm them and, when the day was ripe, Weimar disappeared, and with the full concurrence of the German people, Hitler replaced it and embarked on the policy of total war. It follows, the argument continues, that it is false and sentimental to believe in two Germanys, a good and a bad, a good one to which we can appeal with fair terms and promises so that it shall throw out the bad. The Nazis, the Generals and the masses are all indistinguishable in guilt; so the only policy is unconditional surrender.

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Hitherto, the apparent unity of Germany under Hitler has lent colour to this theory. Now, however, the Germans have proved conclusively that there are two Germanys. The division is not between a good Germany and a bad. Neither are good. The distinction has nothing to do with morals or principles; it is a simple one—between some Germans who want peace and some who do not; and some of the Germans who do are apparently ready to take steps against those who do not. That, in the simplest terms, is the meaning of July 20th.

The most effective assistance the Allies can bring to the would-be peacemakers is to give them some idea of the conditions awaiting Germany in the event of a surrender, and the benefits, if any, they might gain from overturning the Nazi regime. So far nothing of the kind has been done. No joint Allied statement has been made. Some time ago Mr Churchill told the Germans that the Atlantic Charter did not apply, as of right, to Germany. More recently, it has been admitted that armistice terms exist, but they are not to be announced. From the three Allied leaders, speaking jointly, has come only one definite policy—unconditional surrender, with whatever consequences it may entail. This is the policy vacuum which Goebbels in Germany and unofficial Allied propagandists have eagerly filled in. Goebbels has not chastened his imagination for the task. Germany divided between the Powers, German men castrated, German women sold into slavery or worse, the economic life of the Reich destroyed—this has been the constant refrain of the last two years. Against it the Allies set official silence and unofficial confirmation—for example, Lord Vansittart's recent article in the *Sunday Dispatch* in which he proposes, among other things, that German workers should spend "a period of celibacy in foreign labour camps."

If all these things were in fact going to be done to Germany, there would be a cynical reason for disguising the fact. The foolishness of the present position is that most of these horrors are not even contemplated. The

enemy is being stiffened in his resistance by a picture of policy which the Allies have no intention of carrying out. In our anxiety not to have any bargaining with the Germans, we are making it incredibly difficult for anyone in Germany to think of surrender.

Official and unofficial hints have given some idea of the conditions which the Allies do not intend to impose on Germany. The Reich is not to be permanently partitioned. The German people's economic life is not to be permanently crippled. There will be no organised massacres and mutilations. The guilty men will be punished, but the whole nation is not to be treated as war criminals. All this being so, why cannot the Allies say it in unequivocal terms and their propaganda service repeat it day in, day out, so that the alternative to war and Hitler does not look as despairing as it must to-day? The Allied leaders could gain the political initiative in Germany simply by stating the things they do not intend to do.

Such a policy would be hotly disputed in this country. It would be denounced as weakness or sentimentalism. Nothing could be further from the truth. No one would accuse Marshal Stalin of sentimentalism or leniency. Yet the Russians, unlike their Western Allies, have an official Free German Committee, and ever since it was set up, a constant propaganda appeal has been going out, not indeed primarily to the German masses, but to German generals and officers. Again and again, the Free German station has assured the German generals of decent treatment provided only they will revolt against the regime. On one occasion Marshal Stalin even stated that some sort of German army would of course remain. The Russians, it appears, are not committed to the oneness of all Germans. If it is weakness to try to divide the enemy, and to use promises as weapons, then Russian policy towards Germany is weak.

Even if Russia shared the timidity of Britain and America in the question of terms for Germany, it would still be possible to show that unconditional surrender, if it is taken literally, does not add up to a policy. To offer terms to a group—be it made up of generals or ex-party leaders or workers' councils—does not entail a bargain. Surrender does not cease to be unconditional because its terms are made public. The Allies are not going to bargain with any group. That is obvious. But at present they give no German the opportunity of judging whether their terms are not preferable to continued war—which they undoubtedly are. The Becks and Stauffenbergs and the others that may come after them have no assurance that the Allied peace will not be rather worse than Himmler's rule. Until they have, an inhibition must lie on all German attempts to bring the war to an immediate end.

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It is possible that an Allied statement would not have a decisive effect. Himmler's resources are not exhausted. Yet Allied terms and Allied inducements might be effective and the mere possibility is worth the effort. The danger of the present attitude of unconditional surrender is that it is rapidly developing into a paralysis rather than a policy. By their silence the Allies renounce all attempt to shape events and guide them towards a desired goal. Unconditional surrender is becoming a policy of drift, of wait and see, of reliance on what may turn up. But the drift of events may carry Germany, Europe and the Grand Alliance itself to a very different conclusion from the one the Allies desire. It may carry them to military stalemate or prolonged fighting and then to divided counsels and Allied disputes. No policy for Germany means, in fact, no policy for peace.

To ask for a statement of policy is not to advocate bargaining with the Germans. It is simply a plea made in the name of common sense (now re-christened political warfare) that some political weapons should be placed in the hands of any Germans who will rebel against Hitler. It is a plea that the means should be given them to convince their fellows that surrender at discretion is infinitely to be preferred to the government of a paranoiac gang.

The Public Schools

THE Fleming Committee were appointed just two years ago "to consider means whereby the association between the Public Schools and the general educational system of the country could be developed and extended." Their Report, which is issued this week, will inevitably give rise to much discussion and, almost as inevitably, heated controversy. It would be a pity if, in the heat of the fray, the expository parts of the Report were overlooked. They contain a brief but most learned and interesting account of the growth of the ancient schools of England to which someone on the Committee or its secretariat has devoted great scholarship and industry.

The recommendations are, however, what the public will naturally seize upon. The Committee have rejected both of the extreme approaches to their subject. They reject, as do their terms of reference, the view that there is nothing wrong with the place of the Public Schools in the educational system of the nation. On the other hand, they equally reject the view that the Public Schools should be abolished. As the Report points out, "association" is a very vague word, which might denote "anything from juxtaposition to almost complete absorption." The Committee have chosen to interpret it to mean the admission of a certain number of boys and girls from the state system into the Public Schools, which are otherwise to be left much as they are today.

Two schemes are put forward for this purpose. The distinction is necessary because the Committee's terms of reference defined the Public Schools as "schools which are in membership of the Governing Bodies' Association or Headmasters' Conference." Both bodies embrace two fairly distinct types of school. First, there are the independent schools which are not in receipt of any public funds at all and are what is generally meant by "the Public Schools." Secondly, there are the schools of independent foundation which receive grants from public funds—most of them by direct grant from the Board of Education rather than from Local Education Authorities. The nucleus of these are the ancient local grammar schools. Very nearly all of the Independent Schools are boarding schools; the majority of the second category of school are, in the main, day schools. The total number of schools involved is 184 boys' schools and 136 girls' schools, divided in rough equality between the two categories. The total number of boys and girls is rather more or less than 100,000.

The Committee's Scheme A is mainly intended for the schools that already receive grants—that is, typically, the old Grammar Schools. The proposal is that all places in these schools, however filled, should be equally accessible to all pupils—that is, fees should either be completely abolished or else graduated, in accordance with the

parents' means, from nil to the full amount. The Local Education Authority should have the right to reserve a certain number of places, for which it would pay the school in full, recovering from the parents such part of the boarding fees (if any) as they could afford, but no part of the tuition fees, since these places would be regarded as part of the national system of free secondary education. In the case of other places, the difference between the cost of tuition and boarding and the amount (if any) charged to the parent would be made good by the Board of Education. The Report is not explicit about the method by which these other places would be filled.

Scheme B is proposed for the Public Schools in the usually accepted sense of the word—that is, for the independent boarding schools. These schools should be invited to provide not less than 25 per cent of their total places for boys or girls holding bursaries to be granted by the Board of Education to "qualified pupils who have been previously educated for at least two years at a grant-aided Primary School." These bursaries would be awarded either at the age of 11 or at 13; in the former case the bursar would go for two years either to a Junior School or to an approved Preparatory School (not including any that are conducted for private profit). For all these bursars, the state would pay the whole cost of education, including pocket-money, cost of outfit, etc. It is intended that the original proportion of 25 per cent shall later be increased "with a view to the progressive application of the principle that school should be equally accessible to all pupils and that no child otherwise qualified shall be excluded solely owing to lack of means."

The practical difficulty in any such scheme is, of course, the method of selection of the bursars. Applications, it is suggested, should be made through the Local Education Authorities to the Board. Selection would be made by Regional Interviewing Boards, and the final distribution of selected candidates to the schools should be made by the Board. The schools would not select the candidates they were to admit. The Committee rightly reject the suggestion of a competitive examination or any other purely intellectual test. The selection is to be on interview and previous record.

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This is an honest attempt to solve a difficult problem, the more impressive for being the unanimous report of a very widely representative Committee. If it really succeeds in getting 25 per cent of State-selected bursars into all of the Public Schools, that will be an achievement that would hardly have been conceivable twenty years ago. As the Committee point out, any solution must necessarily be a voluntary one, and it is so likely as to be

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virtually certain that this is quite as much as will be freely accepted. Indeed, it may well be too much, and it is easy to predict that the Public Schools will want at least to select their own bursars. Only the impractical will criticise the Committee for not having gone further.

And yet it is very doubtful whether their proposals will have very much effect on the real problem. That problem is not educational at all, but social. It does not arise because poor children are denied access to education of the highest intellectual calibre. In some subjects the standards are higher in the State secondary schools than in the Public Schools. The problem arises because the existence of two educational systems divides the English people into two nations. The division is not intellectual, but psychological and social. The distinction is not that one is better educated than the other, but that one has a higher social prestige than the other. It is typified and deepened by the phenomenon that exists in this country almost uniquely in the world—the social importance of accent in speech, as distinct altogether from correctness or incorrectness of speech.

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The effects of this cleavage are unfortunate—indeed disastrous. But just how and why they are disastrous is almost always misunderstood. It is not that the Public Schools turn out the wrong type of man—quite on the contrary. By and large, they are the best schools in the world. Nor is it that the Public Schools deliberately foster snobbery or class-consciousness. On the contrary, as Mr Muff and his peripatetic colleagues of the Parliamentary Labour Party somewhat ingenuously discovered, they are at great pains to inculcate the opposite. Indeed, the "Public School problem" does not arise at all from the advantages conferred on their pupils by the Public Schools, but from the social disadvantages which, by contrast, are imposed on all the rest. The trouble is not that the Public Schools are schools of leadership, but that their exclusive social standing inevitably forces all other schools to be, in greater or less degree, schools of followership.

This danger has been getting greater in the last twenty-five years with the spread of the Public School habit. The dividing line in society has become much sharper than it ever was before. There are more Public School boys to maintain the ascendancy of their class. And there are more boys conscious of equal intellectual attainments but of unequal social status. The cleavage is beginning to affect every part of the national life. To anyone who is acquainted with education in America or the Dominions, the contrast is most striking. The intellectual attainments of the English schoolboy are far higher; but the inferiority complex, the social *gaucherie*, the maladjustment to society, the lack of self-confidence, which are so common here are almost unknown there. The danger is not so much inequity as inefficiency.

A Dangerous Divide

THE long-feared crisis in Polish-Soviet relations has come—at the moment when the conquering Red Army is coming near to Warsaw. The deadlock between M. Mikolajczyk's Government in London and Marshal Stalin's Government in Moscow has become a breach. Early this week it was announced from Moscow that a Polish Committee of National Liberation had been set up, claiming the executive authority of a provisional government. A statement was issued by the Soviet Government declaring its intention to enter into an agreement with this Committee on the relations between the Russian military authorities and the civil administration in Poland. The Polish Committee had already put out a denial of the legality of M. Mikolajczyk's Government, and the Russian recognition of the Committee, even though for a limited and provisional purpose, could only be interpreted in one way.

The situation produced by these developments is ex-

remely serious. The Polish Government in London directs the underground resistance to the Germans in the greater part of Poland, and is recognised by the Governments of both this country and the United States. The Russians again emphasise the Soviet wish to see Poland an independent state, based upon the will of its people, and denies any Russian desire to interfere with Polish sovereignty; but the existence of the legal Polish Government in London is deliberately ignored. The attitude of the British and American Governments hardly needs exposition. Their recognition of M. Mikolajczyk's Government is full and firm, and they must reject out of hand the new Committee's claim to governmental status, however provisional. It is impossible to conceal that a contradiction of the first importance has appeared in Allied policy; or that the crisis is of Soviet making.

It would only make matters worse, however, to oversimplify the issue and present it merely as a matter of

Moreover, how are these 1,500 bursars to be chosen out of a much larger number of applicants? The Committee rejects intellectual tests and devotes considerable space to defining the qualities needed to take advantage of boarding-school education. But there are likely soon to be many boarding schools which are not Public Schools. How to distinguish between those boys who are to go to boarding schools and those who are to go to Public Schools? The Committee, in substance, abandon this problem to the uninstructed judgment of the Interviewing Boards. Is it not likely that, in the complete absence of any other criteria, the Interviewing Boards will choose boys of the "Public School type"? Then the argument will indeed have come full circle.

The only possible line of solution is not by getting a few poor boys into the rich boys' schools, but by getting the rich boys into the state schools—which would destroy at one blow the social exclusiveness of the Public Schools and leave them to develop their manifold excellences free of this social incubus. It is not 25 per cent or 50 per cent of bursaries, but 100 per cent that is wanted; not *la carrière ouverte aux talents* but *la carrière fermée à la manque de talents*—however talent may be defined or ascertained. Or as Archbishop Cranmer told the Commissioners for the Grammar School of Canterbury four hundred years ago "if the gentleman's son be apt to learning let him be admitted; if not apt, let the poor man's child being apt enter in his room."

To urge this now is admittedly to urge what cannot be had. The Committee are to be commended for having gone as far as they could. But it is as well that it should be realised that their proposals are not the end of "the Public School problem." They are only just a beginning.

Polish right and Russian wrong. The rights of nations, for which we stand, are crucially involved in this crisis. But it must be added that there have been grievous faults on both sides. The Russian pretext for recognising the new Committee is presumably that there must be some local authority with which to deal in Poland, and that every Soviet effort to reach a new agreement with the Government in London has been rebuffed. It is in fact true that there has been an intransigent refusal on the part of a minority in that Government to accept any proposal to meet the Russians in the smallest degree. The removal or overriding of this Right rearguard, the broadening of M. Mikolajczyk's already widely representative Government by the inclusion of some spokesmen of the minority of Soviet-disposed Poles, and above all perhaps the production of some progressive programme for the social and economic future of an independent Polish community—these steps would not have impaired M. Mikolajczyk's authority, and they would have left neither the Russians nor the dissident Poles with any genuine ground for grievance. But, in spite of the desire of the moderates in the Polish Government to show good will and wisdom, no such steps were taken. Instead, a policy of drift, which mixes the attitudes of King Canute and Mr Micawber, has been pursued.

But how real have the Russian efforts towards agreement been? How acceptable is the explanation that this new Committee is necessary for the civil administration of territories freed by the Red Army? The Soviet Government, ever since the breaking off of diplomatic relations, has refused to negotiate or discuss. The Curzon frontier was offered to the Poles with a "take it or leave it." A separate Polish army was established in Russia. The Union of Polish Patriots was sponsored as an unofficial rival to the London Government. "Agreement" in this context has served to mean little more than the acceptance of Soviet terms. There exists in Poland an entire "underground state" owing allegiance to London and capable of co-operating with the advancing Red Army in administration; but the Russians will not recognise its existence because the Government in London will not accept their terms.

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Neither retrospects nor recriminations can be very helpful at this stage. If it is true that Marshal Stalin has decided to close the door to M. Mikolajczyk's Government, it will not be possible for the British and American Governments to follow his example. They will have no option but to make this plain to their Russian ally. But if they can, and should, deal only with the legitimate Government of Poland, they can, and should, do everything in their power to persuade that Government to face the facts of the new situation produced by the appearance—and, still more by the proclaimed policy—of the Russian-recognised Committee. Everything possible must be attempted to bring the Government and the Committee together.

It is in the truest interests of the Polish Government itself that this attempt should be made. Judged by all pre-war standards the Government in London is as representative of its people as any exiled Government can be. The Committee of National Liberation, judged by the same standards, is altogether unrepresentative. It is composed of Polish Communists and of a number of Right and Left wing non-Communist politicians most of whom have been until lately interned by the Russians. If the issue were to be left to the free play of internal political forces in Poland, the coalition of the four Polish parties which form M. Mikolajczyk's Government would almost certainly have a substantial majority. The chief strength of the Committee is, in fact, that it enjoys the full support of the Soviet Government and the triumphant Red Army; these assets do not support a claim to speak on behalf of the Polish people.

But this is by no means all that is involved. There are certain social and political facts in the present situation in Poland itself that must be faced; and, with these in view, the new Committee has begun its career shrewdly.

On the first day of its existence, it proclaimed a series of important social reforms, chief among them being a land reform which is to be carried out at once in liberated Polish territory. At a stroke the long-strained social structure of Poland is to be altered. "Estates hitherto held by Germans or by traitors, as well as the estates of great landowners possessing more than 50 hectares (125 acres)" are to be confiscated and shared among the small peasants. "In the provinces incorporated in the Reich" the maximum of land which can be retained by the landowners has in principle been fixed at 100 hectares (250 acres). The confiscated land will be distributed to holders who possess less than twelve and a half acres of land.

There can be no doubt that this measure, if applied, will set on foot a genuine and popular agrarian revolution in Poland—even though it may also reduce Poland's potential power to produce food. According to the 1931 census, there were 14,700 estates in Poland larger than 125 acres. About 5,500 of these were in Eastern Poland and were distributed among smallholders when the Soviet Armies entered Poland for the first time in September 1939. The present reform would therefore affect 9,000 estates in Western Poland. The area made up of estates of over 125 acres was, in the whole of Poland, about 22 million acres, roughly one quarter of the total arable land. Some 1,900,000 holdings, that is, 64 per cent of the total, were smaller than twelve and a half acres; and of these a high proportion were tiny plots of less than five acres.

The peasant's hunger for land is, as it always has been, the crucial problem in Polish social policy, and it is to this hunger that the Committee has made its first appeal. True, an agricultural reform was carried out in Poland in the inter-war years. Between 1919 and 1938 more than 6,000,000 acres were bought by the state from the great landowners and distributed among the peasants. But the pace of the transfer was too slow compared with the amount of incredible poverty that was accumulating in the countryside. The landlords' obstruction of the reform only sharpened the peasants' hunger for land. Unfortunately—and, as it may now prove, disastrously—the Polish Government in London, though dominated by the Peasant Party, has shown an astonishing timidity even in discussing schemes for any further land reform. The pressure of the landlords has proved too strong even in exile.

It is by means of this trump card that the Committee hopes—at least among the peasantry—to win the majority which it conspicuously lacks. The beneficiaries of land reform will be all holders of less than twelve and a half acres; in 1931 they still numbered nearly two-thirds of the agricultural population, and the proportion was not much smaller in 1939. In other words, the Committee offers two-thirds of the peasants a vested interest in up-holding the regime which it intends to set up. Any Government or group of politicians which opposes this reform or flouts this interest will be dubbed reactionary and lose the support of the peasant majority.

The Committee's programme combines curiously the appeals of social reform, nationalism and territorial expansion. It speaks of the incorporation into Poland of East Prussia, Pomerania and the whole of Upper Silesia, and of Polish frontiers on the Oder. It holds out to the peasants the promise of a mass colonisation by Poles of the provinces acquired from Germany. It promises also the restoration of property to the Catholic Church and to all Poles who have been expropriated by the German invaders. Wages, too, are to be substantially raised.

The proclamation of such sweeping changes by a *soi-disant* "provisional executive authority" is unprecedented. The great merits of some of the reforms are evident; the grave demerits of the proposed annexations and "*Drang nach Westen*" are equally so. But these are not now, at this moment, the immediately important points. What are crucial are the divergence in Allied policy and the prospect of actual civil conflict in Poland between the supporters of Government and Committee.

There is only too much reason to fear that the new Soviet-sponsored regime may mean the ruthless prosecution of those who maintain their allegiance to London. There is only one question to-day. What can M. Mikolajczyk and his Government, with the advice and sustenance of their Allies, do to avoid disaster?

The full force of British and American persuasion in Moscow to prevent the road to reconciliation from being irreparably blocked is an essential first step. On the side of the Polish Government, for its own sake and that of Poland, it is equally essential—without waiving any atom of its legal claim—to endorse those social reforms that meet Poland's and the peasants' needs; and to look frankly for some means of combination, on a constitutional basis, with the Polish elements whom the Committee represents.

It has been an error on the part of this Polish Government not to recognise fully the implications of the fact that, for all its undoubted legality, it too—like all Governments in exile—is provisional in character. Ultimately,

the people of Poland must choose for themselves what rulers they want after their long agony, and they will make their choice according to the deeds and the policies of the candidates. On doubt it has been the consistent intention of M. Mikolajczyk's Government, which has fought so stoutly against the German foe, to give them that choice—freely. Probably, if the Committee prevails, they will not be given the same freedom to choose. But they will be offered, it seems, a policy in part at least of popular and fundamental reform.

Thus, while it is unquestionably necessary for the Western Allies to stand up for the legal Government's rights, it is no less necessary for that Government to make good and justify those rights by steps which, in wisdom and realism, should have been taken much earlier. This is not, it should be repeated, simply a question of justice—though it is that. It is a matter of hard facts. The Polish Government has been most unfairly treated, but to save itself—if, indeed, that is still possible—it must act in a positive way, and act quickly.

Bretton Woods

THE Monetary Conference at Bretton Woods closed its session at the end of last week with the unanimous agreement of all the participants to the text of two documents, one of them setting up an International Monetary Fund, the other setting up an International Bank for Reconstruction and Development. (The terminology is confusing, since the Fund will conduct a banking business—that is, will deal in currencies—while the Bank is, in the main, a guarantee fund.) The Agreements now go to the Governments for ratification, and it has been made clear that no Government is committed by the vote of its delegation at Bretton Woods. What has been decided is the form that these two institutions will assume when (or if) they come to birth.

These two documents represent a very substantial achievement. The subject matter was technical and contentious, but 44 delegations have agreed. It is true that the Conference presented the unedifying spectacle of a technical gathering being jockeyed by purely political considerations, and the determination of the quotas resembled the process of political chaffering more than an objective attempt to achieve equity. Some of the results are ludicrous. Populous and powerful though the Soviet Union is, and immense as its services to the common wartime cause are, it is fantastic to suppose that its part in the financial transactions of the world either is, or for a very long time will be, at all comparable with that of the United Kingdom—yet the Russian quota is \$1,200 million against the British \$1,300 million. Or again, nothing save the fashionable political myths of the moment could justify a quota for China larger than that for France or double that for Holland—both of which presumably cover those countries' colonial possessions. The management of the Fund and the Bank will have to rise above this sort of petty huckstering.

On the whole, however, these can be accepted as surface blemishes and they are offset by many reasons for solid satisfaction with the results of the Conference. Not the least of these has been the harmonious co-operation of the American and British delegations. In the main, of course, this was due to the ironing-out of differences beforehand. But it has been demonstrated that solutions worked out in advance by the American and British Governments will be accepted by the United Nations as a whole with a minimum of amendment and—so far as can be judged—an absence of resentment or of charges of dictation. This is an omen of great promise.

So far as can be judged from the summaries so far available, of which the substance is given on page 156, the two schemes have, in fact, been very little altered from the form in which they emerged from the American-British negotiations. There are, nevertheless, some altera-

tions in the Fund that should be noticed, and it must be said, in candour, that they are not improvements. The item in the joint proposal of last April which was most generally applauded in this country was that which provided for the rationing of a scarce currency and allowed for the possibility of discrimination against a country which persistently failed to make its currency available in sufficient volume. In British eyes, this proposal provided a way out of a dilemma which is greatly feared in this country—the dilemma of being limited in our purchases from sterling countries because we are short of dollars. In the final version, it would appear that this proposal has been dropped. All that is now provided for is that, when a currency is in short supply, the Fund may issue a report "setting forth the cause of the scarcity and containing recommendations designed to bring it to an end." Furthermore, in addition to the omission of this proposal for putting pressure on the chronic surplus country, there are some new provisions for putting increased pressure on the chronic deficit country by taxing it upon the use that it makes of the Fund, in excess of its quota. These two pro-creditor and anti-debtor shifts have altered the balance of the Fund since the April proposals—not by any means fatally, but to an extent of which notice will have to be taken.

It is not possible from the summaries to determine exactly how far the Fund would interfere with the working of the sterling area. It appears that "discriminatory currency practices" are to be eschewed, but this might mean almost anything. British opinion will want to know whether the Conference agreed with the view expressed by Lord Keynes in the House of Lords last May, that this did not exclude voluntary agreements between, say the United Kingdom and New Zealand to stabilise the expenditure of each in the other's country. Another matter which needs scrutinising with great care is the time-table proposed. It appears to be contemplated that the Fund shall be in operation within eighteen months from now; but there is also to be an interim period during which exchange controls are still to be permitted. What is not quite clear is whether exchange rates have to be fixed before the end of 1945. If this is the proposal, it is hardly practicable.

The scheme for a Bank for Reconstruction and Development has had less public discussion, but it would appear to raise less contentious issues. Of its total capital of \$10 billion (of which \$9,100 million has been allotted), only one-fifth is to be called up in the first place and used as a fund for the Bank's own lending operations.

The rest is a contingent guarantee fund, by which the Bank can guarantee issues made on the public market either by itself or by other public or private bodies. As Lord Keynes frankly indicated in his inaugural speech to the Second Commission, it will be the American market (or the American Government) which will have to find the money; the other countries will bear their share of the risk. Since the guarantees will relate only to interest and service, very large sums could be guaranteed in this way, at a cost to the borrower of only 1 to 1½ per cent above the market cost. This is, in substance, an extension of the League Loan method of the 1920's. And the memory calls up the one great unknown in the Bank's prospects—how many loans are there likely to be which are safe enough to meet the Bank's standards and yet not safe enough to float on their own merits? But whether the scale of its operations proves to be large or small, the Bank will clearly, *pro tanto*, be rendering a service. It will be a most useful long-term adjunct to the short-term functions of the Fund.

The Agreements now come back to the Governments for consideration—among others, to the British Government. Should they be ratified? Before the question can be answered, it is as well to make a distinction between the content of the Agreements and the assumptions on which they are based. From the technical point of view, though they have blemishes, the Agreements should be acceptable. That is to say, if the sort of world for which they are designed comes to pass, then those arrangements are probably better, on the whole, than any others to which 44 nations could be brought to agree.

But the assumptions need the most careful examination. The whole structure is based on the assumption that the post-war world will be a place in which the nations will be able to balance their incomings and outgoings within a small margin, without exchange controls on current transactions, without "discriminatory currency practices" and without more than a very limited power to change the gold values of their currencies. The margin is smaller than might be thought at first sight, for, in practice, it will be the available amount of dollars and gold that will set the limit. The United States quota is \$2,750 million, that of Canada (the other probable "hard" currency is \$300 million; and the Fund will probably start with about \$1,000 million, at most, of gold (other than that subscribed by the United States and Canada). The total of gold and dollars may be about \$4,000 million. Moreover, these are not annual figures, but totals. There was originally a suggestion (not referred to in the summaries) that no country should draw more than a quarter of its quota in any one year. If this provision has been incorporated, the basic assumption is that the balances of payments of the world will, every year, be within \$1,000 million—or £250 million—of balance. If the provision has not been incorporated, the condition cannot be stated with such precision, but will not be substantially different.

Now this is a very large assumption. It is not an impossible one. But before it can be said to be a probable one, all sorts of other conditions will have to be established. This has, of course, been recognised from the start. The sort of world in which the Fund would work would be one in which at least the major countries were successful in avoiding unemployment crises, in which there was a substantial lowering of tariffs and other trade barriers, in which creditors behaved as creditors should, in which debtors did not default—in short, in which balances of payments were naturally brought into equilibrium by expansion, not forced into it by contraction. To ask the question whether these Agreements should be ratified is in reality, to ask what prospect there is of a reasonably close approach to such conditions.

The answer must be largely sought in the United States. Not only is America now by far and away the most powerful country in the world, exercising a dominant influence on the world's economy, but America is also the country that is the least persuaded of the necessity of taking positive action to control the economic environ-

ment of human activities. The fate of the Bretton Woods Agreements when they are submitted for Congressional approval will, in itself, be one indication of what can be expected—and it goes without saying that British ratification should, in any case, await the action of Congress. But even if the Agreements survive the Congressional test, there will still be many other matters on which the British Government will need to hazard a guess. What are the prospects of an effective employment policy in the United States? What are the prospects of America so greatly increasing its purchases from, or lendings to, other countries as to bring its balance of payments into equilibrium? To ask these questions is not to suggest the answers to them, still less to suggest that the answers will necessarily be unfavourable. But they will need to be answered before the British Government can afford to take the risk of ratifying the Bretton Woods Agreements.

"The risk of ratifying"—for the essential difference between the American and British positions is that there is virtually no risk for the United States in ratification. Let us suppose that the worst happens, and that the post-war world is not one of balance and expansion, but of distortion and depression. America risks, indeed, the loss of a sum in dollars and gold equal to the cost of carrying on the war for ten days—and "loss" means, of course, that this sum will have been spent in the United States by other countries. But all the other provisions of the Fund would, in such circumstances, be more in America's interest than in any other country's. As in the depression of the 1930's the American interest would be to prevent other countries from imposing exchange controls (which the strong dollar would not require), from depreciating their currencies, and from discriminating against purchase of American goods because they were shorter of dollars than of other currencies. The closer the approach to the gold standard—which, in these days, is a dollar standard—the better American interests are served, in prosperity and depression.

But Britain is in different case. Even in deepest crisis, Schachtism will never pay this country. But it is in the British interest to be free to make the best of a bad job if a bad job is what has to be faced. And the circumstances of the United Kingdom dictate other methods of making the best of a bad job from the American. If the circumstances of 1931 were to recur, Britain would wish to be able to allow the pound sterling to find its level and to concert measures for stabilising trade within a group to which all countries that would abide by the rules should have access. A Bretton Woods system would not be in the British interest in times of crisis.

British policy is thus faced with a dilemma. Here are proposals which will confer benefits on the world if certain optimistic assumptions are fulfilled, but which may be a dangerous tying of hands if the hopes are not realised. On the other hand, to reject them is to surrender once and for all the chance of realising the hopes on which they are founded. It is the same dilemma that was faced, though less consciously, over the return to the gold standard twenty years ago—for the new proposals are, if not a version of the gold standard, at least based on the same fundamental conceptions. It would be easier to have faith that faith alone will suffice if there were not so recent a proof to the contrary.

He is a fortunate man who can reach a definite conclusion in so difficult a dilemma. Two things should, however, be reasonably clear. The first is that every effort should be made, as speedily as possible, to fit together the other parts of the jigsaw—particularly the important sections labelled "commercial policy" and "employment policy" in order to build up the assurance of a reasonable world economy. The second is that, pending this effort, there can be no question of rejecting the Bretton Woods Agreements. But whether they should be unconditionally accepted, for immediate application, is a matter which must necessarily await further evidence of the trends that are to be expected. That evidence will have to be sought, above all, in the results of the American election and in the temper of the American public and Congress in the months that are to come.

NOTES OF THE WEEK

Continental Front

For the last few weeks the military situation in Europe has been completely dominated by the unparalleled speed of the Russian advance. The great pace of the war in the east has strikingly contrasted with the slow progress of the advance in the west. The question is inevitably asked why this contrast should be. What is it that has enabled the Russians to attain so stupendous a mobility? What is it that has reduced the Allied forces in Normandy to almost stationary warfare? The chief advantage that the Soviet High Command enjoys is the enormous length of the front which now stretches over a distance of more than one thousand miles. When the attacker's striking power is superior to that of the defender, and when his initiative shows no sign of slackening, then his ability to spring surprises on the enemy, to manoeuvre and to co-ordinate blows grows in progressive proportion to the length of the front. Conversely, the shorter the front, the greater the chance of the defender to saturate his lines with men and material, and the smaller the opportunity for the attacker to achieve mobility. The Soviet High Command has partly to thank Hitler's "intuition" for the operational advantages on which it can now count. In the course of the whole war, Hitler has proved himself incapable of ordering a single large-scale withdrawal calculated to shorten his lines. Even now, when the Russians are already within striking distance of the Riga-Tilsit railway, the last route of retreat from the Baltic lands, the German armies there are ordered to "stay put." This enables the Russians in the Baltic area not only to conquer territory, but also to annihilate the enemy's armies in the best Clausewitzian manner. But it is not only Hitler's folly that lengthens the front. Russian strategy deliberately does the same, to splendid purpose. Within a few days the Russian lines in southern Poland has turned in a semi-circle from Rovno and Brody, east of Lwow, right to Przemyśl, which lies half-way between Lwow and Cracow. This single advance brought the Russians appreciably nearer to Upper Silesia and it lengthened the front by more than a hundred miles. In the centre, wedges have been driven almost to the gates of Warsaw, at Lukow and Deblin; and the cumulative effect of such "wedges" and "salients" is also to lengthen the front. The question of how the Russians manage to keep their supply services running at the pace at which their armies advance is at least partly answered by the fact that it is the very speed of the advance that saves communication lines and potential supply bases from destruction by the Germans, and leaves them available for the Russians.

Close Quarters

Allied strategy in Normandy has clearly been fettered by the shortness of the front. The full superiority of the Allied forces cannot be brought to bear on the enemy as long as he is not compelled to disperse or spread his forces to face a wider threat. When the invasion of the Continent began, it was generally assumed by the layman that the Allied Command would try to establish more than one beachhead. It cannot yet be said whether that assumption was wrong or not. But the German Command is apparently no longer acting on it. The enemy has seemingly taken it for granted that the Allies have for the time being chosen to use the Norman beachhead as their only jumping-off ground. Consequently the bulk of the German reserves have been thrown into Normandy. This, no doubt, leaves correspondingly greater opportunities for the Allies elsewhere. But General Montgomery's forces have in a sense become imprisoned in the beachhead. His recent attacks to the south and east of Caen were formidable but ineffective attempts at breaking the prison gates; and, at least outwardly, they were reminiscent of the stationary war of material which France saw in the last war. Even so, it cannot be said that this type of warfare holds out no promise of a more or less quick transition to mobile warfare. If General Montgomery does succeed in breaking through and crushing the hard crust of the enemy's defences in Normandy, he will perhaps have won the decisive battle before advancing inland. Experience in Italy points to this possibility, though it should not be forgotten that, at the decisive stage of the fighting in Southern Italy, the enemy was actually forced to disperse his forces between the Liri front and the Anzio beachhead.

Economic Diplomacy

When Lord Beaverbrook rejoined the Government last year, as Lord Privy Seal, there was much speculation on what his functions would be—apart of course from sitting on the left hand of the Prime Minister as consultant-in-general. It has since become clear, from his appointment to conduct successive negotiations of varying informality with the United States Government on civil aviation and oil, what one at least of his rôles is; and a most important job it is, too. Broadly, Lord Beaverbrook seems to have been set the task of exploring the possibilities of an accommodation after the war between the policies of this island and the continental United States on a number of matters of the highest commercial significance. In a sense, considerably more can be learned about the likely attitude of the Americans in business affairs from *ad hoc* talks of this sort than from the more formal and more technical proceedings of conferences of the kind that has just been concluded at Bretton Woods—despite the political and nationalistic prepossessions that tended to dog the experts' discussions even there. Flying and oil and rubber arrangements are specific instances by which to test post-war intentions, and it is only by thus getting down to cases that the real aspirations of American (and British) politicians and business men can be discovered. This is not to say, or even to suggest in the slightest, that secret diplomacy conducted on a purely empirical basis is preferable to the settlement of international policy in open conference. Quite the contrary is the case. But when critics claim, quite rightly, that the worth of such steps as the setting up of an international investment bank or exchange fund cannot be calculated until it is known what commercial policy the United States will in fact pursue, they are more likely to find the answers to their questions in what transpires during Lord Beaverbrook's talks than in the formal acts of the full-dress conferences. It is for this reason that some little concern has been felt at the manner in which these negotiations were becoming, as it were, a separate department of policy, divorced in the person of the Lord Privy Seal—whose economic qualifications are not perhaps among his most outstanding—from the regular conduct of economic diplomacy by the Treasury, the Foreign Office and the economic departments. For this reason it is reassuring to learn that Mr Law, Minister of State at the Foreign Office, and Mr Lloyd, Parliamentary Under-Secretary of the Ministry of Fuel and Power, head the powerful inter-departmental delegation which is assisting Lord Beaverbrook in the oil talks.

Continent, Island and Empire

The results of Lord Beaverbrook's tour of missions on civil aviation and oil have not, and will not, be published, apart from the most general forms of words about the degree of agreement reached. But it is already quite plain that one central problem of policy has been found to be common to these topics, and to the question of rubber which is also under discussion between the American and British Governments. This problem is the difficulty which arises when the attempt is made to work out agreed principles that will be equally applicable to the policies of the United States (or Russia) whose home resources and markets are on a continental scale and to Great Britain whose resources and markets lie so largely outside her frontiers. Because of this difference in size and situation the simple formula that each Power should cultivate its own garden in its own way, while policies outside their frontiers should only be decided by mutual agreement, cannot be relied upon to produce an even-handed result. It is this difficulty that causes the principle of "non-discrimination" in general trade policy, for instance, to be regarded rather differently from the British and the American angles—even though, in a world of countries all as willing to buy as to sell, it would be equally desired by both. It is this difficulty that causes the Americans with their own home continental air routes to approach the international issues of civil aviation rather differently from the British, whose home routes are negligible and whose Imperial and European routes are vital. It is this difficulty, finally, that causes the British, whose oil and rubber resources are all overseas, to view proposals for the international control of extra-

territorial supplies of oil and rubber rather differently from the Americans, a large part of whose oil and rubber (synthetic) resources are inside the United States. In most of these respects Russia comes into the same category as the United States. One conclusion is obvious; there must be a good deal of give and take in any agreement on these topics to ensure that no country will be unfairly handicapped by arrangements to tie all countries' hands abroad while leaving them quite free at home.

Mr Gandhi's Pronouncements

In some ways Mr Gandhi bears a surprising resemblance to the late Mr Gladstone. He has the same conviction of the moral rightness of his every political manoeuvre, and he has the same capacity for making the most important pronouncements of policy in what always seem to others ambiguous and equivocal terms. This month Mr Gandhi has set out in an oddly circuitous way, by a series of interviews, letters and speeches, to explain where he now stands in comparison with 1942 at the time of the Cripps offer. The upshot, however, has been that confusion has become worse confounded. At first high hopes were raised of an end to the Indian deadlock by the apparent admission by Mr Gandhi that he now favoured, broadly, the principles of the Cripps offer of independence, and was willing to concede autonomy to Moslem areas. Then followed a number of glosses, riders and interpretations—some of them, to the lay and Western mind, simply contradictions—from which must emerge the reluctant conclusion that not even Mr Gandhi knows what he really does mean. He says that he would be satisfied with a National Government limited in its functions during the war by "the exigencies of war"; he would advise Congress to participate. Then he adds that he still adheres to the "Quit India" resolution of two years ago, and denies that his proposals can be identified with those of Sir Stafford Cripps. He offers to the Moslem League what in the plain interpretation of plain language would appear to be partition. Then he denounces the Cripps offer for having suggested "vivisection." He pronounces what is apparently intended to be a programme. Then, in effect, he declares that he no longer has any responsibility for policy and speaks only as an individual with a moral obligation.

What Next?

To outward seeming the chief mark of Mr Gandhi's recent proceedings would appear to be irresponsibility. In effect, Mr Gandhi, by this series of unclear and contradictory statements, is making a calculated attempt to throw the responsibility for the deadlock upon the British Government and Mr Jinnah. In addition, half-hidden in the mass of abstractions and generalisations, there is an equally calculated and very significant demand for the inclusion of the Indian States in any independence plan—though Mr Gandhi is "no enemy of princes." The Viceroy and the British Government are no doubt right to feel that, when all has been said, there is still little or nothing upon which to go further forward. Nevertheless, it is an important fact that a considerable section of responsible opinion both in India and this country believes that at least a new opportunity for discussion has been provided. Obviously, the line could be taken that the test of Mr Gandhi's overtures will be his success in arriving at an agreed formula with the Moslems, and that nothing further should be done until this has been provided to begin with. On the other hand, it is desperately important not to miss any chance. Probably no policy can be decided until Mr Jinnah has spoken his mind, which may be before this issue of *The Economist* has been printed. But it would be quite wrong for the British Government or the Viceroy to decide out of hand to stand pat. Possibly no better way could be discovered of throwing the responsibility back where it belongs—that is, upon Mr Gandhi and his colleagues—than to propose a conference on the basis of his suggestions, whatever they may be, at which all sections of Indian political opinion (including the imprisoned Congress leaders) might be invited to attend.

General Tojo's Successors

After a long period of unparalleled victory and expansion, the Japanese are now in an equal series of defeats. The loss of Saipan is all the more depressing after the other losses that preceded it. In Japan material conditions have been growing worse in the last year. There are shortages and restrictions, and the masses are feeling the weight of total war. This is the background of General Tojo's dismissal. It is not a major change, nothing comparable to the dismissal, say, of Mussolini, but it does mark a change of policy in Japan. Under Tojo, practically all the power was concentrated in the hands of the military leaders. The system worked well enough as long as victory followed victory. Now that the phase of defeat and retreat has begun and the actual physical defence of the Japanese homeland may be necessary before many months are out, a military government without roots in the people, without a mass movement to back it or even normal political contacts, cannot ensure enough popular support to tide the country over the coming difficulties and dangers. The Emperor has therefore found a scapegoat in Tojo, and ordered General Koiso and Admiral Yonai to construct a more popular and more broadly based government. Incidentally, the statement published in last week's *Economist* that Marquis Kido had been entrusted with the formation of a new Ministry was taken from an incorrect report from the news agencies. According to Japanese constitutional practice, the Emperor called Marquis Kido into consultation and entrusted him with the task of finding a new Prime Minister.

In the new Koiso-Yonai Government, the military are reinforced by the inclusion of representatives of the old political parties and the old parliamentary life of Japan. Mr Machida is included, who at 83 is the Grand Old Man of Japanese politics. The Minister of Transport, Mr Shimada, and the Minister of Agriculture and Commerce, Mr Maeda, are former members of the Seiyukai. The Foreign Minister, Mr Shigemitsu, was a member of the Tojo Government; but he, too, has connections with Japan's "Liberal" past in the foreign field. Admiral Yonai

BUSINESS ENTERPRISE AFTER THE WAR

Small and medium-sized businesses in all branches of industry and trade must have every opportunity of contributing, by their enterprise and initiative, towards the nation's economic well-being after the war. They must be given full support in developing British trade at home or in overseas markets.

Changes due to war conditions call for a far-sighted policy concerning the financial aid they may need. This Bank, through its branch managers, will therefore be prepared to consider enquiries from promising undertakings, whether old or new, conducted under good management. It will base its consideration of each proposal as much upon the prospective borrower's integrity and business capacity as upon his material resources.

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is the link between these men and the military representatives. As was reported last week, the offices of War Minister and Chief of Staff and Navy Minister and Naval Chief of Staff, fused under Tojo, have been separated again. To mark the complete break with Tojo, the Chief of Staff he dismissed, Field-Marshal Sugiyama, is the new Minister of War and General Umez, commander of the Kwangtung army, is Chief of Staff. Altogether, the new Government may be called a government of national concentration. It is a coalition between the military and the old political groups. It will be the job of the army and navy to put an end to the series of defeats. The politicians will be expected to rally the people to active support and defence, and to prepare them for the much greater ordeals which lie ahead. This is not a "peace government" whatever individual rôles some of its members may play on some future and more desperate occasion.

From Algiers to France

On Tuesday the Consultative Assembly at Algiers passed a motion of confidence in General de Gaulle's Government. The vote reflected the growth of General de Gaulle's prestige after the striking diplomatic successes which he scored during his recent visits to London and Washington. In backing his foreign policy the Assembly was virtually unanimous. But the debate has revealed the uneasiness caused among Frenchmen by the trend of French domestic policy. A Radical member of the Consultative Assembly declared that

with a concentration of power in the Government's hands unknown in the history of democracy, it seemed that all the conditions were present for the establishment of personal power.

The fear of personal power has been newly stirred by the establishment of a virtual monopoly of news services in liberated France under the control of the Provisional Government. M. Bonnet, the Commissar for Information, has declared that the monopoly is to remain in force only provisionally, during a period of six months after the liberation of the country. His statement, however, has hardly

removed apprehension. The six months during which the monopoly will be in operation will be those of the electoral campaign in France, during which the French people will be more than ever in need of uncontrolled and unmanipulated information. General de Gaulle's successes in foreign policy have enabled him to obtain from the Assembly an "over all" vote of confidence covering foreign as well as domestic policy. Only four voices were raised in the Assembly against the vote. But indications are that, if the Provisional Government insists on its present quasi-authoritarian line, it will provoke deep disunity in France after liberation. The session of the Consultative Assembly that was closed on Tuesday last was presumably the last meeting of the Assembly on North African soil. The Assembly is now to be transferred to Metropolitan France. It is a pity that, before this happens, its message to the French people was not one that encourages the hope for the full revival of France's great democratic tradition.

More Men for the Army

Members of Parliament on Tuesday pressed Sir James Grigg for more information about the conditions under which men are being transferred from the Royal Air Force and the Navy to the Army. One suggestion was that the men so transferred should be formed into separate brigades, so as to preserve their links with the Services in which they had originally enlisted. Sir James Grigg explained that to organise them separately would defeat the purpose of the transfer, which was to maintain the fighting strength of existing units and formations in the Army. But he said that the men would be posted in small groups rather than individually and, as far as possible, would be allowed to express preferences for particular arms and regiments. At this stage of the war it is inevitable that the Army should receive the highest priority in manpower, and for some time past the authorities have been concerned about how to find more soldiers without depleting the labour strength of essential industries and services. The Cabinet's decision to transfer men from other fighting Services is a gratifying reflection of the mounting strength of the Allied air and naval forces, and of the low rate of casualties inflicted by the Luftwaffe or the U-boats. RAF men are also being used on the railways, where the pressure of war transport has been aggravated by the strain of holiday-makers and evacuees. Airmen, sailors and marines have now been brought in to help repair bomb-damaged houses in Southern England. All this shows that although a manpower budget has to be planned well in advance, the allocations made between the various fighting services and home industries, it has to be highly flexible and rapidly adaptable to meet the needs of the moment.

Billeting in Private Houses

The most important point to be made immediately about the evacuation (official and unofficial) of some 250,000 persons, mostly children and women, from the bombarded London area is that it has been very successful. Some sort of billet has been found for all but an infinitesimal few of the official refugees. Moreover, in spite of the publicity given to some hard cases and bad feeling, the welcome given to them by their hosts has on the whole been gratifyingly good. What has undoubtedly been shown again, however, is that the centuries-old dislike of the British people for billeting in private houses, embodied in some of the key documents of the "unwritten" British Constitution, has not grown weaker with the passage of time, and is now much stronger in the case of billeted civilians (especially families) than of troops, whose unwelcome presence it was that gave rise to the traditional complaints. In part this war's expressions of this dislike have been due to a sense of inequitable treatment: to the feeling that the large houses of the better-to-do are not always called upon to give their proportionate share of accommodation; and, in several recent instances, to the fact that, in some holiday resorts, lodging-house keepers were in effect called upon to ply their trade—that is, to take in guests—at cut rates. In addition, there are other real grievances arising from the present shortages of household equipment. Mostly, however, it is the same general disinclination to share homes—especially with "foreigners" from another part of the country—that has been in evidence this year as four years ago;

and it is surprising that the lessons of the first evacuation did not lead the Government to explore more thoroughly all possible alternative ways and means of housing refugees: in Butlinesque camps (so popular among holidaying families before the war) or in requisitioned houses. Certainly this seemed at the time (in 1940) to be the chief moral of that great dispersal; housed in this way the migrants would have taken up less room, not more, than in private houses; and a considerable amount of this sort of accommodation must have come, or be coming, available with the exodus of troops. However, the best is being made of what is not a very good job.

The Future of the ILO

On Wednesday the Commons debated the International Labour Organisation. Members of Parliament congratulated the British delegation on its work at Philadelphia; they expressed general agreement that the ILO was a good thing; hopes that the Philadelphia Charter would be translated into practice, and not remain an academic document; and regrets at the absence of Russia from the counsels of international labour. Mr Bevin, after losing his temper with Conservative back-benchers—a sign perhaps that the Coalition as well as nerves are beginning to fray—repeated what in his view, and presumably that of the Government, should be the role of the ILO in reconstruction: "the precursor of an international parliament in the wider field." Mr Bevin has, of course, always been a champion of the ILO, and a believer in the tripartite, Government-employer-worker, relation on which it is based. There is now no question, as there was perhaps a year ago, about the continuation of the ILO or about its value as an international agency. The Philadelphia Conference, committing the representatives of over forty nations to a broad programme of social reform, firmly re-established the ILO's position, and Parliament has now fully endorsed the actions of the British delegation at the Conference. There is, however, still question—and neither the Philadelphia meeting nor Wednesday's debate succeeded in classifying the issue—about the methods of implementing ILO recommendations, and about its functions in relation to any future world economic organisation. The ILO is only an advisory body—it cannot enforce its decisions or apply sanctions to members who fail to comply. For its effectiveness it must depend on the goodwill of Governments, and more particularly on the strength of national and international trade union movements which are always the most concerned to see its principles adopted. Moreover, to be really effective, as *The Economist* has consistently argued, the ILO should concentrate on the social and labour problems, and should not dissipate its energies over the whole field of economic problems, as some of its more enthusiastic supporters would like to see.

The City

The report of the Improvements and Town Planning Committee of the Court of Common Council of the City of London, which was presented on Wednesday, is a mine of historical and graphical information about the affairs and problems of the City's layout. It is not, however, in any sense a plan to make that layout in the future either worthy of the area's unique position or appreciably more workable, in terms of transport, traffic and accommodation, than it was in the years between the wars. It is as an Improvements Committee rather than as a Town Planning Committee that its authors have approached their task. It is significant that they begin their report by denying, on the best of authority, that a great opportunity was lost at the time of the Great Fire nearly three hundred years ago. Their exposure of "the legend of the so-called rejection of Wren's plan" is a fitting preface to the proposals for street widening and land-use zoning that follow. In most essentials the report could, and should, have been written before the bombing of the City and the official acceptance of the principles of area planning made more ambitious projects possible. In the conclusion of the report, it is stated that "we have not dealt with the financial problems of reconstruction." In fact, however, the report is dominated by financial fears. In effect, it is taken for granted that there will be nothing commensurate by way of betterment or

other financial assistance to offset the very high cost of compensation if radical reconstruction is attempted. It is recognised that the matter is still open, but the worst is assumed. The basic formula, therefore, is "safety first"—and the restoration of rateable value. The City of London is not to be planned as a great single national precinct. Instead, it is to be improved piecemeal—in a number of no doubt necessary and important directions. St. Pauls may be given a little more space to stand in and to look out from. There may be an eastward extension of the Embankment and a ring-road (made up of existing routes). But the real aim is to restore at least the old amount of City activity—indeed, if possible, to get in eight workers (by the use of higher buildings) where there were five before. The vision some have had of a city worthy of the Greater Britain of which it is the centre will remain visionary. It may indeed be that, by the failure to solve problems of finance which cannot be disregarded, this will prove to be the only feasible method of mitigating the problem of city congestion; and the City is characteristically made up of hard-headed business men. It is not now the habit of the City to take bulls by the horns. But if there is a case anywhere for the over-riding of purely financial considerations, it exists in the City of London because of its historic national and international importance and because of the opportunity that has been given to refrain from undue rebuilding by the action of the enemy and by the evacuation for several years of many firms. It is of course true that the congestion of the City, the high site values involved and the multiplicity of landed interests concerned make the task of restraint and redesign peculiarly difficult. But the authors of this report show no appreciation at all of the fact that it is the crowding of business in the City that is a central and direct cause of the living and travelling problems of the entire Greater London area. There could be no better example of the necessity for an effective and early solution of the problems of unitary local replanning and compensation. The Committee has stated the City's dilemma; it has made no real attempt to resolve it.

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The governing word in the question is "right."

But eating the right food presupposes an ideal world of plenty, where the right food is available and where education and economics encourage the proper feeding of all sections of the population.

Consider the position in Britain today, after five years of war. The *per capita* intake of vitamins in the diet is almost certainly higher now than before the war. The Government have taken measures to fortify all margarine with Vitamins A and D, so that it has a vitamin content equal to summer butter. Children under five, and pregnant women, are given an allocation of Vitamin C in orange juice, and Vitamins A and D in cod liver oil.

Our fighting men in the Western Desert received synthesized Vitamin C tablets.

It is interesting to remember that as recently as six years ago the mass production of vitamins, necessary to apply this knowledge, would not have been possible. But today, at the Roche plants in Britain, synthesized vitamins are made by the ton. It is this mass production of vitamins that has

made them available on an economic scale.

It is certain that synthesized vitamins have played a very important role in keeping Britain at war in good health. The ideal world where the right food will be available to all may take some time to evolve, but no one in Britain, or in the countries of Europe awaiting liberation, need fear any shortage of these protective factors.



In a recent report in "The Practitioner" on the Medical Aspects of Axis Prison Camps, it was stated: "Before being taken prisoner most of the British and South African troops had been receiving a routine dose of ascorbic acid (Vitamin C) in tablet form while campaigning in the desert. This, coupled with the fact that on one or two rare occasions we were able to obtain for the men a few fresh tomatoes and onions (at extortionate prices), apparently served as sufficient protection against the development of any clinical scurvy in the camp during the first five months after capture."

ROCHE PRODUCTS LIMITED

Makers of Synthesized Vitamins

The Geese are Dying

The debate in the House of Lords last week on the sources of national expenditure on social services gave Lord Woolton an opportunity to lay a number of persistent economic bogys. The extension and expansion of social services are to be regarded not only as an expression of humanitarian ideals but as a sound business proposition. Lord Woolton estimates that current absenteeism due to sickness is costing the country £280 million a year. Even when abnormal conditions due to war no longer exist sickness absenteeism will impoverish the nation by about £180 million a year unless the general standard of health is improved. Every pound spent wisely on social services reduces in some measure the overhead charges (losses from strikes, sickness, absenteeism and unemployment) which must be met out of the nation's resources. Lord Glasgow's lament, "the tax-paying geese are dying," drew from Lord Woolton the corrective, "We no longer depend on the geese that lay the golden eggs." The burden of cost which social progress entails cannot be shouldered by the few; it must rest on the broad back of the entire community. "The root of the matter," said Lord Woolton, "is to be found in the amount of business that we can do and not in the amount of money we can avoid spending." And the argument might continue: "The amount of business that we can do depends on the amount (and the quality) of the work that we do." The recent upheaval in economic thought is clearly demonstrated by Lord Woolton's definition of wealth as something produced by work—a definition that he called "modernist." If the definition is new, it is because it has been newly rediscovered. Britain's social and economic objectives can only be attained by the full use of her manpower. This means full employment. It must not merely mean hard labour for those who manage to avoid unemployment.

Whose Body?

The Goodenough Committee on the medical schools urged that in the interests of medical progress everybody, "whatever their wealth or status," should be willing to be taught upon when ill. At present, freedom from being

taught upon is one of the privileges which is bought by a private patient in a hospital; it is one of the most cherished privileges, and if it is to be taken away one of the chief reasons for becoming a private patient will disappear. There is a certain class distinction in this squeamishness. There are, it is true, many people in all walks of life who object to being used for demonstration, and many who have no objection at all. But, generally speaking, the "poor," who are normally taught upon, are free from squeamishness and even welcome the interest shown in their symptoms, whereas the "rich" have a rooted objection to public display of their disease. When the patient becomes a corpse, however, the squeamishness is on the other side. Again generally speaking, the "rich" would not mind if their bodies were sent to the dissecting rooms of the medical schools. The "poor," on the other hand, must have their decent funeral. Moreover, the state respects their wish. No corpse can be sent to the dissecting room if the next of kin objects, and the result is that unless there are bequests of bodies, the medical schools rely on unclaimed bodies in public institutions and on the co-operation of local authorities to hand them over. But, as Dr Neville Goodman pointed out in a recent lecture to the Royal College of Surgeons, the supply of bodies—subjects, to give them their technical term—is mainly perilously low. The effect of social legislation is that there are fewer casualties and fewer unclaimed bodies. Consequently, whereas formerly the maximum number of students per body was 16, in 1941-42, according to Dr Goodman, there were 12,582 students—including dental students—and 608 subjects, giving an average of 20 students per subject, or 3.2 per part instead of 2. When, therefore, new social legislation brings a further decline in pauperism and the demand from doctors brings an increase in the number of medical students, the supply of subjects relatively to the demand will fall to a level which may endanger the future of medical education and thereby the quality of the new generation of doctors. Social legislation may thus defeat its own ends.

The Goodenough Committee recognised this danger and commended it for the Government's consideration. The probable solution, as Dr. Goodman pointed out, is an increase in the number of bequests which in 1941-42 only accounted for 3 per cent of the supply of subjects. But, according to the present law, this is not so simple a procedure as it sounds. A would-be subject has to be reassured that his next of kin will raise no objection; forms have to be applied for. Red tape thus deters the "rich" from compensating for their refusal to be object lessons when they are alive by their willingness to be subjects for dissection after death. The Goodenough Committee suggests that the difficulties may be mitigated by administrative action which would not involve any change in the law. But, whether this takes place or not, propaganda is needed to convince rich and poor alike that their willingness to place their bodies, alive or dead, at the disposal of the medical schools is a direct contribution to the progress of medicine.

Shorter Notes

To fit in with the Government's plans for training men and women released from war service for civilian jobs (the details were given in *The Economist* of April 15th) the Army is working out its own scheme for the vocational guidance of soldiers and ATS. Sir James Grigg told the House of Commons on Tuesday that, as far as the war situation permits, regular periods in working or training time will be allotted each week for vocational education. The courses will cover a wide variety of trades and provide for practical work; they will be related to the wider post-war training which will be given by the Ministry of Labour.

In an article entitled "Which Way to World Order?" in last week's issue, Mr Sumner Welles's new book was described as supporting the thesis of a regional organisation of world security. This was based on a cabled review of Mr Welles's book which concentrated on its concessions to regionalism. It is now clear that Mr Welles, in the main, is a Wilsonian, a universalist, a believer in giving the Great Powers only a minority vote in the World Council—that is, an advocate of just the opposite views to those ascribed to him last week. This misunderstanding of Mr Welles's position is to be regretted—it is one more example of the difficulties with which international discussion has to contend in present conditions. The argument of the article is not affected.

AMERICAN SURVEY

After the Conventions

WITH the close of the Democratic Convention, the stage is set for the election campaign. The cast is settled; even the issues on which they will fight—or decline to fight—are moderately clear. So far there have been no major surprises. The nominations of Mr Roosevelt and Mr Dewey were foregone conclusions. The party platforms contain nothing unexpected. Even the dropping of Mr Wallace might have been predicted from the vigour with which the Southern Democrats have been outgunning for him. Senator Truman is what might be called a border-line Southerner, conservative enough to placate Texas and Louisiana, but with a record of service as chairman of the Senate Committee investigating the war effort which commends him to the East and to the AFL. This is not to say that the Democratic Convention was as carefully controlled as the Republican or that there were no fireworks. One element in particular caught the party managers, the bosses and the hacks unawares, and has left them a little perturbed. This is the surprising strength and energy shown by the Political Action Committee of the CIO. Even before the convention this body had scored some notable triumphs in defeating reactionary Senators and Congressmen in the primaries and in assuring the return of some hard-pressed Liberals. It very nearly saved Henry Wallace. The party bosses, alarmed by the demonstration staged on the Vice-President's behalf, accused the CIO of packing the galleries, and the CIO retorted by accusing Mr Hannegan, the chairman, of "bad faith" in pushing Senator Truman's candidacy. There is no doubt that the strength of the demonstration led to the sudden concentration of the most diverse elements behind Senator Truman. All the regulars were alarmed at this new manifestation of political influence and sunk their differences in what was almost a stampede to Mr Truman.

Conservative or Liberal?

In the event, the CIO failed to bring off the re-nomination of Mr Wallace, handicapped as they were by the cool and careful phrasing of Mr Roosevelt's letter, and Mr Hannegan's assertion that the President would welcome Senator Truman as running mate. The Liberals also failed to swamp the Southern group over the "equal rights" plank in the platform, and what has emerged is an evasive compromise which will hardly be satisfactory to the negro voter. For the moment the Conservative wing of the party appears to have triumphed, and even Mr Roosevelt seems to have estimated that the party's chances would be better if the Conservatives were not openly antagonised. Nevertheless, Mr Wallace, whose disinterested loyalty to the President was never better displayed, may not have been far wrong in suggesting that a new Liberal movement was born at Chicago. The CIO contains most that is freshest and most vigorous in the Labour leadership in America; it may provide a motor power to replace the expiring dynamo of the New Deal. Some commentators already are predicting the dissolution of the Democratic party if the breach between its Conservatives and Liberals is not healed. But the imminent collapse of the Democratic party has been confidently prophesied for a century.

Other speculations concern the future of Mr Wallace. Although he has been eliminated from the party ticket, it is certain that he will be found some new function. President Roosevelt is notoriously reluctant to lose an old friend if he can be shifted to a new job; and Chicago has shown that although the bosses of the party machine in New York, Illinois and Pennsylvania may dislike Mr Wallace, he has other friends as well. It has been suggested that Mr Wallace's role may be that of "thinker and prophet," the conscience of the Administration and the party. This

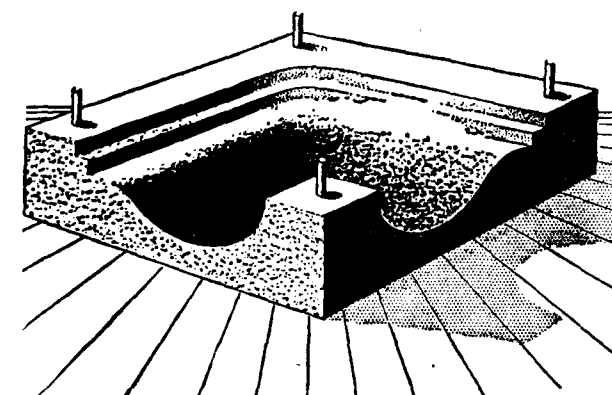
is very likely true, but Mr Wallace is too active to be content with dreaming New Deals.

In his acceptance speech Mr Roosevelt made it clear that he does not intend to fight on the ground so carefully prepared by Mr Dewey. The Republican candidate insisted that the conduct of the war and the fashioning of the peace really were outside party politics, and that they constituted no issues. Not so Mr Roosevelt, who insisted that the people of the United States must decide this November whether they turn over the job of winning the war and the peace to an

inexperienced and immature hand, to those who opposed Lend-Lease and international co-operation against the forces of aggression and tyranny, until they could read the polls of popular sentiment; or whether they wish to leave it to those who saw the danger from abroad, who have met it head on, and now have seized the offensive and carried the war to its present stages of success, to those who, by international conferences and united actions have begun to build that kind of common understanding and co-operative experience which will be so necessary in the world to come. They will also decide whether they will entrust the task of post-war reconstruction to those who offered the veterans of the last war bread-lines and apple-selling and who finally led the American people down to the abyss of 1932. . . .

Mr Roosevelt intimated that he would not wage a campaign in the usual sense. This quotation may, indeed, be Mr Roosevelt's version of how not to fight an election, but

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WHITE HORSE

was growing old when
this war was young

If you have wondered how it is that you can still get White Horse Whisky from time to time, and how it is that the quality and flavour of this famous whisky were never better than to-day in this fifth year of the war, here is the answer in one word . . . age.

All the flavour, fullness and smoothness of the White Horse you have known in the past is in the White Horse you may buy to-day. For to-day's White Horse is itself a whisky of the past. In the early days of the war it was already growing old. It has been ageing ever since.

It was the stocks of maturing whisky, laid down in years gone by with a prudent eye on the future, which provided the great blend that is White Horse to-day. And our unrelaxing, provident care of the whisky still maturing is your assurance that this famous Scotch will remain as always — whisky fine as a fine liqueur.

it is not likely to be Mr Dewey's. It is already becoming clear that by bearing down so heavily on the issue of age *versus* youth, Mr Dewey may have been the architect of his own undoing. This will be particularly true if Mr Roosevelt's contention that the emergency is still upon the American people is accepted instead of Mr Dewey's implication that the real issues lie in postwar reconversion.

Mr Roosevelt did not fail to remind his listeners of his position as Commander-in-Chief. In Republican circles this is referred to as exploiting the war; but it is part of the determination not to allow the Republicans to assume that they would conduct the war as well as the Roosevelt Administration does. Nor will the Democrats fail to hit out all the time at the isolationist record of many prominent Republicans. This can hardly fail to bring into the open the unhealed breach in the Republican party, which was so elaborately and painstakingly camouflaged at Chicago. There are too many men in the inner circles of the party with pre-Pearl Harbour isolationist records for this to pass unchallenged; and if Mr Dewey chooses to defend them, he will inflame the Republican interventionists, of whom Mr Willkie is the best known, but not the only, member.

Mr Willkie's intentions are also the subject of a host of speculation. There is said to be great pressure being put upon him to declare himself for "Dewey and the straight ticket," but to date he has preserved a Sibylline silence. There is ample testimony that a good many Republicans share his dislike for the Republican platform's lukewarm attitude to international collaboration. An article in the current issue of *Harper's Magazine* contends that the Republicans have already sustained a heavy loss through their too summary dismissal of the man who piled up such a huge vote in 1940. The author believes that the repudiation of Mr Willkie guarantees that the Mugwump—or Independent—vote will go Democratic, in the realisation that there is nothing else for it to do. There are stories that Mr Dewey is in reality the prisoner of Governor Bricker and the Old Guard; that he will provide the figurehead and the speeches, and the boys in the backroom the policy. Mr Dewey's position, caught between Mr Willkie and Governor Bricker, is none too comfortable, and, as a practised tenor, he might well croon "How happy could I be with either, were t'other dear charmer away."

American Notes

Hemispheric Prices

Mr Leon Henderson, the originator and stormy petrel of the office of Price Administration, was immediately and happily consigned to limbo by Congress after he was forced out. But Mr Henderson is still interested in prices and controls; and at the first Conference of Inter-American Development he made a strong plea for hemispheric scheduling of orders after the peace in order to minimise the dangers of inflation and scarcity in all the Americas. Mr Henderson pointed out that every country represented at the Conference was shadowed by the same ugly ghost, in greater or less degree. Of the South American countries, only three, Argentina, Colombia, and Uruguay, have kept the increases in the cost of living since 1939 within moderate limits. In one, the cost of living has more than doubled, and three others show increases between 50 and 60 per cent. In the United States, Mr Henderson argued, there is a great unbalance of supply and demand underneath the war controls, and if at the end of the war the controls are relaxed there will emerge a wide unbalance of prices similar to that which followed the last war. Speaking from the records of the last war, Mr Henderson traced the story through the speedy elimination of controls to the collapse of 1921; and he expressed some alarm lest this time the natural desire for an end to controls might bring about an even greater and almost unmanageable load of unemployment. Another 9,000,000 peacetime jobs and a 35-50 per cent increase in production over the par-war peak are his estimates of the requirements for stable employment. While urging that some schedule of priorities for post-war orders was necessary, Mr Henderson disavowed any bureaucratic hankering after the extension of wartime controls, insisting that they were insufficient, even if suited, for quick

economic recovery. But he did insist that no nation could act alone and be saved.

1945 Model

Predictions that the first post-Hitler automobiles would be the 1942 models which manufacturers have been talking about are now being discounted. The War Production Board has agreed that when production is resumed the industry will be free to make new models rather than return to the pre-war types. Permission was granted this month for the construction of experimental models and the acquisition of machine tools. The four orders designed to prepare industry for limited reconversion are hedged about with so many conditions that it is difficult to believe that they will make any inroads upon materials or manpower needed for war production, whatever their effect on morale. The freer supply of aluminium and magnesium, dating from July 15th, is not to be used to increase the total of end products; they are only to be used as substitutes for less satisfactory metals. The construction of experimental models, permitted from July 22nd, is not to be construed as permission to construct samples for sales promotion, and if the expenditure is greater than \$5,000 monthly, specific approval is necessary. One third step, the permission to place unrated orders for machine tools and equipment, becomes effective on July 29th; but such orders will only be filled if they do not interfere with rated orders and available manpower and facilities. The fourth order will not be issued until August 15th, which suggests that it was the most controversial. This will set up machinery by which manufacturers who have unused labour and plant may get permission to make civilian articles not now allowed, or to exceed present limits as to quantity. In their wording, and in the care with which the Departments concerned have supervised their issue, there appears to be a reasonably good guarantee that no such interference will take place, and that preparation for peace will tread on the heels, not the toes, of war production.

Letter to the Editor

The Cost of Service

TO THE EDITOR OF THE ECONOMIST

SIR,—Mr Barber's defence of what some people consider the extravagant services of department stores is that "in general they amply pay their way." Even if this dictum were accepted (in spite of the very complex and debatable calculations involved) it would not affect the main argument. For the contention is that such services represent additional cost of distribution which the department stores must make good by maintaining higher prices than would otherwise be necessary. This does not mean that such services are always unprofitable to the stores; but that they are unprofitable to a public requiring cheaper goods. Many of these services are devised (as Mr. Lawrence E. Neal has written, with admirable objectivity, in his famous book) simply "to attract customers to some central location by every inducement open to the store proprietor." Small shops do not need to offer these sometimes very costly "inducements." Writing in 1938 about the costs of retail distribution, Prof Arnold Plant and Mr R. F. Fowler came to the conclusion that it costs the larger stores "a good deal to reach their larger public as witnessed by the higher cost of Despatch and Publicity." It is, however, a hopeful sign for post-war developments that at least one trade, the furnishing trade, has lately stressed the necessity for simplicity of service.

Mr Barber seems to suggest that the large stores do not particularly favour the system of price-fixed branded articles—which, as he will agree, tends to restrict the power of shops to reduce price-levels. Unfortunately the Board of Trade's Report on Restraint of Trade (1931) does not support Mr Barber's contention; for the Report expressly states that "some evidence was laid before us to the effect that large retailers exert pressure upon the manufacturers in order to compel them virtually to treat the goods as price-maintained and to withhold supplies from retailers who sell the goods at prices considered unduly low."—Yours faithfully,

Richmond, Surrey.

HERMANN LEVY.

BANK OF ENGLAND

Two Hundred-and-Fifty Years

ON Thursday of this week, July 27th, the Bank of England completed the first quarter of its millennium. A week previously it passed the centenary of the Bank Charter Act of 1844. This double event has been fittingly celebrated by the publication of a history of the Bank, the work of the eminent economic historian, Sir John Clapham.*

These two volumes were written at the request of the Bank but Sir John hastens to point out that they are not an official history and that "nothing whatever has been imposed." Official or unofficial, the work is that of an extremely privileged historian. All the material in the Bank was thrown open to Sir John—that is, up to 1914, when the curtain of anonymity and secrecy comes down with abrupt finality, and compels Sir John to end his history with a final chapter of hazy and wholly impersonal impressionism covering the last thirty years.

The sealing of the first Charter of the Bank on July 27, 1694, was the culmination of long drawn out negotiations between a group of city company promoters, for whom William Paterson, "a pedlar turned merchant," acted as spokesman, and the Government of the day. William III was waging the War of the Grand Alliance against France, the Exchequer was running low and in 1693 a Committee of the Commons was appointed to report on schemes for raising money. It was before this Committee that William Paterson appeared with his group's proposals to raise £1,000,000 "upon a fund of perpetual interest" at a cost to the State of £65,000 a year in perpetuity, namely 6 per cent on the capital plus £5,000 for "management." This amount would be raised by the creation of a bank whose capital issued to the public would immediately be re-lent to the State. In return the Bank would receive certain privileges, including that of issuing notes, which, it was hoped by the promoters, would be given the attribute of legal tender.

The scheme was accepted, but with modifications. There was to be no legal tender for the notes, the original capital to be raised and re-lent to the Government was £1,200,000, the rate of interest being a generous 8 per cent, plus a yearly fee of £4,000 for management. The Bank was created by the Ways and Means Act of 1694. The first issue of capital of £1,200,000, 25 per cent paid up, was made in June, 1694, and subscribed within twelve days. The first instalment of £112,000 was paid to the Exchequer on August 2, 1694, against the Government's promise to pay in the form of interest-bearing tallies.

Soon after this first and basic operation, the Bank began looking for current banking business. By September, 1694, the Governor was explaining to the General Court (the general body of proprietors) that the directors kept their "running cash" with the Bank. Would not all proprietors do the same? The Bank soon began issuing notes and discounting bills. Before long, it was keeping the accounts of a number of Government Departments, though by no means all of them, and was handling the "remises," i.e., the business of remitting funds, to Flanders and other foreign parts for the war against Louis XIV.

The early years were difficult. The orgy of "projection" amidst which the Bank had been born left its inevitable aftermath of losses, suspicion and shaken credit.

In addition, the Bank suffered from the recoinage of silver in 1695, which left it with a considerable amount of clipped coins that had been accepted at par and had then lost their currency. Moreover, the Bank in those early months had fallen to the temptation of over-issuing its notes. It had to meet its first serious run in May, 1696, and could not surmount the test. The first suspension of cash payments occurred.

Government Agent

Within the first few years of its existence, the Bank had become the agent for the issue of the Government's Exchequer bills, the Court undertaking to subscribe directly to a substantial part of the issue. This first participation in Government Loans had to be submitted to the approval of the General Court, which, on first being confronted with the proposal, turned it down. By 1709 the Bank had obtained statutory assurance that no Exchequer Bills were ever to be issued without its consent. That assurance was given by the Act "for enlarging the capital stock of the Bank of England and for raising further supply," which raised the capital to £4,402,343, increased the advance to the Government to £1,600,000, but left the remuneration at £100,000 a year, i.e., 6 per cent and £4,000 management.

At a very early stage in the history of the Bank there came into existence the Committee of the Treasury—that select number of the directors who to this day constitute the real source of power and authority and the initiator of policy at the Bank. The Committee's function is more precisely defined in a title it bore for some years after, "The Committee to Attend the Lord Treasurer." In other words, it was the spokesman for the Bank with the Government of the day and thus became the normal source of authority. Unfortunately for the historian, no minutes of the proceedings of this Committee were made or at least survived, before 1779. The Committee was made up of the leading members of the Court, including those who had "passed the chair," that is to say, the ex-Governors and Deputy-Governors.

It had been suggested in the draft laws that the Governor and Deputy-Governor should not serve for more than two years and that not more than two-thirds of the directors should be eligible for re-election. Although this clause was rejected by the General Court, the two-year term of office for Governor and Deputy became normal in practice. It was only rarely that the Deputy-Governor failed to become Governor. It became normal for a man to serve his four years in the two offices in succession and then to serve for a spell, often a very long one, as a director and as a member of the Committee of the Treasury. This led to great continuity and ultimately to great conservatism in the direction of the Bank's policy.

*

The Bank's business began to take recognisable shape in the first half of the eighteenth century. It made loans on commodities, plate and bullion and occasionally on its own stock. It became a constant lender to the East India Company. Its private discount business was rapidly built up. No client was to have more than £3,000 of inland bills or notes running at any one time. Only a London resident could have a discount account (in its early days

* "The Bank of England." A History by Sir John Clapham in Two Vols. 278 and 460 pages. Cambridge University Press. £2 2s.

the Bank was nicknamed the Bank of London); and even in 1793, when the Corporation of Liverpool asked for a loan on its sealed bonds, it received a curt refusal, the Committee of the Treasury intimating that, following its invariable practice, it would only consider two-month notes of "respectable gentlemen in London." The Bank also began to transact an important business in bullion. For its dealings in silver it began at a very early date to employ the specialist house of Mocatta's, which to this day remains the Bank's silver broker. By the second decade of the eighteenth century, the Bank had become the main supplier of gold to the Mint.

Towards Central Banking

The growth of any consciousness of central banking responsibility is difficult to discern in the early history of the Bank. Almost from the start it acted as the principal banker to the Government, the manager of the National Debt and official agent for making foreign remittances and procuring bullion. In this respect the Bank, from its very earliest years, assumed one of the essential functions of a central bank. But many decades were to elapse before the Bank developed any feeling of responsibility for the adequacy of the supply of domestic credit and cash in times of crisis. In the panic of 1772, which was largely the result of infection from Amsterdam, where there had been much kite-flying and speculation, the Bank of England was discounting liberally and supporting houses in difficulties. Again, in the crisis of 1793, which followed the outbreak of war with France, the Bank went out of its way to help banking houses in difficulties, and, though it still showed its preference for London names, it made a significant advance of £40,000 to banks in Liverpool. It was not until 1817 that the Court, declining a motion to reduce the discount rate below the traditional figure of 5 per cent, formulated the classic doctrine (to be propounded more fully fifteen years later by the then Governor, John Horsley Palmer) that discount activities should be confined to "times of discredit." It was not until 1833 that an Act was passed putting dealings in bills and notes of less than three months outside the scope of the Usury Laws with their upper limit of 5 per cent. Six years later the Bank first tried 6 per cent as a cure for a crisis.

Renewals of the Bank's Charter took place at regular intervals. They were usually made the occasion for extracting an additional loan from the Bank to the Government, more often than not free of interest. Each occasion was also marked by some Parliamentary opposition to the extension of the Bank's privileges, usually based on some variant of the argument that the Government would do better for itself if it kept itself free to "apply to other shops."

*

With the suspension of cash payments in 1797 there began that conscious concern with the problems of monetary policy, as viewed from the angle of the foreign exchanges, which was later to become almost the sole determinant of credit policy. How far had there been any over issue of notes by the Bank? How far was such over issue responsible for the rise in commodity prices, for the premium on gold, for the depreciation of sterling exchange? Those were the kind of questions which stimulated the pamphleteers of the suspension period and which were thrashed out before the Bullion Committee of 1810. The Bank's evidence before the Committee was a prototype of much that was to emerge from it on later occasions. The Bank's spokesmen showed a flair for hitting on the right measures, but for advancing the wrong theoretical explanation of their actions. The Governor, John Whitmore, defended the Bank against the accusation of over issue by arguing that it "never forced a note into circulation."

He agreed that the Bank had limited its discount facilities in 1796, but that this had "no bearing upon the

price of bullion" although later he admitted that, with the Bank working on a free gold basis, he would restrict discounts so as to check a foreign drain of gold. Both the Governor and his Deputy clung to the view that there could be no excessive discounting provided the bills in question were good. Another director, Jeremiah Harman, argued that the curtailment of discounts in the past had done more harm than good and that it had had no connection with the state of the exchanges.

Whatever may have been thought of their economics, the directors stumbled by instinct and sound common sense on something resembling true central banking. In the difficulties of 1816 the Bank discounted generously and, breaking with the precedent which had earned it the nickname of the "Bank of London," it agreed in that year to accept "country securities of undoubted respectability." Industrial development was beginning to stir in the country and the Bank was slowly coming into touch with such remote new-style industries as the iron works of Hawks & Stanley of Newcastle.

One of the earliest evidences of open market policy is to be found in 1824/25, a period of exceptional over-issue by private banks. At that time the Bank sold Exchequer Bills on a substantial and continuous scale "to contract the circulation." Up to the suspension period it had been the declared policy of the Bank of England to take gold without restriction but also without going out of its way to acquire it. From the resumption of cash payments, however, there is hardly a period of crisis and strain on the reserves when the Bank does not initiate bullion operations which are not justified by the exchange position.

By 1827, moreover, an exchange policy had definitely crystallised. By that time the Bank dealt with any threat of unfavourable exchanges by "shortening the currency," selling Exchequer Bills to take capital off the market and selling silver for gold in Paris, where a bimetallic system made such operations relatively easy.

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Soon after the close of the Napoleonic Wars, therefore, the unconscious growth of the Bank of England into the stature of a central bank had proceeded a very long way. From its earliest years it had acted as principal banker to the Government and as manager of the National Debt; but by the early decades of the nineteenth century it had evolved a sense of responsibility for the exchange value of the currency and had learnt that this responsibility could not be divorced from its domestic credit policy. In its bullion operations in times of crisis the Bank had begun to dissociate its responsibilities to the wider interests of the nation from the immediate interests of its proprietors: it was ready to import gold at a loss. The Bank, it is true, remained competitive in its discount business, though even in this aspect of its activities the conception of a lender of last resort was growing. By 1832 John Horsley Palmer had propounded the doctrine that in normal times the Bank should not discount extensively because then others would do the work, but that it should confine such activity to "times of discredit." It was the same outstanding Governor of the Bank who a year previously was telling the Governor of the Bank of Ireland that he wished to get the law altered so as to concentrate the note issue for each country in its own central bank. This represented rapid progress towards the central banking ideal.

There were, however, some setbacks to this progress. The first came with the renewal of the Charter in 1833, when it was intimated to the Bank that its privileges could not exclude joint stock banks from London, provided such banks did not issue notes. There was vehement opposition to this suggestion by the General Court, and the directors pointed out that to permit joint stock banking in or near London would "have the effect of destroying the present character of the Bank of England and forming it into a bank of competition." On this fateful issue the Bank lost the day and the joint stock banks came.

The Bank of England's branch policy also led it along the path of competition. The question of opening branches was first considered in 1826 by a committee of the Court, which found that such a course would be highly expedient. By 1830 eleven branches had been established, doing in that year £5,500,000 of discounting for nearly 1,000 clients. This was really competitive banking and much later it became increasingly competitive under the guidance of an eager Principal of the Branch Bank Office, who put new life and competitive vigour into his department in the 1890s. He only left the Bank in 1910. His reign was the last kick of the "competitive banking school."

The Act of 1844

The Bank Act of 1844 must in some respects also be regarded as a setback to the central banking ideal—not so much for what it enacted as for the prevailing atmosphere of free trade and free banking in which it was debated and created.

Peel's Act, with its victory for the principle of ultimate centralisation of the country's note issue, and its apparent triumph of the "currency school," which demanded automatic variations in the issue of notes with variations in the holding of gold, was greeted by many critics at the time as a monster of rigidity. A test came in 1847, when crisis followed disastrous crops, speculation in railway promotions and somewhat excessive discounting by the Bank of England.

The drain on the Bank's reserve led to the first suspension of the Act of 1844. The Bank was promised a Bill of Indemnity if it infringed the law in the course of expanding its discounts and advances (at not less than 8 per cent) to meet the prevailing distrust. The mere publication of the Chancellor's letter helped to stem the panic, and in fact the Act was never infringed. Another suspension of the Act—a genuine one this time—was to occur in 1857, during the commercial crisis in which all the feverish and gold-dazzled activities of the mid-fifties ended—the first really world-wide crisis in history.

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The Overend Gurney crisis of 1866 must be regarded as an important chapter in the history of the Bank, if only because it brought to a head the war long waged between the Bank and the discount market and established the subsequent relations between the two parties on a footing that was to prove mutually so satisfactory and to provide so important a part of the credit mechanism in this country. The Bank had regarded the arrival of the bill broker in the early years of the nineteenth century with scarcely veiled animosity. The charge against them was that these houses competed directly with the Bank in discount business, that they failed to take the normal precautions of maintaining adequate cash reserves, and that therefore in times of crises they had to throw themselves on the mercy of the Bank with which they normally competed.

Whatever may be said of the merits of these charges there was more than enough justification for the Bank's suspicions in the activities of the firm of Overend Gurney, which dominated the market for many decades. This firm had become the second financial power in the City and had had a trial of strength with the Bank in 1860, when it withdrew notes on a large scale with the obvious intention of embarrassing the Bank. When Overend Gurney, as a result of mismanagement and unwise speculation, crashed in 1866, the panic and disbursements were without precedent in this country. The Bank of England, by pushing up its rate of discount to 10 per cent and keeping it there for three months, avoided an infringement of the Act of 1844. The remedy was cruel, but it worked.

At the General Court which followed the crisis, the Governor, Lancelot Holland, prided himself on the part the Bank had taken. "We did not flinch from our post, we made advances which would hardly have been credited. . . . Before the Chancellor of the Exchequer was out of

his bed we had advanced one-half of our reserves. . . . I am not aware that any legitimate application for assistance made to this house was refused." Walter Bagehot, taking these remarks as his text, preached the famous sermon in *The Economist* in which he argued that the Governor's speech was an admission that the Bank held and was responsible for holding "the sole banking reserve of the country."

That doctrine did not go unchallenged, and from within the Court itself, one Thomas Hankey, a former Governor, repudiated it as "the most mischievous ever broached," since it tended to absolve all other banks from the duty of maintaining proper reserves. Out of this vehement debate there grew the final acknowledgment by the Bank of its responsibility as a lender of last resort and as holder of the ultimate (not "the only") cash reserve of the country.

A Public Institution

By 1870 the fundamentals of Bank of England policy had been hammered out, and the subsequent history up to 1914 is rather devoid of sensation. The technique of credit policy improves steadily. The higgling of Bank Rate develops into a fine art; the efficacy of that rate in attracting gold becomes a source of perennial wonder—until one appreciates the extent to which the whole world had by then become a debtor of Britain. Open market policy evolves into a finely tempered instrument. Sir John Clapham's volumes, by giving details of the amounts paid out by the Bank for money borrowed from the market through the official brokers, Messrs Mullens, Marshall and Company, provides impressive evidence of the scale on which open market operations were transacted to render the Bank Rate effective. The Bank was perfecting its technique, but still continued to shrink from any attempt to relate it to a cohesive theoretical framework. When other and younger central banks ask it for its rules or its statutes, they are told that there is no book of the rules, that its Charter would be of very little use to them and that its relations with the Exchequer have never been codified from the relevant Act of Parliament.

The Baring crisis of 1890 cut a new facet to the Bank's technique—that of moral leadership of the City. The initiative was taken by a great Governor, William Lidderdale, to raise a guarantee fund sufficient to underpin the precarious position of the house of Baring. It was thought that £6,500,000 would be needed for this purpose. In fact over £17,000,000 was subscribed. Perhaps the most significant feature of the operations is that the joint stock banks had been called in to the inner councils of the Bank and played their full part in subscribing the guarantee fund.

Sir John Clapham arrests his narrative abruptly at the year 1914. He points out that the history of the Bank during the war of 1914-18 could be written now, but as it is only a preface to the story of the years between the wars, "which cannot be written yet," it is deferred to a later occasion.

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In an epilogue Sir John sketches the developments which have made the Bank of 1944 almost as different from that of 1914 as that of 1914 was from the Bank of 1844 or even of 1714.

It began life as an experimental bank in a small but already rich island. Its object was to finance what its enemies regarded as a Whig War and to make profit for its proprietors. After exactly a century and a half of life it was urged by the greatest of early Victorian finance ministers to compete freely with other banks and presumably to make as much profit as they, if it could. After two centuries and a half it was a non-competitive public institution with world-wide connections and influence, not eager for profit but anxious—in the adapted words of what was once the oath and is now the declaration made by all its directors—"faithfully and honestly to demean itself according to the best of its skill and understanding and to be indifferent and equal to all manner of persons."

Peel's Act in Retrospect

THE Bank Charter Act, the centenary of which the Bank of England also commemorates this week, is by common consent one of the great landmarks of British banking history. It is also one of the very few legal landmarks. In the nineteenth century, Governments and Parliaments indulged in a great orgy of enquiries and commissions into monetary topics, but only rarely were they moved to the point at which they dared legislate. The Bank Act of 1844 stands almost alone as an Act which limited the Bank's freedom to manage its affairs as it chose. In importance, it certainly dwarfs all others.

Its real significance did not, however, flow from the letter of the law, but rather from the conclusions that men drew from it. A modern judgment, differing sharply from those of the nineteenth century, might say that its most important direct effect was to consolidate the Bank's exclusive note-issue privilege by prohibiting new private issues and limiting existing ones. It would argue that this guaranteed the eventual ascendancy of the Bank by making it, inevitably, the only bank of last recourse. But even so cautious a judgment would be disputable. Given the relatively minor part which note-issues later played in the whole credit structure, it is arguable that the Old Lady would have triumphed without this aid.

Apart from its consolidation of the virtual monopoly of issue, the Act's contribution was a purely negative one. It laid down the principle of the fixed fiduciary issue, requiring all Bank issues beyond an initial £14 million to be backed pound-for-pound by bullion, yet omitted both a "relaxing power" for use in emergency and any provision for the natural growth of currency needs. And, while thus rigidly controlling all note issues, it was wholly silent on all questions of credit control and reserve policy. Thus it is that Britain, the home and nursery of central banks, has never had a central banking code. The very term "central bank" is even now unknown to the law. And the Act which, irrevocably, set the final seal upon the exclusive privileges of a private corporation imposed upon it neither obligations nor restrictions in what thereafter was bound to be its sphere of greatest influence. Indeed, the initial effect was to loosen the Bank's hesitant grip upon central banking principles.

Several of the characteristic features of a central bank had, in fact, become clearly discernible in the fifty years before 1844. The Bank had in its first century or so become the principal manager of the public debt, and virtually the sole custodian of official balances. After 1825, it became important as the holder of the cash reserves of the London banks. By 1827 it was evolving a technique for equalising the money supply in the market. It was, moreover, working out a reserve policy which made no real distinction between its liabilities on notes and those on deposits, and which at last acknowledged the significance of fluctuations in the exchanges. It believed that, as "the only body issuing money *ad libitum*," it ought to avoid competing with the discount market.

The "Principles" of 1844

These principles were in striking contrast to those which emerged from the system of 1844. The troubles of the thirties, and especially the crisis of 1839, were widely attributed to excessive issues of notes. The "Currency" School believed that, if notes could be made to fluctuate precisely as a metallic circulation would have done, the currency system would automatically provide its own stabiliser. Hence notes should be mere bullion certificates, and the 1844 restrictions which were to make them so were really intended to restore the supposedly natural or "free" correctives. It was a logical consequence of this theory that banking business, as distinct from note-issuing, should also be free. Moreover, if notes, allegedly the cause of all the trouble, had

been safeguarded against mismanagement, how could credit, which was not money at all, do any damage?

Given the rigid control of the Bank's note-issue on "bullionist" principles, it was, as Peel declared when introducing the Bank Charter Bill, "important that the public should be enabled to obtain the use of that issue on as favourable terms as possible . . . banking business, as distinguished from issue, is a matter in respect to which there cannot be too unlimited or unrestricted a competition." The separation of the issue and banking departments of the Bank was therefore far more than a formality; it enshrined the unwritten law which at first was more important than the law itself. "The issue department," explained the Governor, James Morris, in 1848, "might be in Whitehall, and the banking department in Threadneedle Street." As late as 1857, Overstone was still declaring that people had to accustom themselves to looking at the Bank "as they would look at the bank of Messrs Smith, Payne or Messrs Jones, Loyd."

The first consequence of the Act of 1844 was, therefore, to produce a flat reversal of the rule that the Bank should stand apart from the market. Immediately the Act became operative, Bank rate, then standing at 4 per cent, the lowest rate ever previously fixed, was promptly reduced to 2½ per cent, and the rules for discounts and advances were liberalised. Thus were the outside banks and discount houses encouraged and enabled to extend credit to support the rising wave of speculation in railway stocks and projects, in raw materials and food.

Sir John Clapham's researches reveal that virtually the whole framework of the Bank Act was evolved within the Bank, though it is not clear whether the unwritten "principle" was an integral part of the Bank's plan. But if the Bank directors were not themselves the authors of the "principle," their market and lending policy in 1844-47 showed them to be faithful disciples.

Thus it was that the system of 1844 destroyed both lessons which, it was thought, had been learnt from the crisis of 1825. First, that the Bank had a clear duty to shorten sail, and thus to induce or impel others to do likewise, upon the very first sign of gathering storm-clouds. Secondly, that if and when the storm did break, the only way of avoiding panic and catastrophe was for the Bank to give maximum aid to all who needed it. The Bank Act formula, with its legal sterilisation of a large part of the bullion reserve as backing for the note-issue, and with its refusal of a relaxing power, made it difficult, if not impossible, for the Bank to pursue the second policy without breaking the law. And the "principle" of the Act effectively ruled out the first policy, virtually denying that it was even necessary.

This was the Act which, its promoters and supporters believed, was to prevent crises and, in Peel's phrase, would be wholly "delusive" if it failed to do so. It did fail. The Bank rode confidently into the very teeth of the gathering storm with every inch of available canvas exposed to the fury of the gale. And, whether or not its short-sightedness increased the rashness and the extent of the speculations of the times, it is certain that its convulsive efforts to reverse its policy at the last moment substantially intensified the eventual alarm. That was relieved only by the first "suspension" of the Act, by the issue, on October 25th, 1847, of the Treasury letter requesting the Bank to increase the scale of its assistance and undertaking to sponsor a bill of indemnity for any resultant breach of the law.

The crisis, and the manner of its relief, inflamed the controversy over the Bank Act to white-heat. But it was a barren controversy, principally because most of the major disputants were quite unable to separate the

"principle" of the Act from the Act itself. It was not generally perceived that the real solution was a wise policy and technique of credit control, which could not be prescribed by law, could be evolved only from long experience, and would always call for nice discrimination.

Solvitur Ambulando

The Bank, however, despite its efforts to justify itself before the Parliamentary enquiries of 1848, did thereafter modify its market policy. Its lending and discount policy became less competitive, and there was gradually evolved the principle that Bank rate should "follow," and not lead, market rate. Leadership was, however, needed—not competitive leadership, but leadership in the public interest. But the principle of 1844 had made so deep an impression that it was many years before the board of the Bank finally eradicated the notion that statutory control of note-issue had not put it in the position "of a commercial bank upon a large-scale." After the 1857 crisis, which also required a suspension of the Act, the Bank, unaware of the inadequacies of its own policy, blamed the excesses in the discount market, and, in all sincerity, turned upon the discount houses as a dog will turn upon the stick with which it has been beaten.

It was not until the Overend Gurney crisis of 1866, when the third and last "Treasury letter" was issued, that the Bank openly admitted a public duty to give aid as a bank of last recourse; and the abandonment of the rule of "following the market," some years later, was dictated less by considerations of principle than by the practical fact that the rule was necessitating spasmodic and absurdly frequent alterations in Bank rate. The rate then became persistently ineffective. For a brief period it even seemed that the Bank might give up the struggle for ascendancy over the market. But the battle on issues

of principle was already won, and the ghost of 1844 had been laid. Thereafter the problem was to find a technique to fit the policy, to devise ways and means of guiding and controlling the money market and credit structure, and thus to achieve the objective which the promoters of the Act mistakenly believed could be achieved by a narrow rule of note-issue control. That technique was found, especially after the Baring crisis of 1890, in direct action upon the money supply, thereby enabling the Bank to make its own rate effective; and in the development of conventional relationships between Bank rate and commercial bank lending rates, relationships which were supported and sustained by conventionalised cash ratios.

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The story of the Act of 1844 really ends here, in the early years of the twentieth century. There is an epilogue, but it concerns only the bare bones of the Act, and not the principle which shed so much blood and sweat and tears. In 1928 the old rigid framework was widened so as to embrace not only the fiduciary issue of the Bank but also the much larger one of the Treasury, making a total of £260 million. And there was also added the long overdue elasticity clause by virtue of which the structure has been successively stretched to permit the enormous fiduciary issue required by the present war. More important still, there was introduced in 1939 the principle of weekly gold revaluations. The prescribed formula can be worked in such a way as to reverse the traditional rule that the amount of gold held determines the amount of the note-issue. In the brief interval before the war it was not possible to discern how the authorities would normally use this new toy. But after the war it may well be found that the skeleton of a famous Act has in fact disintegrated into dry dust scattered through the pages of history.

The Bank and The Economist

THE great occasion which the Bank of England celebrates this month is, in quite an intimate sense, a red-letter day for *The Economist* itself. Tradition, and the reputation of its most famous editor, have uniquely entwined the history of *The Economist* with that of the Bank. Bagehot, as Mr Montagu Norman graciously acknowledged at the paper's own centenary festivities last year, "did more than any other single individual to promote and direct" the transformation of the Bank from a commercial institution to a central bank, and "did it as editor of *The Economist*." But the relationship extends a good deal farther back than 1859, when Bagehot's reign began. Born on the eve of the greatest controversy that has ever raged around the Bank, *The Economist* had barely left its cradle before it presumed to give the Old Lady advice—and, in the eyes of history, it was good advice. The writings of James Wilson, founder and first editor of *The Economist*, have never been immortalised by a "Lombard Street," but they created the tradition which Bagehot deepened, yet never needed to re-shape.

Speaking of the unheeded warnings of his predecessor, Bagehot once claimed that the paper had resisted "almost singlehanded" the extravagant contentions of the sponsors of the Act of 1844. It was a reasonable claim, for the main factions in that classic struggle were so absorbed in the problem of control of note-issue, and so bemused by the question whether credit was or was not "money," as to be quite unable to see the real issues. It was left to *The Economist* to explain that safety of the banking system depended upon wise management of the whole monetary structure, credit as well as "currency"; that such management could never be achieved by rule of law, or even of thumb (because the "right" reserve and the "right" policy depended upon widely varying circumstances); and that if the Act, by regulating note-issues automatically, meant that the Bank could assume that it was relieved of all responsibility for "management," it was bound to produce the wrong policy. Hence

Wilson was pointing out, even before the Act was passed, that reliance upon Peel's assurance, that here was the sure preventer of speculative excesses and recurrent crises, would merely produce "a false and dangerous confidence."

Sound Banking Policy

The causes of crises, the paper explained, went far deeper than banking policy; the basic cause was usually an excessive investment of resources in capital projects. But a sound banking policy, which would evolve naturally from the self-interest of good bankers if only they were left free, could do much to prevent crises or mitigate their severity. In their effects, note-issues were of secondary importance compared with cheques, so that if the Government felt impelled to control bank reserves by law, it was absurd to limit that control to note-reserves while leaving deposit-reserves free. Moreover, the doctrine of Peel and his supporters, that this freedom enabled the Bank of England to conduct its banking business just as any other bank would do, and even imposed upon it a duty to do so, was most mischievous. Such a doctrine *The Economist* argued, would intensify instability, not mitigate it; and, in conjunction with the rigid control of the note issue, would aggravate the crisis when it came.

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Sir John Clapham, in his excellent history, has rallied to the defence of the Bank on these matters. He believes that the Act of 1844 did not at first "make the Bank less of a central bank than it was before"—or, at all events, "not much less"; and he minimises the effects of Bank policy as contributing to the crisis of 1847. But is hard to believe that Wilson's repeated criticisms and warnings were unjustified. It is true that the 4 per cent Bank rate in 1843 and 1844 was wholly ineffective. But market rate rose steeply in the few weeks before the Act took effect; the immediate reduction in Bank rate to 2½ per cent

brought the two rates to parity, and ignored the fact that the Bank, for various technical reasons, could always compete effectively when its rate was somewhat *above* market rate. Hence the Bank's action not only checked the rising trend of the market, but actually forced the discount houses to reduce their rates to protect their business.

In view of this artificial depression of interest rates it is surely fallacious to measure the Bank's contribution to the support of rising speculative activity by the extent of the increase in its own discounts. This increase was admittedly tiny by present standards, and was not vast by the standards of 1844-7, but it was larger than Sir John implies, because he measures it by changes in the income therefrom. Moreover, the increase in the "private" securities as a whole, as *The Economist* pointed out in a considered review after the dust of battle had subsided, was very large—from £5.8 million in February, 1844, to £15.1 million in February, 1847. The central reserve system was still in its infancy, but, even so, lending on such a scale had important "multiplier" effects; and there were also powerful psychological effects.

Throughout this period, therefore, we find *The Economist* repeatedly attacking the Bank for its blindness to the danger signals in the commercial markets—the price of bar iron, for example, was doubled in the six months to March, 1845—and for its failure to take any steps to protect its declining reserve. When, in the spring of 1847, catastrophe seemed imminent, the Bank put an absolute limit on the amount of its discounts, and thus denied the cardinal precept of crisis policy—that the only way to stop panic was to lend freely at high rates. The directors did, indeed, specifically reject this policy: a year later the Governor revealed that an alternative resolution, for the raising of Bank rate to 7 per cent with no quantitative restrictions, had been thrown out by a majority vote. Moreover, he even sought to justify the Bank's competitive policy by contending that the public attached too much importance to changes in Bank rate. Speaking of the crisis measures, he declared in 1848 that "persons were absurd enough to suppose that the Bank was to assist anyone who required it, provided the Securities offered were good." A more complete denial of the responsibilities of a bank which was inevitably the bank of last resort, it would be hard to find, as *The Economist* emphatically pointed out.

Bagehot's Criticisms

This was the situation with which Bagehot had to contend when, shortly after the crisis of 1857, he assumed the editorial chair. Well might he argue, as he did in "Lombard Street," that the significance of the Bank Act had been exaggerated. But the greatest obstacle against which he battled so determinedly was in fact a direct legacy from 1844—the belief that the Bank had no special responsibilities, and no public duty. The danger in this view had, moreover, been accentuated by the "suspension" of the Act in 1847 and 1857, because that had convinced the public that the Government would always stand by the Bank in extremities.

In the fifties, indeed, the situation differed in only one major respect from that of 1847—in the cessation of the Bank's competitive discounting. But the rule that Bank rate should "follow" market rate, was, as Bagehot argued in an important series of articles in 1864, simply a "recipe for making panics." Until 1857, a "more miserable history" could hardly be found than the so-called attempts of the Bank to keep a proper reserve. After 1857 a better reserve was kept, but not because the directors acknowledged any responsibility to the public. And if, in times of emergency, the Bank was beginning to perform its duty to lend, it did so reluctantly and with misgiving, and thereby minimised or destroyed the benefit of the aid it gave. Moreover, the rule of "following" the market entirely prevented it from taking precautionary measures and enforcing caution upon the market, at the very beginning of an unfavourable exchange.

Throughout the sixties and early seventies, *The Economist* kept up a fusillade of criticism of the Bank on these

issues, supporting its week-to-week snipings with frequent heavy broadsides of reasoned analysis; it was these articles which, with relatively little change, later found their way into "Lombard Street." The paper criticised, too, the Bank's false diagnosis of its problem in 1857. The directors thought that, because the discount market had leant heavily upon them in the fifties, and in the crisis had been the main channel through which the reserve was drained, they could protect themselves by prohibiting discount market borrowings (other than the customary "quarterly advances"). *The Economist* considered this discrimination as a measure "which every sound principle . . . would point to as being as doubtful in its policy as it is novel in itself . . . it is still to the directors [of the Bank] that we must look to maintain permanently, and at all times, a larger reserve than hitherto to meet the pressure of a crisis." "However much the Bank may dislike to aid their rivals," Bagehot later declared, "yet they must aid them."

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In intention, however, the Bank was beginning to move towards Bagehot's objective. The directors, he said, could not be blamed for the panic of 1866—although they must have known, as *The Economist* certainly did know, that Overend Gurney was rotten at the time of its conversion to a limited company in 1865. But at the moment of crisis the Bank acquitted itself tolerably well; and *The Economist* hailed as "a matter of the gravest import" the Governor's explanation (to the proprietors at the next meeting) that "we would not flinch from the duty which we conceived was imposed upon us of supporting the banking community."

This, however, was almost the last occasion upon which the basic issue was debated in public. After the middle seventies, when the objectionable rule of "following" the market was dropped, *The Economist's* criticisms were mainly criticisms of technique. If the Bank had realised by the early seventies that it had a duty to regulate and control the market with the object of safeguarding the reserve and mitigating credit fluctuations, it was only some twenty years later that it evolved a satisfactory method of doing so. In this evolution, *The Economist*—especially through the writings of Palgrave—certainly played its part. The solution did not, and could not, lie wholly within the Bank. Bagehot and Palgrave campaigned strongly for the abolition of commercial-bank interest allowances on current accounts and moderation of allowances on deposit accounts, for excessive allowances were a major cause of the ineffectiveness of a Bank rate which no longer followed the market. As the Bank itself, it gradually developed an "open market" technique of supporting Bank rate, and while *The Economist* sometimes criticised the timing of these measures, it warmly approved the measures themselves. It applauded, too, the Bank's strikingly competent handling of the Baring crisis in 1890, when the Bank's activities signalled the final triumph of the Bagehot school.

After the Battle

From then until 1914, there was no need for *The Economist* to play the schoolmaster. It became a recorder and, from time to time, a friendly counsellor. On the great issues of policy in the last thirty years—on the restriction of issues in 1920, on the return to the gold standard in 1925, on the financial reconstruction of Europe in the later twenties, on the reluctance to depart from gold in 1931 and the refusal to return to it thereafter, on the careful, gradual evolution of exchange control in 1940-41—the Bank and the journal have seen eye to eye. They have been right together and wrong together.

"No other country," said Mr Montagu Norman last year, "has a journal like *The Economist*; and no other country has a bank quite like the Bank of England." We take the honour of the juxtaposition as final forgiveness for any past quarrels—and perhaps as licence for further friendly disagreements in the future.

THE BUSINESS WORLD

Housing Costs and Subsidies

THE Government has shown a lively appreciation of the need for providing every family that wants one with a separate home as soon as possible after the war and for raising the general standard of working-class housing by an adequate long-term replacement programme. Nevertheless, there is a very real danger that, in spite of much preparatory work by the Government, performance may again fall far short of its praiseworthy aims. The danger lies in the piecemeal approach to the problem, in the neglect of the central economic proposition that the new houses must be within the means of those for whom they are intended. Unless the implications of this proposition are fully realised, the ambitious construction programme that is envisaged by the Government and has raised great expectations among the people stands little chance of fulfilment.

Fundamentally, the problem is one of the relation between working-class incomes and the cost of housing—whether in the form of rents or purchase instalments. The real reason why many working-class families were poorly housed before the war is simply that they did not possess the resources to command better accommodation or, more precisely, that they could only have spent more on housing by stinting themselves of food, clothing and other necessities and amenities. According to the inquiry into working-class budgets carried out by the Ministry of Labour in 1937 and 1938, the weekly income of £4 6s. 3d. then at the disposal of the average household was spent in these proportions:

	%
Food	39.6
Rent	12.5
Clothing	10.8
Fuel and light	7.4
Other items*	29.7
TOTAL	100

*Including items such as household equipment, soap, laundry, medical expenses, newspapers, travelling and entertainment.

The argument that the working-classes would have been better housed if they had been disposed to spend a bigger proportion of their incomes on housing merely begs the question. It is the consensus of medical opinion that the consumption of food and, to a lesser extent, of clothing was also below modern minimum standards. In any case, consumers have the choice in allocating their incomes; if the resources of the working-classes had permitted them to create an effective demand for adequate housing—either to buy or to rent—it would have been met as much as a bigger demand for food, clothing and other things.

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The only sure way to a higher standard of living is through an increase in productivity which will raise real incomes and enable consumers to spend more on food, housing and other things. In housing specifically the solution of the problem is a reduction in costs to a level that will bring adequate homes within the limits of the resources of the working-classes. The definition of an adequate house, moreover, has changed in recent years. Houses that were regarded as adequate by local authorities before the war are no longer considered to satisfy modern standards. This is shown, with a wealth of detail, by the report of the Design of Dwellings Sub-Committee of the Central Housing Advisory Committee. The three-bedroom house of an average superficial area of 900 square feet recommended

by the Committee would have cost £467 in March, 1939; that is 39½ per cent more than the cost of the cheaper type of three-bedroom house constructed before the war by local authorities and 16½ per cent more than that of the better type. If costs could be brought down to a level at which families with limited means could rent or buy houses up to modern standards without increasing the proportion of their budgets allocated to housing before the war the problem would be solved. In this sense, houses are no different from, say, motor-cars; the secret of the rapid growth of motoring in America is to be found largely in the reduction in the cost of cars.

Unfortunately, the relation between working-class incomes and the cost of new houses at the end of the war is likely to be less, rather than more, favourable to the poorer section of the community. In other words, costs of construction have risen faster than incomes and much faster than wage rates. Although the virtual suspension of dwelling-house construction renders impossible a precise comparison of present with pre-war costs, such facts as are available suggest that the increase has been of the order of about 100 per cent. For example, the House Builders' Association informed the Private Enterprise Sub-Committee of the Central Housing Advisory Committee of the Ministry of Health that

a house which cost £340 (excluding land, roads and other site works) in 1939, would on prices current in November, 1943, cost £677 10s., an increase of approximately 99 per cent, without making any allowance for additional costs arising from payments for a guaranteed week or otherwise under the Essential Work Order or the Uniformity Agreement.

The Design of Dwellings Sub-Committee quotes a similar increase in its report. True, average weekly earnings in a large number of industries, as ascertained by the Ministry of Labour, rose by 76 per cent between October, 1938, and July, 1943, but it must be remembered that earnings during the war have been inflated by overtime, nightwork and other special non-permanent factors. Actual rates of wages for a normal working week rose by only 30 per cent in the industries included in the official inquiry, and by 37 per cent in all industries, including coal mining, agriculture, railways and merchant shipping. It is impossible, at this

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stage, to estimate with any degree of precision how far the rise in building costs will be out of line with that of working-class incomes at the end of the war. But such evidence as exists suggests that costs will be substantially higher in relation to incomes than they were before the war. In the view of the Private Enterprise Sub-Committee there is every indication that they will be "inordinately high" during the early post-war years. This is the dilemma. The post-war problem is not merely one of improving upon the pre-war relationship between incomes and buildings costs, but, first of all, of restoring the pre-war position. It is a dilemma that must be faced squarely if housing aims are to be matched by achievement. Its solution is by no means easy.

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Above all, therefore, there should be a concerted drive to secure a steady fall in the real cost of building. The Ministry of Works, commendably, has already initiated and encouraged research and experiment on methods of construction. But it is doubtful whether the full magnitude and urgency of the task is even now sufficiently appreciated, not only by the Government, but by the building industry, its many ancillary trades and by the trade unions.

Fortunately, the scope for reductions in real costs of construction is substantial, not so much in the "shell" of the house as in fittings that lend themselves to standardisation and mass-production. An efficiency drive, to be successful, should embrace all the stages of production, from the raw material to the finished product. Raw materials must be obtained as cheaply as possible, components should be designed for mass-production wherever possible, assembly methods should be organised to secure more speed and economy. All this will involve a complete re-orientation in the building and ancillary industries; it will also involve a substantial measure of Government initiative and guidance and, in the case of the inevitable tendency to monopolistic practices, of Government control.

The Government's decision to build, and retain the ownership of large numbers of temporary dwellings, will not only assist in relieving the immediate housing shortage; it should also provide an excellent opportunity, a kind of spear-head, for speeding reorganisation in the building industry in that the Government will be a large purchaser of materials, components and fittings. The Housing (Temporary Accommodation) Bill, presented to the House of Commons last week, authorises the Treasury to issue up to £150 million for the construction of such houses by October, 1947; it is estimated that this sum would cover the cost of approximately 250,000 dwellings, equivalent to £600 a unit, inclusive of fittings.

But however efficiently the problem of costs is tackled, the double task of bringing them down not merely to the pre-war level in relation to working-class incomes but substantially below that level cannot be accomplished in a year or two. If new houses of adequate standards are to be brought within the reach of families with limited means, subsidies will be necessary, at least as a temporary expedient.

Disposal of Surplus Stocks

TUESDAY'S debate in the Commons on the Government's plans for the disposal of the great quantity of stores that it will have on hand when the war is over attracted only slight attention. But the problem is of tremendous general importance. The end of hostilities will find the Government in control of large stocks of goods and materials which the State has acquired for purposes of war. It is not possible to predict with any hope of accuracy what the size of these stocks (in most categories) is likely to be; but it is inevitable that they will be found excessive for the normal requirements of Government departments. Some part of the residue is earmarked for the relief and rehabilitation of liberated territories; part may be diverted to the export trade; but there will be surpluses, over and above these allocations, available for distribution in the home market. The disposal of these surpluses presents certain problems which must be resolutely tackled if the mistakes of the policy pursued after the last war are to be avoided. Then the Government's aim was two-fold—to recover as much of the taxpayers' war expenditure as

Broadly, a subsidy can be applied in two ways. It can be given in respect of approved types of houses or it can be given direct to needy consumers in the form of cash grants to raise their incomes to a level at which they can afford adequate homes. The former has at least two defects. First, past experience has shown that a general building subsidy does not always percolate to the consumer; secondly, a subsidy in respect of houses benefits those who can afford the full rent or purchase price as well as the needy. Both defects can be avoided by the direct subsidy to needy consumers. Moreover, it could be administered by local authorities without great difficulty. Obviously, applicants would have to pass a needs test; those that qualify might then be given a grant that would enable them to rent accommodation.

Far too little thought has hitherto been given to the vexed problem of housing subsidies. In fact, it appears that the Government intends to rely mainly on the general subsidy for approved types of building. The Housing (Temporary Provisions) Bill provides that the subsidy granted by Section I of the Housing (Financial Provisions) Act, 1938, mainly in respect of slum clearance and the abatement of overcrowding, shall in future be given for "any new house or flat provided by a local authority . . . before October 1, 1947." This form of subsidy may be justified as a stop-gap, but hardly as a long-term feature. There is probably a stronger case for another type of general subsidy, that is the financing of the construction of approved types of dwelling at gilt-edged rates. If, as it now seems, the general subsidy is to be employed as a means of bringing new houses within the means of the poor after the war, two principles should be established. First, such subsidies should be available on equal terms to local authorities and private enterprise. The principle of equality as between different local authorities was conceded in the Government's decision, announced on Tuesday by Sir John Anderson, to canalise all their borrowings through the Local Loans Fund. Secondly, as the Private Enterprise Sub-Committee rightly observed, "the grant of a subsidy to private enterprise must be subject to some measure of control of selling price or rents and of standards of size and construction."

Even a perfect subsidy, however, cannot solve the real problem of the post-war building programme, the problem of high construction costs. It can only mitigate it, and only within limits. In the absence of a substantial reduction in the real cost of new houses of modern standards, the subsidy that would be needed for a working-class building programme on the scale projected would be so high that it would stand little chance of fulfilment. On the other hand, a really drastic reduction in costs would not merely enable the poor to enjoy the amenities of new and modern homes; but it would also bring down the price and the rents of the whole of the existing stock of houses—some of which are now arbitrarily and artificially lowered by the Rent Restriction Act. It would enable the wage-earner to move upwards into existing houses of a type now occupied by the middle classes, complete with the garage for the new cheap motor-car.

possible, and to recover it as quickly as possible. This time the consensus of opinion is against any unseemly rush in the supposed direction of "normalcy." This time, too, the merits of financial recoupment are seen in proper perspective.

Intelligent guessing has put the probable value of American postwar surpluses at \$50 billion—a figure ten times greater than the corresponding figure for November, 1918. Presumably the British surpluses, adjusted to accord with relative industrial capacity, will bear some relation to the American: that being so, some idea of the magnitude of the disposals problem may be seen from the fact that the estimate given above is equivalent to a quantity of consumers' goods equal in value to the annual retail purchases of the entire population of the United States. It is clear that the surpluses under consideration will be sufficiently large to ease considerably conditions of short supply in the home market. It is equally clear that they are large enough, injudiciously disposed, to cause serious dislocation and disequilibrium in employment, commerce and industry.

The White Paper on plans for the disposal of Government Surplus Stores (Cmd. 6539) is to be welcomed as a timely recognition of the serious issues involved. There are three general principles which will guide the Government in the disposal of surplus stocks:

(a) To release the stocks at a rate which, while fast enough to get the goods into the hands of the consumers when they are most required and to clear badly needed storage and production space, aims at avoiding adverse effects on production through flooding the market;

(b) Unless there is good reason to the contrary, to distribute the goods through those traders or manufacturers who would normally handle or use them, and to secure that ultimate consumers in all parts of the country have a fair opportunity to buy them;

(c) To ensure, if necessary by statutory price control, that the prices charged to the ultimate consumer are fair and reasonable in relation to the current prices of similar articles, to prevent profiteering on the part of dealers handling the goods and to keep down the number of intermediaries to the minimum compatible with a proper distribution.

If these principles are unexceptionable, it is because they are indefinite enough to allow for numerous interpretations. They can be made to serve the most varied interests. It will not be clear whether the Government's plans are likely to make a maximum contribution to public welfare until their specific details have been formulated and announced. Clearly the entire problem of disposals cannot be solved by a simple formula. Each commodity surplus offers particular and peculiar difficulties that must be a subject for separate consideration and treatment. Goods for disposal fall into two categories. In the first, immediate post-war demand will fall short of supply; in the second, demand will exceed supply. Where the former conditions obtain it is legitimate to make the producers' and dealers' interests a primary consideration. Release of stocks should be sufficiently gradual to ensure that prices are maintained at a level which will not hamper the restoration of industrial and trading activity. The method of disposal should be one which preserves the market for the particular commodity while ensuring that the market price is as low as is consistent with that policy. It may be that even a moderate and controlled flow of surplus stocks would act as a deterrent to the early resumption of commercial enterprise. In such a case it might possibly be necessary to withhold surplus stocks completely until conditions for disposal were more favourable. But the decision, whether to release or to withhold, must rest with the Government. Markets should be restored to health, but there should be no malingering. If the market price is such that it enables the least efficient producer to maintain a full margin of profit there is everything to be said for a policy which allows surplus stocks to make their presence felt. The injection of fresh supplies into a restricted market would stimulate enterprise and put a premium on efficient production. A danger of breakdown in a market does not normally exist until the efficient producer is deprived of the incentive to compete.

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It may be, however, that conditions under which demand falls short of supply should be regarded as a temporary advantage. It might well be profitable to unload the surpluses rapidly enough to meet the full extent of demand and to employ the resources set free (the normal producers of the goods concerned) on other work—in the export trade, for example. There can be no hard and fast rule in the matter. If the producers could be assured that they would lose nothing by the partial diversion of their activities and that they would be able to recover their normal trade when the surpluses had been used up, they would probably agree with a policy which would strengthen, at least temporarily and perhaps permanently, this arm of British industry.

The need for a firm control of prices will be most urgent in cases where supply falls short of demand. Stocks should be moved as quickly as is practicable to the consumers who can derive most satisfaction from them. On grounds of equity the distribution of such goods (both territorial and social) should be as wide as possible—and prices should be low enough, where goods classed as civilian necessities are concerned, to ensure this. In the case of luxury commodities (necessities in war, luxuries in peace) there would seem to be no reason why they should not be sold to the

highest bidder in an open market. Such disposals would absorb funds that might otherwise help to promote inflationary tendencies in the markets for the more important necessities.

By what machinery are these varied desiderata to be achieved? It is very necessary that there should be the utmost clarity in the Government's intentions. Mr Dalton's speech in the House of Commons on Tuesday added very little to the White Paper's vague proposals with regard to the organisation and administration of disposals. It is to be hoped that there will be no delay in devising this machinery, in prescribing the channels of distribution and in deciding on the extent of the necessary statutory control of margins and prices.

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There is more than a hint in the White Paper that the Board of Trade intends to utilise the services of the trade associations as a matter of course and even of principle. Thus it is repeatedly asserted that the disposal of various classes of surplus goods will be decided "after consultation with representatives of the industries and trades concerned." It is also stated that where the principle of disposal by tender appears inappropriate, it may be desirable to operate through "a non-profit-making corporation or association, membership of which would be open to all traders normally handling the goods in question." Consultation with the trade associations is both necessary and desirable, but there is every reason to suppose that disposal by a free competitive tender system is preferable, wherever it is possible, to disposal through the narrower channels of the trade associations. The special interests of the associations would almost certainly induce them to press for a policy which would be inimical to the real interests of the consumer. This policy would include the maintenance of prices and profit margins at artificial levels and would necessitate a restrictionist policy of distribution. In the disposal of capital goods (surpluses that may properly be regarded as producers' goods) the associations would tend to allocate supplies only to existing members ("all traders normally handling the goods in question") in order to preserve the very imperfect competition which they represent. Such discrimination would strike a hard blow at the ex-Serviceman's right to obtain useful employment through his own enterprise. Where such stocks as will exist can help to re-establish industrial or trading units that may properly be regarded as war casualties, it is in the public interest that they should be made widely available for the purpose. In the long run a leaven of genuine competition would, of course, prove a real benefit to the trade associations, but their recent history does not suggest that they will readily accept this argument.

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If Government control could prove effective in preventing the abuses (the "muscling-in" of speculators, for example) to which the system of disposal by tender is susceptible, there would be no need, except in the instances cited, to employ other methods of allocation. But as wartime experience has demonstrated, it cannot always be guaranteed that maximum price orders will be observed. If there is a real danger that the open release of a particular commodity is likely to engender black-market conditions, then disposal through the trade associations is probably the best procedure—but always under close Government control.

The disposal of surplus war stocks will mark the halfway house between the economics of war and the economics of peace. If it can be achieved successfully—with a new emphasis on the interests of the consumer—the new programme will be off with a flying start.

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The Bretton Woods Agreements

The final draft of the United Nations monetary agreements is summarized below. The first concerns the Monetary Fund and the second the International Bank for Reconstruction and Development.

The Monetary Fund

Article One sets out its purposes. These are:—

(1) To promote international monetary co-operation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.

(2) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the resources of all members as primary objectives of economic policy.

(3) To promote exchange stability, to maintain orderly exchange stability and exchange arrangements among members, and to avoid competitive exchange depreciation.

(4) To assist in the establishment of a multilateral system of payments in respect of current transactions between members, and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(5) To give confidence to members to make the Fund's resources available to them under adequate safeguards, thus providing them with the opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(6) To shorten the duration and lessen the degree of disequilibrium in the balances of payment of members.

Article Two sets conditions of membership. It provides that the "original members shall be those countries represented at the Conference whose governments accept membership before December 31, 1945, and that membership shall be open to the governments of other countries at such times and in accordance with such terms as may be prescribed by the Fund." The proposal drafted by the Conference will be submitted to the legislative bodies of the countries represented for legal ratification. Agreement of delegates at the Conference to the proposal does not bind their governments.

Article Three of the text deals with quotas and subscriptions to the \$8,800,000,000 Fund. Quotas for countries represented at the Bretton Woods Conference have been set, and are part of the final Fund document. The plan provides further that the "quotas of other members shall be determined by the Fund . . . at intervals of five years' review and, if it deems appropriate, propose an adjustment of the quotas. It may also . . . consider at any other time the adjustment of any quota at the request of the member concerned. A four-fifths majority of the total voting power shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned." The article further provides that "each member shall pay in gold, as a minimum, the smaller of (1) 25 per cent of its quota, or (2) 10 per cent of its net official holdings of gold and dollars as at the date . . . the Fund notifies members . . . it will shortly be in a position to begin exchange transactions."

"Each member shall furnish to the Fund the data necessary to determine its net official holdings of gold and US dollars. . . ."

"Each member shall pay the balance of its quota in its own currency." The text contains a clause providing for an alternative gold figure agreed to by the Fund in the case of countries which, by reason of enemy occupation, cannot determine gold holdings accurately.

Article Four of the plan provides that "the par value of the currency of each member shall be expressed in terms of gold as a common denominator, or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944."

"Each member undertakes to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations." The Fund plan provides machinery for changing the par value of a member's currency "only on the proposal of the member and only after con-

sultation with the Fund." The plan allows for an initial 10 per cent increase in par value to which the Fund shall raise no objection.

Section five of Article Four provides for further increases in this manner; in the case of "(an increase which) does not exceed a further 10 per cent of the initial par value the Fund may either concur or object, but shall declare its attitude within 72 hours if the member so requests."

"(On changes not within these groups) the Fund may either concur or object, but shall be entitled to a longer period of time to declare its attitude." The plan also provides that members can make such changes in par value as do not affect the international transactions of members of the Fund, without concurrence.

Article Four also outlines penalties for unauthorised changes in par value by a member. The sanctions which can be evoked are ineligibility to use the resources of the Fund, or in certain cases expulsion from membership. In the matter of uniform changes in par value the plan provides: ". . . the Fund, by a majority of the total voting power, may make uniform proportionate changes in the par value of the currencies of all members provided each such change is approved by every member which has a 10 per cent or more total of the quotas. The par value . . . shall, however, not be changed under this provision if, within 72 hours, the member informs the Fund that it does not wish the par value of its currency to be changed by such action."

Article Five sets methods for conducting transactions with the Fund. It says (in part): "Each member shall deal with the Fund only through its Treasury, Central Bank, Stabilisation Fund, or other similar fiscal agency, and the Fund shall deal only with or through the same agencies."

Article Five also sets up a system of sliding scale charges which the Fund may levy against members based on the average daily balance of its currency held by the Fund in excess of the member's quota.

This system of fees is an important part of the Fund's operation, since the amounts involved are sizeable and are designed to discourage continuing unbalanced trends of currencies flowing into the Fund.

Article Six makes it impossible for a member to use the Fund "to meet a large or sustained outflow of capital."

Article Seven is devoted to the control of scarce currencies in the Fund. It says (in fact): "If the Fund finds that a general scarcity of a particular currency is developing, it may so inform members and may issue a report setting forth the cause of the scarcity and containing recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report."

"The Fund may, if it deems such action appropriate to replenish its holdings of any member's currency, take either or both of the following steps:—

(1) Propose to the member that . . . the latter lend its currency to the Fund or that, with the approval of the member, the Fund borrow such currency from some other [source which is prepared to] . . . make such loans to the Fund or to approve the borrowing of its currency by the Fund from any other source. (2) Require the member to sell its currency to the Fund for gold."

Article Eight sets forth the general obligations of Fund members to avoid restrictions on currency payments, to avoid discriminatory currency practices, and to agree to the furnishing of whatever information "the fund may require . . . for its operations, including, as the minimum necessary" . . . official holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange; production of gold; gold exports and imports; total exports and imports of merchandise; international balance of payments, including (1) trade in goods and services, (2) gold transactions, and (3) known capital transactions; international investment position; national income; . . . buying and selling rates for foreign currencies; exchange controls; details of amounts awaiting clearance in respect of commercial and financial transactions.

Article Nine established the status, immunities, and privileges of the Fund. It shall be immune from judicial process; and from all taxation and Customs duties.

Article Ten provides for "co-operation with . . . other international organisations."

Article Eleven requires member nations not to engage in any transactions with non-member nations which would be contrary to "the provision of this agreement or the purposes of the Fund."

Article Twelve provides that the Fund "shall have a board of governors, executive directors, managing directors, and a staff . . . there shall be not less than 12 directors, who need not be governors . . . five shall be appointed by the five members with the largest quotas . . . two shall be elected by the American Republics not entitled to appoint directors . . . five shall be elected by other members not entitled to appoint directors." Election is to be by proportional representation. The executive directors shall function in continuous session. They shall select a managing director who shall not be a governor or an executive director. Each member shall have 250 votes, plus one additional vote for each part of its "equivalent to 100,000 United States dollars."

Article Thirteen establishes that "the principal office of the Fund shall be located in the territory of the member having the largest quota, and agencies or branch offices may be established in the territories of the other members."

Article Fourteen is devoted to the Fund's status in the transitional period, and establishes that "the Fund is not intended to provide facilities for relief or reconstruction, or to deal with international indebtedness growing out of the war." It also provides for members' withdrawing exchange restrictions "as soon as they are satisfied that they will be able in the absence of such restrictions to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund."

Article Fifteen recognises the right of members to withdraw from the Fund "at any time by transmitting a notice in writing to the Fund at its principal office." This section also traces in technical detail the settlement of accounts with members withdrawing, "with reasonable dispatch, and by agreement between (the member) and the fund."

Article Sixteen is devoted to emergency provisions, the most important of which is "the executive directors by unanimous vote may suspend for a period of not more than 120 days the operation of (the main functions) of the fund."

Article Seventeen sets a method for amending the Fund plan "when three-fifths of the members, having four-fifths of the total voting power have accepted an amendment. . ."

Articles Eighteen and Nineteen are devoted to the interpretation and explanation of terms.

Article Twenty establishes that "this agreement shall enter into force when it has been signed on behalf of governments having 65 per cent of the total quotas . . . but in no event . . . before May 1, 1945."

The Reconstruction Bank

The articles of the International Bank for Reconstruction and Development provide that the agreement shall enter into force when it has been signed on behalf of governments whose minimum subscriptions comprise not less than 65 per cent of the total subscriptions of the nations at the Conference.

Municipal Borrowing

Very little surprise has been occasioned by the Treasury's announcement that, for an unspecified period after the end of hostilities, virtually all the longer-term loan requirements of local authorities will be met not by individual issues, but by advances by the Government. For a substantial period before the war, the principle that the terms upon which a municipality could borrow should be determined by its credit status had gone by the board. Terms of issue, as well as dates, were fixed by the authorities, and the terms were unchanged over substantial periods irrespective of the actual borrower. It is only one step further, and in the context of an energetic cheap money

The first article sets out its purposes. These are:—

(1) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconstruction of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

(2) To promote private foreign investment by means of guarantees or participations in loans and to supplement private investment when private capital is not available on reasonable terms.

(3) To promote the long-range balanced growth of international trade and encourage international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labour in their territories.

(4) To arrange loans made or guaranteed so that the more useful and urgent projects, large and small alike, will be dealt with first.

(5) To conduct its operations so as to bring about a smooth transition from a war-time to peace-time economy.

The guaranteeing in whole or in part of loans made by private investors through the usual investment channels is to constitute the major operation of the Bank, accounting for 80 per cent of its resources. Twenty per cent, or £2,000 million, plus earned surpluses, is to be the extent of direct loans by the Bank.

The original members of the Bank shall be those members of the International Monetary Fund which accept membership in the Bank before 31st December, 1945.

The authorised capital stock of the Bank shall be 10,000 million U.S. dollars divided into 100,000 shares available for subscription only by members. Capital stock can be increased when voted by a three-quarters majority of the total voting power.

Twenty per cent of the subscription shall be paid or subject to call as needed by the Bank for its operation, the remaining 80 per cent being subject to call by the Bank or when required to meet the obligations of the Bank.

Two per cent of the subscriptions shall be payable in gold or U.S. dollars provided that any original member whose metropolitan territory has suffered from enemy occupations or hostilities during the present war shall be granted the right to postpone payment in gold of one-half per cent (a quarter of the payment) for five years. An original member whose gold reserves are still seized or immobilised as a result of the war may postpone all payments until such date as the Bank shall decide.

For the Bank to make loans to members it must be satisfied that the borrowers would be unable to obtain the loan otherwise under reasonable conditions and due regard must also be paid to the prospects that the borrower or the guarantor will be in a position to meet his obligations. In guaranteeing a loan made by other investors the Bank shall receive suitable compensation.

All the powers of the bank shall be vested in the Board of Governors. When a Government ceases to be a member it shall remain liable for its direct obligations to the Bank and contingent liabilities with respect to loans and guarantees entered into thereafter by the Bank.

Amendments may be made to the bank agreement when three-fifths of the members having four-fifths of the total voting power have accepted the proposed amendment.

Business Notes

policy, a very obvious one, to raise all the money required by the issue of a single type of security. To do that solely on the credit of the local authorities would have been resisted by those with a high credit standing, but a Government backing for the whole sum means cheaper money for all. The actual means to be adopted were still a matter of guesswork. In fact, the Treasury proposes to take power to make issues direct to the Local Loans Fund from the Consolidated Fund and out of the proceeds of general borrowing. It already has the power, not so far used, to issue any security other than Local Loans stock to supply the Local Loans Fund. In future the Local Loans Fund will be open to all local authorities, whereas hitherto it was accessible

only to the smaller. The local authorities will retain certain rights of borrowing, mainly for comparatively short periods. Thus, they may borrow from other authorities and from sinking and similar funds. They may borrow on mortgage to replace existing mortgages, but not apparently to increase their amount. They may borrow on bank overdraft and, where permission already exists, by the issue of bills, but only in anticipation of revenue or as temporary finance of expenditure ultimately to be met out of a loan. The measure constitutes a considerable extension of the Treasury's grip on the market in that it removes an interesting alternative to the Government's own securities. The effect is likely to be to reduce still further the yield margin between gilt-edged and other fixed-interest stocks, at the cost of making rather less easy the task of keeping down the rate paid on the Government's new borrowings.

Britain's Overseas Debts

Some of the confusion created by recent official estimates of the growth of abnormal sterling balances has been cleared by an answer which the Chancellor of the Exchequer made in the House of Commons at the end of last week. Sir John Anderson recalled his statement during the Budget speech that Britain had parted with overseas assets to the extent of £1,000 million and had incurred undischarged overseas liabilities amounting to £2,000 million. He added that these figures indicated the position at the end of 1943. In fact, the figure given by the Chancellor appears to have been no more than a rounding off to the nearest tenth figure of the aggregate four years overseas disinvestment of £2,843 million given in the latest White Paper on the sources of war finance. In other words, the Chancellor's estimate of "overseas liabilities" did not include the pre-war liabilities, i.e., normal sterling balances maintained either as currency reserves or as working balances. These may probably be placed at between £300 million and £400 million. On the other hand, when Lord Keynes recently announced at Bretton Woods that the sterling indebtedness of this country amounted to £3,000 million, his figures referred to the probable total at the end of 1944 and included the pre-war balances. In other words, the comparison of Lord Keynes' and Sir John Anderson's figures would suggest a rate of disinvestment, on this count alone, of between £600 million and £700 million for the current year.

A New Role for the Bank

It became known last week that the controlling interest in Continental Assets Realisation Trust is held by the Bank of England. Of the Trust's 104,922 shares, 70,600 are held by two nominees of the Bank, the chief cashier and the secretary. CART was registered as a private company in December, 1938. It first came into the news in the following May, when it acquired the London Merchant Bank's frozen credits covered by the German and Hungarian standstill agreement. More recently it has undertaken the direction and management of the British Overseas Bank and of the Anglo-International Bank, after what remained of the active banking business of these institutions had been transferred. As a result of these various operations CART now holds or controls frozen European assets amounting to about £3,500,000. In due time that figure will no doubt increase. There is a great deal to be said in favour of centralising these frozen assets and thus presenting a united front to the debtors. There is also a great deal to be said in favour of allowing that strength to be exerted by an offshoot of that well-known private institution, the Bank of England. With the support at its disposal, CART should be in a much stronger position than the individual banking creditors who were left with standstill credits on the outbreak of the war. German standstill credits alone were owing to British banks on the outbreak of the war to the amount of £34 million. Of this total the clearing banks held about £11 million, and these holdings would in no circum-

stances be transferred to CART. But of the balance of £23 million, held in the main by the acceptance houses, a substantial further portion may ultimately come under this semi-official control. At the beginning of the war the Bank of England offered to help acceptors who were then compelled to take up their standstill bills from the market—but made this accommodation available at the stiff price of 6 per cent. The help then given has been almost wholly repaid.

Dearer Coal

The price of coal is going up with a regularity that is tending to lull criticism rather than to cause alarm. After a rise of 3s. a ton on February 1st there is to be a new advance of 4s. a ton on August 1st. Like previous increases the new one is the direct result of higher wages granted by the latest award of the mining industry's wage tribunal in the award to end awards. Even if there are no further increases for some time, British industry will be faced with a substantially higher fuel bill after the war than before, for the rise in coal prices has outstripped that of many other essential industries. Industries, such as steel, cement, chemicals and some of the newer trades, will be handicapped at a time when Britain will have to make a special effort to increase its productivity. Moreover, unlike other industrialised countries, such as the United States, Canada and Russia, this country does not possess large reserves of water power that can be developed as an alternative to coal. The need for an increase in the productivity of the coal-mining industry and, of course, for greater efficiency in distribution and consumption—has been stressed so often as to become mere commonplace. But it deserves to be stated once more.

Larger Units in Cotton Trade

The Cotton Board Committee's main recommendation in its report on the post-war problems of the cotton industry—the report was discussed in *The Economist* of January 29th—was for a strong statutory central organisation, coming close to the pattern of industrial self-government, buttressed by an enforceable system of price control. Criticism of the lack of detailed suggestions about the concentration of the industry into bigger units has prompted the Committee to make known its views on this subject in a supplementary statement issued this week. At present the position is as follows in the various sections of the industry:

Spinning.—More than half the capacity is controlled by 31 firms, each owning more than 200,000 spindles.

Weaving.—The degree of concentration is much smaller than in spinning and the proportion of small firms much larger.

Finishing.—In this section there are a large number of small concerns side by side with a small number of relatively large ones.

Merchant Converting.—About 15 per cent of the total trade is in the hands of the ten largest firms.

Export Trade.—About 25 per cent of the total trade is in the hands of the ten largest firms, but this section also contains a large number of small firms.

Vertical Units.—These are not common in the cotton industry: 18 per cent of spindles and looms are controlled by verticle combines.

In the Committee's view the industry is in the hands of units that are "technically of a size fully compatible with maximum efficiency." Nevertheless,

the Committee was satisfied that in post-war years large concerns will possess weighty advantages in the field of research; that the concentration of a section of the industry in a few hands would facilitate the execution of a single and effective trade policy within that section; and that a few large groupings in any section could more readily arrange with similar groupings in other sections of the industry to carry through a co-ordinated policy.

The Committee, therefore, reached the conclusion that there are strong grounds for encouraging voluntary amalgamations wherever possible. These would be particularly desirable in the spinning section. As a step towards the vertical type of organisation, the Committee suggests that individual manufacturers and finishers should enter into forms of mutual agreement with individual merchants which, varying in detail, would have the common feature of establishing close and permanent links and interdependence between units of production and units of distribution.

The Prospect of the Trade

There can be no doubt that, if the cotton industry is to prosper when stocks of cotton goods have been replenished after the war, it will have to avail itself of all the means at its disposal to sell its output. One of these means, as the Committee has recognised, is the concentration of the industry into fewer and larger units. But more concentration will do little unless every effort is made to reap the economies it promises; and it might even be harmful if it were to pave the way to monopolistic practices. One of the Committee's most promising suggestions is that manufacturers and finishers should enter into forms of mutual arrangement with individual merchants. An efficient merchanting organisation, with adequate knowledge of consumer needs, could do much to canalise trade into the most productive channels and could exercise a strong influence in the re-organisation of the industry. The Committee itself is under no illusion about the industry's problems. In its first Report it had this to say:

It is clear that if the very low labour cost countries are going to enjoy equal terms of access to markets; if they are going to expand their production; and if their wages and conditions are going to remain where they are whilst our conditions improve as we intend them to, only a limited export trade in specialities will remain to the British cotton industry after the world shortage is overcome.

It is clear that the Committee is not optimistic about the prospect of the trade in bulk cottons; its hope lies with a growing demand for quality goods, and one of its tasks is to encourage this demand by all the modern devices of market and quality research, coupled with the most efficient methods of production.

A Select Committee's First Report

The Select Committee on Statutory Rules and Orders was set up about a month ago with wide terms of reference intended to surmount some of the dangers of delegated legislation. One of its duties is to draw attention to regulations which are believed to go against the intention of Parliament or whose meaning is unclear. On these grounds, the first report of the Select Committee has been laid on the Table. It runs as follows:—

The Committee have considered the Utility Apparel and Utility Cloth Orders (Amendment) Order, 1944 (SR and O, 1944, No. 703), dated June 20, 1944, which was presented to the House on July 5, 1944, and are of the opinion that the attention of the House should be drawn to it on the grounds that it appears to make some unusual or unexpected use of the powers conferred by the Statute under which it is made and that its form calls for elucidation. The Report to lie on the Table.

There can be scarcely one among the thousands of Statutory Rules and Orders passed since the war that cannot be said to "call for elucidation." It may be that the Committee's objection lies in the fact that, since it is an amending Order, the understanding of its provisions requires reference to seven previous Orders. But this is not unusual. The explanatory note which accompanies the Order is quite clear. It declares that the Order fixes wholesalers' and retailers' ceiling prices for certain items of utility clothing and that it amends wholesalers' and retailers' ceiling prices for certain utility cloths in accordance with changes in the manufacturers' prices. It is a pity that the Select Committee's terms of reference do not permit it to be somewhat more explicit in its report. If an MP wishes to table a motion on the Order he will have to give it the same detailed study it received from the Committee, and his task will be more difficult because no record of its discussion is made. While criticism might be made of the Committee's choice of an example, its function is nonetheless a vital one. Vigilance must be exercised to ensure that powers granted by Parliament are in no way exceeded. And the regular scrutiny of regulations is a powerful safeguard. The results in this particular case will be watched with interest. A motion has been tabled. Members have three months in which to discuss the matter. Meanwhile, the Order has been in force since July 10th.

Science and Industry

The importance of developing and applying scientific research in British industry is now unanimously recognised, and to the spate of pronouncements on this subject Nuffield

College recently added a weighty memorandum. The statement on "Problems of scientific and industrial research," signed by 92 different representatives of science, industry, trade unions, economics and the universities, covers a great deal of ground that is now familiar. Its chief defects are those of any document drawn up on the basis of the agreement of the greatest possible number; as well as the absence of any summary of its recommendations, and of any estimate of the cost of some of its proposals. Broad goodwill seldom gets down to details. But this memorandum does restate the most important problems and it does make a number of positive recommendations. One of the most important proposals is that "industry" should collectively maintain some 25 research associations, employing 4-5,000 scientists and technicians, at a cost of about £4 million a year to run and £2-3 million to develop. A section of the Nuffield statement is devoted to consideration of the state's relation to scientific research. The suggestion that the Government, as well as increasing its direct grants for research, should hold a watching brief for new developments which might benefit the consuming public if properly and openly used, and should have power to review industrial costs and margins, where necessary, and to promote standardisation, has much to commend it. So, obviously, has the support given to a revision of the patent laws which at present "may operate to check rather than to stimulate invention." Other proposals are that the pay and status of industrial scientists should be raised; closer links established between the universities and industry; that more attention should be paid to design and development; that the numbers of workers in both fundamental and applied research should be increased and building and equipment extensively modernised. Fundamentally, the statement urges, the promotion of scientific research depends upon a new approach, a new conception of teaching in the schools and the recognition that science cannot stand apart from "culture." It is now for those who have responsibility for the development and application of science—many of whom signed the statement—to see that these very excellent expressions of opinion do not remain pious hopes, but are translated into practice.

ICI Research Fellowships

A prompt and practical answer to the challenge has been given by the directors of ICI, who have offered to finance 80 fellowships in physics and chemistry at nine British universities. The fellowships will be of the average value of £600 a year and will operate for an initial period of seven years. ICI recognises that—to quote Lord McGowan—"academic and industrial research are interdependent and complementary." Only the broadcast conditions have been laid down for the fellowships: that fellows should undertake some teaching, and that the fellowships should provide additional facilities, and not relieve the universities of any present costs. Administration will rest wholly with the university concerned. The universities chosen by ICI, apart from London, Oxford and Cambridge, each of which is given 12 fellowships, are those near the main centres of the company's production—Glasgow, Edinburgh, Manchester, Birmingham and Liver-

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pool, each with eight, and Durham, with four. ICI does not pretend that its generosity will not, in the long run, and at any rate indirectly, be of benefit to the company, though the purpose of the offer is to assist industry as a whole. It is obviously of the highest importance that the universities should be given full autonomy and independence in the administration of the scheme, which can make a vital contribution to scientific advance. ICI's example might well be followed by other industries and extended to other subjects.

Graduates in Shipbuilding

The success or failure of the British drive for exports in the post-war years will depend very largely on progress in the engineering industries. In this group shipbuilding occupies a position of great importance. Over the centuries British shipyards have achieved and maintained a record for sound workmanship that is a reason for national pride. In the world's markets, British shipbuilding enjoys a considerable goodwill by reason of the fine traditions and achievements of the Royal and Merchant Navies. Recently Mr Dalton said in the House of Commons: "We aim at a large and stable shipbuilding programme after the war." Despite the enormous expansion in American shipbuilding capacity during this war and the possibility, therefore, of keener competition, it is likely that efficiently conducted British shipyards will be fully employed for many years to come. The future rests with the degree of efficiency attained, and this, in turn, depends on the quality of the shipyard workers and managements. In 1943 the future position with regard to the supply of trained research-workers and key-workers was held to be so unsatisfactory that the North-East Coast Institute of Engineers and Shipbuilders appointed a committee to examine the situation, and to propose methods by which more university-trained men might be attracted to the industry. The committee's report, which was published recently, puts forward two reasons to explain the long-standing unpopularity of shipbuilding as a profession—cyclical slumps and poor standards of remuneration. It is suggested that salaries in the industry should be made comparable with those in other branches of engineering; and that this might be facilitated by the appointment of young men of university standard to junior managerial posts carrying opportunities of promotion to senior executive posts. It is suggested, too, that all shipbuilding and ship-repairing firms in Great Britain and Northern Ireland should give an undertaking to offer definite encouragement to the entry of graduate engineers, and should "seriously consider augmenting their technical staffs by such means as the inclusion of a greater number of assistants, to senior officials." Training schemes, already in force, should be expanded, and deserving apprentices should be given opportunities and financial assistance (by their employers) to pursue their studies at the universities. The relative long-term efficiency of the university graduate and the "man of practical experience" is a subject of acute controversy; but, in general, and for most purposes, the benefits of further education cannot be denied. To-day an efficient technical education pre-supposes practical as well as academic knowledge. The committee's views on the matter should therefore be welcomed, and its conclusion—that shipbuilding has suffered from a shortage of men of high technical training and general education, and that post-war progress will require their more numerous recruitment—deserves the closest attention.

Resumption of Distilling

The main point of Lord Forteviot's address to the shareholders of the Distillers Company was his suggestion

that the time is ripe for a resumption of whisky distilling. It is, of course, natural that all producers who have had their output rigidly curtailed by the exigencies of war should now assert claims for relaxation. In many cases these cannot be granted, but in the case of whisky distilling there is much to be said for very serious consideration. Lord Forteviot stated

that any further curtailment of supplies for abroad may endanger the continuance of that great national asset, the export of a commodity which, in pre-war years, amounted to many millions of pounds.

Actual exports of whisky averaged some £11,500,000 per annum in the quinquennium 1935-39. That is by no means a negligible contribution, and it is reasonable to assume that, at post-war prices, the same quantity would produce a larger money total. In existing circumstances, the only alternative to progressive curtailment of supplies to overseas customers appears to be an undue exhaustion of stocks. That means either a mere delay in the time when the cut must come, or else a scaling down of quality by using less mature spirit. Either of these can only be harmful to the post-war market. It may be true to say that, in the matter of whisky, there is nothing like Scotch. But it is not the fact that there are no substitutes. What whisky a country drinks is largely a matter of taste and tradition. If the alternatives set out are the only ones available, there is much to be said for releasing the very moderate quantities of men and materials necessary to permit Britain to retain its share in the overseas market, if not to permit some relaxation at home. This country has already waged total war for at least four years, irrespective not only of the current cost, but of the future liabilities this has involved. There must come a time when some resources can be spared for the rebuilding of the post-war position and the liquidation of our new debts. On the question of fact whether resources can be spared at any given moment, only those with the full facts can decide, but there is at least a *prima facie* ground for action in those cases where time and skill make a large contribution to the final value of exports and the immediate sacrifice of resources involved is comparatively modest.

Boots Earnings

The directors of Boots Pure Drug Company are to be congratulated upon a material improvement in the accounts presented for the year ended March 31, 1944. These include, for the first time, a consolidated statement of assets and liabilities of the five retail subsidiaries, the district "Cash Chemist" companies, and also some particulars as to their earnings. In the past it has sometimes been revealed that only the very modest preference dividends have been brought into the accounts of the parent, while at others it has been stated that all dividends have been included, but their amount has not been disclosed. This year £95,550 of ordinary dividends have been brought in, and it appears, from a note to the consolidated statement, there is a further sum of about £100,000 available for additions to reserves or for provisions. It is a great pity that the directors have halted at this stage. It would have been far more satisfactory to have included a real consolidation of the profits of the group. A further change in the accounts is the inclusion of all dividends net. It would have been particularly helpful, in view of these changes, if comparative figures for at least one earlier year had been given, but the company adheres to its practice of giving no comparative figures. In the accounts of the parent, holdings in and advances to the retail subsidiaries stand at some £2,316,000. The consolidated statement shows that this interest is represented by £5,000,000 of net assets before deducting depreciation reserves of £2,245,000. From the revenue standpoint it would appear that, after meeting all charges, including preference and preferred dividends, there was available from the whole group a tax-free profit of not much short of £600,000 as earnings of the ordinary capital of the parent of £1,600,000, or something well over 70 per cent subject to tax. On the basis of the previous, partial information, earnings averaged 45.5 per cent for the decade 1934-43 and were only 30 per cent in 1942-43. No comparison can be made for those years, but there is no evident reason why total earnings should have improved sharply in the period just ended. The effect of the disclosures on the value of the shares has been to raise the price from around 49s. 6d. a month ago to 60s. 9d. ex-dividend, at which price the yield is some £2 9s. 4d. per cent.

Another SPS Scheme

The board of Suburban and Provincial Stores considers the time ripe to suggest a further stage in the reconstruction of the company's capital. It may be recalled that towards the end of 1942 the then existing ordinary shares, carrying a 7 per cent dividend with further participation in profits, were converted into 3 per cent preference shares and the three million 2s deferred shares became ordinary. It is now proposed to write off the latter entirely, giving holders the right to put up an equal amount of new money in payment for capital carrying the same rights. This offer is, however, contingent upon Treasury permission being obtained, and, as a first step, it is proposed to issue only one new share for each thirty old, ignoring fractions. It is not clear what rights, if any, the holders of fractions will have in respect of any subsequent issue of the remaining twenty-nine-thirtieths. In view of the fact that 89 per cent of this class of capital is held by John Lewis and Co. or the Partnership company, this point is of some importance. The reasons given for this measure are that £1,600,000 of the original capital must be regarded as lost, and that to find some fresh money now will facilitate the raising after the war of essential further capital by the issue of debentures or preference shares. While there can be no doubt that the modicum of new money which it is proposed to raise is very desirable, there is no apparent reason for the complete cancellation of the ordinary shares. It cannot be too often insisted that, in such matters, earning power is the sole criterion. Although nothing has been paid on this class of capital, earnings on it amounted to 3.8 per cent in the year to January 31st last. Although the scheme leaves the major part of the capital loss still on the books, it is apparently contemplated that the new ordinary capital should receive a dividend in the near future; indeed, it would be difficult to raise the money on any other supposition. In these circumstances it is impossible to maintain that the equity, which belongs solely to the ordinary shares, has no value. The market was so convinced of this that, prior to the announcement, the shares stood at a premium of some 125 per cent. Even now they are still above par. No doubt a substantial writing down would be justified, but their complete elimination would be a substantial injustice. Any scheme should also make it clear that the appreciable minority of shares held by the public will not be placed in an inferior position merely because the individual holdings are small. In presenting the scheme, the board already admit, that the position is less bad than seemed probable twenty months ago.

Hudson's Bay Outlook

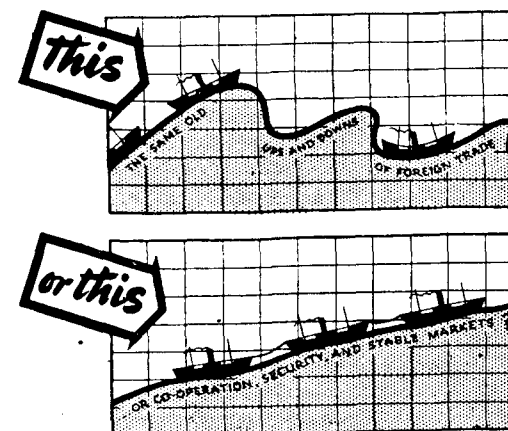
The Hudson's Bay ordinary shares have now lost the rise which followed the publication of the full accounts for the year ending January 31, 1944. These indicate that, despite the virtual suspension of fur sales to the United Kingdom, the company's retail trade has achieved record sales and profits. But the payment of the 5 per cent tax-free distribution to ordinary shareholders out of the land capital account, which has caused such jubilation, is now set in its proper and soberer context. It is true that the price received per acre of land sold is £1 5s. 6d., which compares with only 19s. 1d. for the previous year; but, on the other hand, the average price received per acre over the last three pre-war years, ending January 31, 1940, was £1 9s. 1d., or 3s. 7d. higher than current earnings. The reason for the high return on land account is simply that advantage has been taken of the increased prosperity of farming in Western Canada to dispose of a greater quantity of land. Unsold lands not valued in the balance-sheet now amount to 1,311,143 acres, compared with 1,918,443 acres ten years ago, and represent, as the governor, Sir Patrick Ashley Cooper, points out, a wasting asset of which the best has been sold—and which, at the same rate of disposal, would be entirely liquidated in 20 odd years' time. Farming prosperity again has enabled land revenue in the profit and loss account to rise by £100,000 to £170,016, the best result since 1939. This is due to the payment into it of substantial arrears of principal and interest, which are, of course, non-recurring items. The outstanding instalments owed to the company in respect of lands sold amount now to £1,123,562, which is lower by £160,000 than last year and by £900,000 than ten years ago. It is clear that the present good profits from land carry no promises for the future,

but rather the opposite. As regards the company's other assets, it is pointed out that Turner Valley Field, where all its oil and gas wells are situated, shows signs of reduced output. Trading prospects for the future are an unknown quantity, although there is likely to be an initial post-war boom. Hudson's Bay has certainly the capacity to yield a fair return in the long run as well as the short, but it is possible that the market has been too much swayed by its immediate gains. The £1 ordinary shares at 77s. ex-dividend yield some £2 2s. 10d. per cent, tax free.

Essential Work Order

A minor, but sensible, amendment to the Essential Work Order came into force on Monday. In the past a worker who appealed successfully against dismissal was entitled to wages for the period between his dismissal and his appeal only if his reinstatement was directed. If for practical reasons it was not possible to reinstate him, the appellant had no right to the guaranteed wage during the period. This anomaly has now been corrected by the Minister of Labour, and the amended Order gives a dismissed worker the right to wages up to the date when the Appeal Board finds the dismissal was not justified on the ground of serious misconduct, even though it does not order reinstatement. A frequent source of criticism is the absence of any definition in the Essential Work Order of what constitutes "serious misconduct," for which a worker can be dismissed, and the trade unions have long been pressing for a clarification of this term. Recently the case occurred of a shop steward in a London engineering factory who was dismissed because he was alleged to have been playing darts in the lunch break, against the firm's instructions. The worker lost his case on appeal, but Members of Parliament who raised the matter in the House of Commons contended that the Appeal Board had not heard evidence in his defence. Mr Bevin stated that he had no authority to interfere in the Board's decision, but he agreed to investigate the matter further. On the face of it,

POST-WAR INDUSTRY



There will be no place for booms and slumps in a post-war world where millions will be homeless and whole nations short of the basic necessities of life.

This Company believes that the giant task of reconstruction will provide full employment and a rising tide of prosperity for all . . . provided that international trade is freed of its old economic rivalries and placed on the stable basis of mutual benefit. In the interests of our own Company, as well as of industry as a whole, we therefore urge business leaders on both sides of the Atlantic to think and plan for the future in terms of *International Industrial Collaboration* as the only sure basis for world peace and prosperity.

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NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable September 15, 1944, to shareholders of record at the close of business, August 15, 1944.

By Order of the Board,
Toronto, J. R. BRADFIELD, Secretary.
July 20, 1944.

is difficult to believe that dart-throwing, unless with intent to murder or to damage property, would constitute serious misconduct" or justify the extreme penalty of dismissal. But whatever the rights or wrongs of this particular case, it does seem to indicate the need for an interpretation of the words "serious misconduct."

Engineering Apprentices

The problems of juvenile recruitment and training in the engineering industry are being discussed at the Amalgamated Engineering Union's special youth conference at Southport this week. This conference, which is the first of its kind, is a reflection of the importance now attached to the needs of young workers. The engineering employers and trade unions are about to conclude a national agreement, which will lay down the basis for apprenticeship and training in the industry, on the lines of a joint memorandum submitted to the Ministry of Labour's juvenile recruitment and training committee. They recommend that an apprenticeship system should be worked on a local basis, through special joint industrial juvenile advisory panels. These panels, which would consist of equal numbers of employers and unions representatives would be charged, broadly, with the control of supply of juvenile entrants, with vocational guidance, and with conditions of service and standards of instruction. They would maintain contact with the local education authorities. The main recommendations are that juveniles should remain in full-time education until employment is available; that pre-apprenticeship training of a general character such as is now given at junior technical colleges should be available before leaving school; that apprentices should be systematically released for a whole day a week during normal working hours for continued education, with additional attendance up to the age of 18 at a young people's college. Voluntary attendance at evening classes would be encouraged, but should not be made a condition of apprenticeship. Stress is laid on the need for a more general education and for interchangeability—for instance, pattern-maker apprentices should learn about foundry work and *vice versa*. This scheme should help to raise the general level of education and to promote flexibility, which is so essential to the maintenance of a high general level of employment.

Women Engineers' Wages

The National Arbitration Tribunal has awarded an increase of 4s. a week to women employed in the engineering industry according to the National Women's Schedule, that is, on work "commonly performed by women." A similar increase was awarded in May to adult males in the industry. This award will thus bring up the national minimum wage rates for women to 54s. for a plain time worker and 51s. for a piece worker. It is estimated that about three-quarters of a million women are affected by the increase. The Tribunal recommends in addition that the method of determining piece rates should be worked out by both sides of the industry. The unions catering for women engineers (Transport and General Workers' Union, National Union of General and Municipal Workers and Amalgamated

Engineering Union) had referred the claim to arbitration, after turning down the employers' offer, which is understood to have been for an increase of 3s. a week. They made it plain at the time that their claim was only an interim measure, pending an overhaul of the whole wages structure of the industry.

Second-Hand Furniture Price Control

The Board of Trade has accomplished what, perhaps, has been its most difficult task, apart from clothes rationing, in its control of the civilian market. Ceiling prices for second-hand furniture have been laid down to come into force on August 28th. The schedules divide furniture into three classes, A, B and C, according to the type of wood in which it is made, and prices are laid down in relation to the size and fittings of the pieces concerned. Thus prices laid down for wardrobes range from £6 10s. to £57 10s., and there are fifty-four classifications. There are twenty-four classifications for sideboards, with prices ranging from £6 to £40. Bedsteads vary from £1 5s. to £12 and bed-springs from £1 5s. to £6. The Board of Trade has had the assistance of the furniture trade in working out the schedules. The new Orders have come because earlier attempts to control furniture prices proved impossible to enforce in the absence of detailed ceiling prices. Consequently, prices rose considerably and steadily. The main object of the new Orders is not so much to achieve a "spectacular" reduction in prices—although a substantial reduction is evident from the schedules—as to arrest the steady rise and to prevent excessive prices from being charged. A too drastic reduction might have the effect of drying up the sources of second-hand furniture, and clearly there should be a reasonable inducement to the disposal of surplus furniture in private homes. As before, sales between individuals are not controlled, but advertisements must state the name of the owner and the address at which the furniture can be inspected. Another provision, regrettable though necessary for enforcement, is that the trader must enter in his records the details of the identity card of those who sell to him or buy from him. Control is extended for the first time to sales by auction, to which the ceiling prices apply. All furniture offered for sale by traders must be labelled with its price and its number on the schedule. The ceiling prices apply to new furniture (other than utility furniture), of which there is still a small quantity on the market. They do not apply to antiques, and for especially fine pieces of furniture which are not antiques application can be made to the Price Regulation Committee for permission to charge more than the scheduled price.

Nitrate Developments

The announcement made in the House of Commons on July 5th that Germany is erecting synthetic nitrogen works in Spain is of interest for the future of international trade in nitrates. Spain is a major consumer of nitrogen fertilisers and, before the war, imported the bulk of its requirements. The closing of this market will be a serious loss to the Chilean nitrate industry and European exporters of synthetic nitrogen alike, who have lost other trade opportunities during this war. Large deposits of natural nitrate have been discovered in China and are now being developed. The United States, which before the war used to import over a quarter of its nitrogen requirements, has vastly expanded its manufacturing facilities and, according to a recent report of the US Bureau of Mines, is now capable of producing nitrogen compounds in excess of the domestic post-war demand. The United States was the only large national market excluded from the quota regulations of the pre-war international nitrogen agreements, so that it was utilised as a kind of dumping ground for surpluses. Without this outlet it would have been difficult in the past to reach any agreement between the various nitrogen producers, who, even before the war, could produce twice as much nitrogen as was needed. The wartime increase in output of natural and synthetic nitrates, and the closing of some of the largest pre-war markets, is likely to result after the war in heavy surpluses. These may be partly utilised, if an ambitious policy of international nutrition standard is followed. But, in view of the importance of nitrates for peace and war, supplies and markets may well call for international governmental regulation.

COMPANY MEETINGS

THE DISTILLERS COMPANY, LIMITED

SATISFACTORY RESULTS

LORD FORTEVIOT'S STATEMENT

The sixty-seventh ordinary general meeting of the Distillers Company, Limited, was held in Edinburgh on the 21st instant. The report and accounts were adopted.

The following is the statement by the chairman, Lord Forteviot, circulated with the directors' report and statement of accounts for the year ended May 15, 1944.

The profit from trading and revenue from investments for the year ended May 15, 1944, arrived at after charging depreciation on the company's fixed assets, placing a further sum to reserve for investments, and provision for deferred repairs, taxation and contingencies, amounts to £2,039,346. This compares with the figure of £1,947,221 for the previous year.

The Board have agreed to appropriate and to apply the following sums:—

To reserve fund £500,000, making the fund £3,500,000.

To war contingencies reserve £50,000, bringing it up to £250,000, leaving available, with the amount brought forward and after deducting the interim dividends, the sum of £1,502,950, as against last year's figure of £1,295,701.

Over past years it has been possible to build up, out of earned profits, substantial reserves in some of our larger subsidiary companies, in addition to those in the accounts of the principal company, and this policy has been continued in the year under review. The stage has been reached, however, when, in the opinion of the board, advantage may be taken to some extent of this prudent and conservative policy, and the appropriations to reserves in the principal company, already mentioned, have been reduced, as compared with the previous year, by £125,000. By using the increase in profit of £92,125, and the saving from the said appropriations to reserve, the board is in a position to make the following proposals:—

(1) To increase the dividend on ordinary stock by 1½ per cent. to 16½ per cent., that is, a final dividend of 10 per cent.; and (2) To increase the bonus on ordinary stock from 1½ per cent. to 2½ per cent., thus leaving a carry forward of £534,491, or £20,157 larger than the amount brought in.

BALANCE SHEET ITEMS

With regard to the balance sheet, I have to report the following features of interest:—

(1) During the year under review the company extended their investments in National War Bonds, etc., by nearly £2,500,000, so that, at May 15, 1944, the company's holdings in gilt edged securities, largely short term, amounted to just under £15,500,000.

(2) The company purchased the whole issued capital of that well-known whisky blending company, A. and A. Crawford, Limited, Leith, and is carrying it on as a subsidiary company, and

(3) The entire issued capital of Mawson, Swan and Carter, Limited, Yeast Distributors, etc., Newcastle-upon-Tyne, was purchased during the year, and this company also is being carried on as a subsidiary company.

NECESSITY FOR DISTILLING

In my statement last year I said there was no prospect of distilling—either grain or malt—during the year 1943-44, and, in fact, there was none. It is not yet known whether the Ministry of Food will be able to release material for a resumption of distilling this year. I appreciate the difficulties of the Government, yet I cannot too strongly press for permission to start distilling as soon as possible. The necessity for conservation of stocks, and the obvious duty to supply, as fully as possible, the Armed Forces, have entailed further ration-

ing of supplies both at home and abroad. The situation at home has been borne by the public with admirable restraint, and our great export markets fully realise that we are supplying them as generously as we can. I must, however, point out that any further curtailment of supplies for abroad may endanger the continuance of that great National asset, the export of a commodity which, in pre-war years, amounted to many millions of pounds sterling. In the post-war world this would be of great value to the United Kingdom in the International situation, and it cannot much longer be guaranteed unless distilling is permitted.

There was no change in the duty on whisky in the Finance Act, 1944, so that the price of 25s. 9d. per bottle, of which no less than 18s. 4½d. represents duty, continues in operation.

The company's yeast factories have been on full production throughout the year, and there has been an ever-increasing demand for all our yeast products. At the request of the Ministry of Food, the company equipped premises suitable for additional production, and in the early part of 1944 one of these plants was successfully brought into operation.

PROGRESS IN CHEMICAL AND PLASTIC SPHERES

While present conditions do not permit me to enlarge upon the subject, I am able to say that our progress in the chemical and plastic spheres continues, and, in addition to the substantial contribution to the National effort which our company is making, in the supply of essential war materials, we are now giving careful consideration to the problems of post-war developments as affecting the industries in which we are engaged.

I have also to inform our stockholders of the proposed fusion between Gyproc Products, Limited, one of our subsidiary companies, engaged in the manufacture of plasterboard, and the British Plaster Board, Limited, whereby the Distillers Company, Limited, receives shares of the British Plaster Board, Limited, in exchange for those of Gyproc Products, Limited. After full consideration of all the factors, your board considers this to be an extremely satisfactory arrangement, which should tend to consolidate and broaden our interest in the building industry.

I do not propose to give any indication of the prospects for the current financial year, but I should like our stockholders to appreciate that the company is in an extremely strong position financially, with ample reserves, and that, so far as it is possible to do so, our plants are being kept in a full state of efficiency. Our interests are varied and well spread, and, as I have indicated, the directors have very much in mind the problems that will arise in the post-war period.

MANAGEMENT COMMITTEE

It is with deep regret that I have to record the death of Mr. William Dargie, which took place on February 15, 1944. Mr. Dargie had spent almost the whole of his business life with the company, rising, through the office of secretary, to a seat on the board, and, in 1940, to the management committee. He rendered great service to the company, and we miss his genial and kindly personality.

I have also to record the resignation of Mr. P. M. Dewar from the management committee, but I am happy to say that he consented to retain his seat on the board, where his valuable advice, gained from a lifelong connection with the whisky industry, is still available to us.

The board appointed Mr. J. M. Connell and Mr. L. A. Elgood to fill these vacancies

on the management committee. The past services and qualifications of these two gentlemen fully merit these appointments.

STAFFS

The directors again acknowledge the loyal service rendered to the company by all members of our staffs—both office and works—who remain to carry on the work of our company, in some places under trying and testing conditions. I should like to mention particularly the work of the fire guards at certain premises, who, on a number of occasions, have rendered very valuable services.

I am very sorry to report that more of our employees have been killed in action, and I tender to their relatives the sincere sympathy of all in the company's employment.

ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

The thirty-fourth ordinary general meeting of the Anglo-Dutch Plantations of Java, Limited, was held on the 18th instant in London, Mr. W. H. Daukes (chairman and managing director) presiding.

The following is an extract from the chairman's statement circulated with the report: As regards the properties, we have no reliable information. We hear of tea being uprooted and substituted by ramie, a type of fibre. It is also rumoured that the Japanese are maintaining the sisal plantations in order to use this product for making sacks. A great deal is also heard in these times of "ersatz" tea and "ersatz" coffee, also of synthetic rubber, and still more recently of synthetic quinine. Personally I am very confident that when the estates are once again in working order agriculture in the East will be able to hold its own against all substitute products.

The report was adopted.

TRUSTEES CORPORATION, LIMITED

INCREASE IN REVENUE

The fifty-sixth ordinary general meeting of the Trustees Corporation, Limited, was held, on the 26th instant, in London.

Mr. Harold G. Brown (deputy chairman), who presided, said that Winchester House had been severely damaged by bomb blast. It was too early to assess the full extent of the damage. All branches of their business, however, were able to carry on, the Safe Deposit remaining quite unaffected and most of the public halls being usable.

At May 31, 1944, a valuation of their investments showed an appreciation amounting to fully 30 per cent. over the balance-sheet figure. On that basis, their issued capital of £1,750,000 and their free reserves and carry-forward, aggregating over £600,000, remained intact with an appreciable margin. The Trustees Department had provided a revenue of £7,451 and the total revenue at £209,345 compared with £201,615 for the previous year. They proposed a final dividend of 7 per cent., less tax, making once again 10 per cent. for the year on the ordinary stock.

Many problems which would arise after the war might, if injudiciously handled, have unpleasant repercussions on investment portfolios. It was consoling that the Chancellor of the Exchequer had held out some hope that the rules hitherto applied in arriving at profits for taxation might be reconsidered and discussed. What was bearable, although unreasonable, with tax at one or two shillings in the £, became unbearable and ruinous when taxation attained the proportions that appeared probable for many years to come. It was bad enough when our Government only had to be satisfied, but in the case of foreign trade other Governments also made claims as heavy as those of our own Government.

The report was adopted.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

3% SAVINGS BONDS
1960-1970

INTEREST PAID HALF-YEARLY
INTEREST IS SUBJECT TO INCOME TAX, BUT
TAX IS NOT DEDUCTED AT THE SOURCE

Issued by the National Savings Committee, London

IMPERIAL BANK OF IRAN

GREAT RISE IN DEPOSITS

INCREASED PROFIT

SIR A. HENRY McMAHON'S STATEMENT

The fifty-fifth ordinary general meeting of the Imperial Bank of Iran will be held, on the 9th proximo, at the Institute of Chartered Accountants, Moorgate Place, London, E.C.

The following is the statement of the chairman, Colonel Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I., circulated with the report and accounts for the year ended March 20, 1944:—

The outstanding feature of our balance-sheet this year is again the increase in deposits, which have risen by over £3,500,000. A large part of this increase has taken place at our Iraq branches, where, as in Iran, funds awaiting employment continue to accumulate in the hands of our customers. The item bills payable shows a moderate increase in outstanding commitments, including tax liabilities which have since been settled. Acceptances show a reduction of over £950,000, which is mainly accounted for by the decline in documentary credits opened by us in respect of imports to Iran. Much of this business has passed through departmental hands without our intermediary, and the private importer has been less active.

While our deposits have increased, discounts, loans and advances show a reduction of £1,000,000. Our advances have been substantially reduced, but our short-term discounts, which reflect internal trading activity, show an increase on the previous year. Bills receivable show little change. Investments also are about the same as last year. The cash item is accordingly increased by over £5,000,000, and it will be observed that we hold 70 per cent. of our deposit liabilities in cash and money at call or short notice, as against 55 per cent. last year.

THE YEAR'S PROFIT

Our profit shows a slight increase, and we are again able to propose the same dividend as we paid for the preceding five years, and to add £50,000 to the reserve, leaving the carry-forward increased by £1,334.

The rates for sterling and dollars in Iran have been maintained without change since May, 1942, and transactions in foreign exchange over the past year have been admirably free from local impediment or restriction. With the tendency of Allied expenditure in Iran to diminish, the demand for Iranian currency should increasingly be met by the demand of the Iranian public for foreign exchange, mainly in payment for imports from abroad. The expansion of the note issue, in so far as Allied expenditure is the cause of it, is in any case fully covered by gold and by sterling and dollar balances.

The American Financial Mission, headed by Dr. Millsbaugh, has now completed over a year's work in discharge of the extensive responsibilities entrusted to it. Public response to an issue of Treasury bonds has not been overwhelming, but such innovations require time to establish themselves. Essentially Iranian finances are in a sounder condition than those of many more prominent Powers. The external debt, in the form of the sterling loan of 1911, amounts to £885,000 only. The total of internal debt, mainly to the Bank Melli and covered to a considerable extent by stocks of commodities, works out at about £2 per head of the population—a low figure and roughly equal to the amount spent in the past out of revenue on the construction of the Transiranian Railway alone. The Bank Melli is conservatively administered, grows in strength from year to year, and has a full sense of its responsibilities.

TRANSPORT DIFFICULTIES

The premium on important necessities, created by difficulties of supply and trans-

port, has continued to increase, notably in the case of tea and textiles. The rise in the cost of living, which had been a disturbing feature up till the spring of last year, has happily lost much of its impetus. The efforts of the Government to this end were aided by the good harvests of 1943 and by the course of the war. The index figure, which was over 900 (1936-37 = 100) in April, 1943, had nevertheless reached about 1,100 by April, 1944. The incidence of this burden on our general charges abroad is one of our problems for the future.

A fairly good harvest is expected in Northern Iran this year, but in the south the prospect is poor, as the crops dependent on direct rainfall have suffered severely from drought. Iranian industrial enterprises continue their prosperous course, notably the spinning and weaving factories. It is an outstanding sign of changed conditions that Iran is now an anxious importer of raw cotton, which was formerly exported on a large scale. A corollary of this industrial growth and prosperity is the recent indication of labour organisation for betterment in Isfahan.

Sailing craft have now become the accepted means of transport for ordinary merchandise between India and the Persian Gulf. Commercial traffic by rail and road in Iran, which had been impeded by Allied requirements for supplies to Russia, is being provided for in increasing quantities. India has again been the main source of imports, and the greater part of Iranian exports has been taken by Russia. The rise in the price of tea, textiles, etc., has been accentuated by contraband export to Iraq. A feature of the year's trading in Iran has been the absorption of large amounts of gold and silver coin and bullion for industrial use or for hoarding or export.

IRAQ

In Iraq the plethora of money and the strengthening of control over exports from India coupled with rationing and price fixing, have been the outstanding features of the trading year. The 1943 barley crop was a record one, and the date crop was good. Much of the export of the well-known Basra dates is now in the form of small packets for the use of the Allied Forces.

Iraq is in the happy state of being able to budget for a surplus, though the tax burden is not excessive by western standards. Control and bulk import of commodities, however, have curtailed the activities of the private trader.

Both Iran and Iraq, like many other countries, have accumulated substantial sterling balances which they will expect to utilise for much-needed imports from Britain and elsewhere when the war ends.

Our Kuwait branch has had to cope with an unprecedented passage of pilgrims from Iran and elsewhere travelling to Mecca across Saudi Arabia by car. Such transport as could be made available was utterly inadequate to meet the demand for it, and many thousands of these good people had to return home minus their savings and disappointed of their long-cherished ambition.

As the war continues, our British staff abroad are hard put to it not to grow stale for lack of the home leave that stopped in 1939. Their case is a general one in Eastern services, but we shall all be glad when we are able to relieve them. To them, and to the much larger company of our Eastern staff, we extend our thanks and good wishes for their welfare. We are happy to record our gratification at the well-merited honour of C.B.E. recently awarded to our chief manager in Teheran, Mr L. Walter.

POWELL DUFFRYN, LIMITED

NEW CAPITAL STRUCTURE

The annual general meeting of Powell Duffryn, Limited, was held, on the 19th instant, in London, Mr Edmund L. Hann (chairman and managing director) presiding.

The following is an extract from the chairman's statement circulated with the accounts: As a result of the adoption of the Powell Duffryn amalgamation scheme members now receive the accounts in a new form. Those who previously held interests in the Powell Duffryn Steam Coal Company, Limited, and Welsh Associated Collieries, Limited, and elected to exchange their priority shares for ordinary shares in this company, together with the ex-ordinary stockholders in the Powell Duffryn Steam Coal Company, Limited, now hold ordinary stock in this company, the name of which has been changed to Powell Duffryn, Limited. The advantage of the new capital structure, particularly in the simplification of the accounts, is obvious. The result of the amalgamation is reflected in the increase in the capital of the company and a decrease in the capital reserve account. The profit and loss account includes the first dividend from Cory Brothers and Company, Limited, since the share capital was purchased towards the end of 1942.

DIVIDEND OF 8 PER CENT

The dividend of 6½ per cent. recommended on the ordinary stock of Powell Duffryn, Limited, makes (together with the interim dividend of 1½ per cent. paid on the ordinary stock of the Powell Duffryn Steam Coal Company, Limited) an aggregate dividend of 8 per cent. for the year under review.

Every effort has been made to keep the collieries and works of the company in the highest possible state of efficiency, but in present circumstances it is not practicable to maintain the properties, plant and equipment at the standard that had been attained when the war commenced. Heavy expenditure will be needed in post-war years. The industry is controlled by the Government under powers conferred by the Defence Regulations and both the production and sales of coal continue to be under direction from the Ministry of Fuel and Power. The officials and the staff of 100, who are responsible for the management of the company's affairs, are collaborating with representatives of the Ministry in furtherance of the Government's plans for maximum outputs.

IMPORTANCE OF RESEARCH

Space does not permit even a general outline of the fundamental problems of the industry or the lines of approach to their solution. The coal-mining industry for some time has recognised that the best results in research can only be achieved through co-operative effort. To this end the industry set up the British Coal Utilization Research Association. The Association has in recent years carried out important work in many directions and has in preparation a programme for comprehensive research into the production of hydrocarbons from coal, a field which has great possibilities.

The report was adopted. Stockholders who have not yet done so are requested to lodge their ordinary stock certificates of the Powell Duffryn Steam Coal Company, Limited (in voluntary liquidation) for exchange. It is regretted that circumstances beyond the company's control have delayed the issue of certificates of Powell Duffryn, Limited, but these are now being despatched as quickly as possible and all stockholders who comply, or have already complied, with the foregoing request will receive their new certificates at an early date, if these have not already been received by them.

ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

THE AZORES AGREEMENT

SIR ALEXANDER ROGER'S REVIEW

The fifty-seventh ordinary general meeting of the Anglo-Portuguese Telephone Company, Limited, was held at Maidenhead on the 25th instant.

The following is the statement of Sir Alexander Roger, K.C.I.E. (chairman and joint managing director), which was circulated with the report and accounts:—

The sterling/escudo exchange rate of 100 escudos to the £ has not varied since July, 1940, and the currency accounts have again been converted at that figure. Remittances continue to be satisfactory.

Revenue and expenses have increased almost in proportion, with the result that net profit at £52,126 compares with £52,627. After providing for the customary dividends of 8 per cent., less income-tax, on the ordinary stock and "A" ordinary shares, the amount carried forward is £39,237, against £39,086.

The reserve for renewals has increased from £541,069 to £620,642.

Cash on deposit with Telephone and General Trust amounted to £27,438. Your company continues in close association financially and technically with the trust and its services are appreciated both here and in Portugal.

SUPPLY PROBLEMS

The addition to fixed assets of £37,680, making the total £2,541,153, is abnormally small and is directly attributable to world shortage of telephone equipment supplies.

We have only managed to meet the more urgent priority demands, and this solely by ingenious improvisations and readjustment. The management has been able to maintain the system and service at a high level, and we continue to leave nothing undone to secure supplies in any and every direction. The number of stations in service at the end of 1943 was 63,176.

We work in happy harmony with the State Telephone Administration, whose problems are akin to our own, and we gladly pay tribute to the mutual advantages which this co-operation affords to the public whom we serve.

PORTUGUESE ECONOMY—BRITISH CO-OPERATION

The Azores agreement between the British and Portuguese Governments of October last is of the widest importance to both countries. It is true that it is a war measure only, but obviously it springs from a deep desire to cement the commercial, political and cultural relationships of the two countries for years to come.

On the one hand, the Azores Agreement enables Britain to protect merchant shipping and save valuable lives, and on the other—without in any sense putting a literal value on the Agreement—it has enabled Britain to send and continue to send Portugal much-needed material and other supplies indispensable to the Portuguese army and to maintenance of national economy. These objects are being achieved to the great advantage of Portugal and Great Britain.

If further proof were needed of the firm friendship embedded in our age-long alliance, Dr Salazar has shown it in his willingness to forgo the export of wolfram to the Nazi countries. I do not think it is sufficiently realised here that this gesture on behalf of Portugal represents a real sacrifice.

In May of this year a Bill has been submitted by the Prime Minister to the Corporative Chamber envisaging an eight-year plan for re-equipping and reorganising certain essential industries and establishing new industries capable of producing or substituting certain imported products.

Dr Salazar has not hesitated to acknowledge Portugal's debt to foreign capital, technique and enterprise, and has placed

emphasis on Britain's contribution in these directions. It is pleasing to note that in the establishment of new fundamental industries the introduction of foreign capital and technique will be sought.

A Project of Law has also recently been published envisaging a comprehensive scheme for electrification on a country-wide scale which when completed will have an immensely beneficial effect on the economy of the country.

These plans for industrial expansion are in line with those being prepared in many other countries, and Portugal can be assured that this company and the other companies with which I am associated will collaborate in every possible direction to ensure success.

In the field of communications our programme in furtherance of the national economy of Portugal involves the expenditure of at least £1,000,000 on the telephone service in the immediate post-war years.

PORTUGAL'S COLONIAL EMPIRE

Portugal has a vast colonial empire with enormous potentialities for development and expansion. The great territories of Portuguese East and West Africa are largely contiguous to the Dominion of South Africa, the Rhodesias and Tanganyika. All these countries are now and will be still more so jointly interested in inter-communication by radio, telephone, telegraph, air, roads and railways, and there is ample room for collaboration between Portugal and Britain, both financially and technically, to the great advantage of both.

The cultural and friendly intercourse of the two countries is considerably forward by the British Institute in Portugal and the Anglo-Portuguese Society in London. These organisations, in spite of war conditions, are equally alive and vigorous and all those associated with Portugal are indebted to them. H.E. the Duke of Palmella, who was warmly welcomed to London in October last as his country's Ambassador, has accepted the presidency of the Anglo-Portuguese Society, and has already shown cordial support and encouragement of the society's activities.

PERSONNEL

Personal contacts between representatives of your London and Portugal boards have been maintained in both countries. We were particularly happy to welcome here two colleagues of Portuguese nationality, not alone for the extremely valuable ality, but because in the conferences which were held, but because in addition they were able to observe some-thing of war-time conditions here, and the magnitude of the British contribution to the Allied cause. We are all ambassadors to a greater or lesser degree of the country of our birth when travelling abroad, and of our birth when travelling abroad, and these visits are of importance in the relationships between peoples. The responsibilities and duties of the board in Portugal, of the company's general manager—Mr H. A. Hincks—and the management and staff increase with the difficulties of the times and the development of the company, and I feel you will desire me to thank everyone in Lisbon and Oporto for their work in a trying year.

Of the 2,000 employees of the company in Lisbon and Oporto over 99 per cent. are of Portuguese nationality, and the scale of wages and the conditions of service have always compared favourably with any other business in Portugal.

As in most countries, there has been a steady rise in the cost of essential commodities and the Portuguese Government has recognised this by a temporary increase in salaries and wages to those in Government service. Your company has voluntarily followed this lead.

THOMAS DE LA RUE AND COMPANY, LIMITED

CONTINUED EXPANSION

The forty-seventh ordinary general meeting of Thomas de la Rue and Company, Limited, will be held in London on the 2nd proximo.

The following is an extract from the statement by Mr B. C. Westall (chairman and managing director) circulated with the accounts:—

I am very glad to be able to report continued expansion in every sphere of the company's activities. The major part of the total profits (£311,629) derive from the parent company's manufacturing activities, which are now confined to security printing. The process of re-equipment of plant destroyed at the end of 1940 has continued and the additional machinery brought into operation during the year has enabled us to undertake an increased volume of business. The volume of business in hand compares favourably with that of a year ago, and the prospects for the year ended March, 1945, are encouraging.

THE MORE DISTANT FUTURE

With regard to the more distant future, it does not seem unreasonable to hope that many countries of the world will look to Great Britain for their bank and currency notes, and we do not anticipate that we shall fail to get a fair share of such business.

The policy of transferring the plastics and stationery business to separate subsidiary companies has been fully justified. We have received many letters from members of the Forces praising the manner in which the Onoto Pen has stood up successfully to very severe conditions in many parts of the world. Such tributes are encouraging signs for the future of our pen business when restrictions are removed. It has been a source of regret that we have not been able to supply the trade with a greater quantity of our playing cards.

DEVELOPMENT OF PLASTICS

The process of reorganisation and consolidation of our subsidiary, De La Rue Plastics, Limited, has been continued. The directors found it desirable to form a separate company, Scottish Plastics, Limited, for the operation of the Scottish factory and business. This new company will continue to manufacture the Onoto Pens. Its main objective, however, will be the development of plastics in Scotland.

The output of De La Rue Plastics, Limited, has continued at a high level. A very high percentage of the work has been for the Fighting Services. While a certain amount of dislocation is bound to occur in the change-over from war-time to peace-time production, we are fortunate in that a considerable number of moulds is available for immediate use.

The policy of enlarging the research and development departments has been continued. During the war our activities have been restricted to finding new applications of plastics to war purposes. Even more could have been done had we been able to obtain sufficient technical staff with the necessary qualifications for carrying out research. It is to be hoped that the Government will bear in mind the desirability of making available for industrial concerns at the earliest moment possible experts in chemistry and engineering, so that the ground work for industrial expansion may be prepared in good time. In a comparatively new industry such as plastics, research and development are even more important than in the case of the older established industries. In our own case, the board of De La Rue Plastics have many projects in view which must await the engagement of technicians. Speaking generally, the future expansion of our plastics business will depend upon the speedy relaxation of the system of controls.

FORESTAL LAND, TIMBER AND RAILWAYS COMPANY, LIMITED

GROUND FOR SOLID SATISFACTION

MR LOUIS H. KIEK'S STATEMENT

The thirty-eighth ordinary general meeting of the Forestal Land, Timber and Railways Company, Limited, was held, on the 27th instant, in London.

Mr Louis H. Kiek, the vice-chairman, presided.

The following is an extract from the vice-chairman's statement circulated with the report and accounts: The net profit for the year has been £615,176, or approximately the same as last year, and this in spite of a decrease by some £6,500 in income from investments, etc., the natural result of the reinvestment in British Government loans of a substantial part of the proceeds of realisation of certain overseas holdings which had produced a higher return. On the other hand, these realisations, for which we had, you need not be assured, the best of reasons, have in 1943, as in 1942, yielded us a capital profit of over £50,000. After full provision for taxation in respect of the year under review and an appropriation of £100,000 to general reserve, which is thereby increased to £1,650,000, and after adding £158,879 brought in from the preceding year, there remains available £404,626, out of which the 6 per cent. preference dividend (less tax) has required £55,976 and an interim dividend of 3 per cent. (less tax) already paid on the ordinary stock £55,633.

We now recommend a final dividend on the ordinary stock of 3 per cent. (less tax) and a cash bonus of 3 per cent. (less tax), which would leave a balance of £181,752 to be carried forward to the accounts for the current year. Stockholders will again receive the benefit of the amounts of dominion tax relief set out in the detailed profit and loss account.

I trust you will agree that these results give ground for solid satisfaction. Our cordial thanks are due to all concerned for the energy and ability displayed in facing them.

BALANCE-SHEET CHANGES

The only changes of importance in the balance sheet compared with that of the preceding year result from certain modifications, contemplated several years ago but only recently practicable, in the capital structure of La Forestal Argentina. In the first place, that company's share capital, hitherto expressed in Argentine gold pesos, has been converted into the equivalent at the ratio prescribed by law of "moneda legal" or "paper" pesos, which, needless to say, have ample gold backing. La Forestal Argentina has thereby brought its capitalisation and accounting in line with the practice now generally adopted by public companies in the Argentine. In the second place you will have observed that the £800,000 of that company's sterling debentures which we owned have been converted into a corresponding number of shares, so that the extensive properties of La Forestal Argentina are now entirely unencumbered.

It is hardly necessary to refer in detail to the further evidence of strength disclosed by our balance sheet as reflected in available liquid resources. Our current assets at the end of the year, including £673,632 cash at bank, £886,766 British Government securities, and £726,500 Tax Reserve Certificates, exceeded our current liabilities by over £1,902,726.

It may perhaps have come to the notice of stockholders that there has during the past year been some criticism of this company, not, I am glad to say, in this country, on the grounds that it has been instrumental in unreasonably raising the price of quebracho extract. These allegations have obviously been founded on incorrect information, and I would like to take this opportunity of laying the actual facts before stockholders.

I have taken for this purpose the prices of materials, free on board ship at port of origin, since otherwise there would be complicating factors over which manufacturers cannot exercise any control, such as rates of exchange, war risk insurance and freights. I have examined the prices charged for all the principal tanning extracts on this basis in the period immediately preceding the war, that is July and August, 1939, and have compared them with the prices charged to-day, or, in the case of some materials that are not to-day obtainable, the prices charged at the last period during the war at which they were obtainable.

COMPARISON WITH PRE-WAR FIGURES

Material	Increase in price during the war expressed as a percentage on the price immediately before the war
Argentine Ordinary Quebracho Extract	13.46
South African Wattle Extract	15.49
North American Liquid Chestnut Extract	56.29*
Myrabolam Extract from India	131.5
Italian Chestnut Extract (last price available)	172.2
Turkish Valonea Extract (last price available)	64.4
Australian Eucalyptus (Redunca wood) Extract	45.16

* In the printed copies circulated to the stockholders this figure, through a typographical error, appeared as 115.38 per cent. instead of the percentage of 56.29 quoted.

I think you will find this table instructive and we are quite prepared to stand by our record in this matter.

The report and accounts were adopted.

BARRY AND STAINES LINOLEUM, LIMITED

IMPROVED RESULTS

The ordinary general meeting of Barry and Staines Linoleum, Limited, was held, on the 26th instant, in London, Sir John N. Barran, Bt. (the chairman) presiding.

The following is an extract from the statement by the chairman circulated with the accounts: Your directors present this year's results in circumstances which happily show a further advance on those of our last annual meeting. In the wider sphere the dawn of the day of victory broadens unmistakably. On the business side the figures which we put before you show that we have passed the financially bleak period of conversion of our works to the war tasks, in which they are now so largely absorbed.

Our net profit has risen, and has been arrived at after prudent allowances for the needs and risks of the future, a policy which is certain to have your approval. This has been achieved in spite of a drop in our dividend from Canada. It enables us to return to a dividend of 7½ per cent., a result not to be ashamed of. Again I must refrain from details of our many manufacturing activities; I will merely say that of them also we need not be ashamed. The total of our reserves and profit and loss balances, the final index of our company's standing, has risen slightly.

The needs and responsibilities of the period which will follow on the end of fighting are not being lost sight of. Planning and research are receiving their share of the attention, so far as the limitations of these days allow, which their importance demands for both the nearer and longer view. Meanwhile, the company's servants away on war service continue to gather credit—and I grieve to say that since last year there are gaps in their ranks.

The report was adopted.

THE BRITISH PLASTER BOARD LIMITED

FACTORS AFFECTING PROFITS

LORD BELPER ON PROPOSED AMALGAMATION

The twenty-seventh ordinary general meeting of The British Plaster Board, Limited, was held, on the 25th instant, in Derby, Lord Belper (the chairman) presiding.

The following is an extract from the chairman's statement issued with the report and accounts: You will observe, on referring to the profit and loss account, that the net profit after taxation amounts to £161,028, compared with £250,633 for the previous year.

The decrease in profit is due to a marked falling off in Government business during the period under review and also to a further contraction in business generally.

MAINTENANCE OF DIVIDEND JUSTIFIED

For the first time in our history as a public company, the amount recommended to be distributed by way of dividend is in excess of the amount earned. The carry-forward, however, remains at a substantial sum—namely, £266,574 15s., equivalent to about one and a-quarter year's dividend at the rate of 25 per cent. per annum. In all the circumstances, your directors feel justified in recommending the maintenance of the dividend.

I need not remind you that our average profits for many years before the war—profits earned in world-wide competition—were greatly in excess of the average profits earned since the outbreak of war. As a result of this, we have not been able to build up an E.P.T. cushion against possible future losses and, in this respect, we are in a worse position than firms less efficient in pre-war days. The fall in earnings since the war is due not so much to a reduction in turnover, as to lower profit margins imposed under the Government's Costing Clause.

AGREEMENT WITH GYPROC PRODUCTS

As you will have learned from the press, we have recently completed negotiations for an amalgamation with Gyproc Products, Limited, a wholly owned subsidiary of the Distillers Company, Limited. I regret that, owing to certain formalities having yet to be completed, I am not in a position to give you full details of the terms of the amalgamation. I can, however, inform you that the number of new shares to be issued by this company to the Distillers Company, Limited, has been arrived at by comparing the respective earnings of the two companies and ascertaining the ratio of one to the other when applied to the issued ordinary capital of the British Plaster Board, Limited. The result is that, subject to your confirmation, we propose to issue 660,000 fully paid ordinary shares of 5s. each in exchange for the shares of Gyproc Products, Limited. A cash payment to be made by the Distillers Company, Limited, is to make up the surplus liquid assets of Gyproc Products, Limited, to a total bearing the appropriate ratio to the surplus liquid assets of the British Plaster Board, Limited.

The Distillers Company, Limited, undertake not to dispose of the shares to be issued to them, or to require that an application be made to deal in these shares, within a period of two years.

EXTRA-ORDINARY GENERAL MEETING TO BE CALLED

When the formalities to which I have referred are completed, an extra-ordinary general meeting of this company will be called for the purpose of placing the proposals before you and to transact other business incidental thereto.

Your directors are confident that the

amalgamation with Gyproc Products, Limited, will place your company in a stronger position to meet present and potential competition, both within the gypsum industry and also in the wider field of competition with other types of plastering and sheet lining materials.

Since the close of the financial year sales have been fairly well maintained, but you will appreciate the difficulty of making prophecies under existing conditions.

Before closing, I have pleasure in recording our appreciation and thanks to all concerned with the management and operation of our business.

The report and accounts were unanimously adopted.

GUEST KEEN AND NETTLEFOLDS, LIMITED

FUTURE OF BRITISH INDUSTRY

The ordinary general meeting of Guest Keen and Nettlefolds, Limited, was held, on the 26th instant, at the Queen's Hotel, Birmingham.

Mr J. H. Jolly, deputy-chairman and managing director, presided in the absence, through temporary indisposition, of Sir Samuel R. Beale, K.B.E.

The secretary (Mr E. C. Drake) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman, which has been circulated with the report and accounts for the year ended March 31, 1944, and was taken as read:—

I hope that next year I may be enabled to give you a more detailed account of the activities of our company. The appended

accounts show little change in the final results for the year under review as is inevitable under existing circumstances, but it has been possible to make progress in settling taxation liabilities up to March 31, 1943.

Mr Maurice Tollit, who has been associated with the management in Birmingham for many years, has been appointed a director of the company, and you will be asked to confirm his appointment.

RESEARCH PLANS

The board have been giving much thought to problems of organisation and efficiency as they affect our company. Plans have been made for further development of our research departments, and also for provision of the best equipment to meet post-war conditions when the present necessity for concentration on production for war purposes is relaxed. The proposals of the Chancellor of the Exchequer for these purposes are welcome as an instalment of fairer terms for British industry in its approaching struggle for export trade.

I feel that it needs reiterating that the considerable national expenditure contemplated for the improvement of social conditions in this country cannot be forthcoming unless British industries are efficient and prosperous, which presupposes the encouragement of initiative and the relaxation of control, by Government as quickly as may be.

It is with great pleasure that I again record our appreciation of the very fine contribution to national production by the management, staff and workpeople.

The report and accounts were adopted.

The retiring directors (the Right Honourable the Lord Hyndley of Meads, Sir Maurice E. Denny, Bart., C.B.E., and Mr M. H. Tollit) were re-elected, and the

auditors (Messrs Carter and Company) were reappointed.

A vote of thanks to the chairman, directors and staff concluded the proceedings.

UNITED PREMIER OIL AND CAKE COMPANY, LIMITED

CURRENT YEAR'S SATISFACTORY RESULTS

The twenty-fifth ordinary general meeting of the United Premier Oil and Cake Company, Limited, was held, on the 26th instant, at the Registered Office in London, Sir Frank B. Sanderson, Bt., M.P., presiding.

The chairman made reference to the loss the company had suffered by the death of Mr M. S. Myers, who had been a member of the board since 1919. In dealing with the report and accounts for the year ended December 31, 1943, the chairman stated that the seed-crushing and oil-extracting mills continued to operate under Government control, and although it would be unwise to attempt to forecast the future he was happy to state that the results for the past nine months of the current year had been satisfactory.

The final dividend of 5d. per share, less tax, as recommended, making with the interim dividend 9d. per share (or 15 per cent.) less tax, for the year was declared.

The directors retiring were re-elected and the auditors reappointed. After an allusion had been made to the valuable services of the general manager, Mr W. E. Waterhouse, and the continued loyal co-operation of the management, staff and operatives throughout a difficult period, the proceedings terminated with a vote of thanks to the chairman.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
July 20 ...	6,318	6,297	115.2	134.2	3.16	3.65
" 21 ...	4,215	5,781	115.6	134.2	3.16	3.63
" 24 ...	9,020	7,283	116.3	134.2	3.15	3.61
" 25 ...	7,486	6,046	116.4	134.2	3.15	3.61
" 26 ...	7,790	6,339	116.6	134.1	3.15	3.60

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.6 (July 26); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		July 5, 1944	July 12, 1944	July 19, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	107.4	108.4	106.6
32 Rails	88.9 (a)	106.8	104.3	106.8	106.4
40 Utilities	85.0	92.2 (c)	92.2	91.6	91.0
419 Stocks	93.6 (a)	105.7	104.9	105.7	104.1
Av. yield %	4.84 (b)	4.43	4.46	4.43	4.45

* Common Stocks. (a) Feb. 9. (b) May 3. (c) July 5.

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
July 14 ...	131.8	1,088,000	July 18 ...	129.7	1,277,000
" 15 ...	131.0	421,000*	" 19 ...	128.4	1,139,000
" 17 ...	131.1	1,482,000	" 20 ...	129.3	1,343,000

1944: High, 131.8 (July 14). Low 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending July 29, 1944	Nominal Capital	Conversions	New Money
	£	£	£

Particulars of Government issues appear on page 169.

Year†	Including Conversions	Excluding Conversions
	£	£
1944	976,173,804	962,352,823
1943	1,094,946,378	1,078,210,720

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
	£	£	£	£	£	£
1944	962,022,102	330,721	Nil	957,949,579	2,117,789	2,285,455
1943	1,074,986,200	2,585,843	638,677	1,068,408,734	1,454,552	8,347,434

* Conversions excluded. † Includes Government issues to July 18, 1944, only. Above figures include all new capital in which permission to deal has been granted.

SIX MONTHS' CAPITAL ISSUES

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

TABLE I—TOTAL BORROWING (MILLION £)

First Half of Each Year	British				Empire	Foreign	Total Issues	Indices
	Government	*Home Corporations	Others	Total Home				
	By Direct Public Offer (Old Basis)							1928=100
1928	85.2	10.0	89.3	184.5	40.2	20.1	244.8	100
1942	829.2	Nil	0.2	829.4	Nil	Nil	829.4	339
1943	984.7	Nil	0.5	985.2	0.4	0.4	985.8	403
1944	883.6	Nil	1.1	884.7	0.1	Nil	884.8	360
	Including "Permission to Deal" (New Basis)							1935=100
1935	2.5	16.3	108.2	127.0	12.2	1.4	140.6	100
1942	829.2	Nil	6.5	835.7	0.3	0.1	836.1	597
1943	984.7	Nil	8.7	993.4	1.4	0.6	995.4	708
1944	883.6	Nil	4.1	887.7	0.4	Nil	888.1	631

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

First Half of Each Year	Old Basis				New Basis			
	1941	1942	1943	1944	1941	1942	1943	1944
Debentures	Nil	Nil	1.7	0.9	0.3	0.2	2.8	4.1
Preference	Nil	Nil	Nil	0.2	0.2	0.7	1.1	2.1
Ordinary	2.5	0.1	1.7	0.7	2.8	5.9	6.8	2.3
Total	2.5	0.1	3.4	1.8	3.3	6.8	10.7	8.5

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

	First Half Years Old Basis		First Half Years New Basis	
	1943	1944	1943	1944
British Govt. Loans	984,701,500	883,567,900	984,701,500	883,567,900
Exploration, Fin., etc.	Nil	Nil	Nil	212,500
Mines	Nil	Nil	588,100	Nil
Oil	638,700	Nil	1,388,700	Nil
Breweries and Distills.	Nil	Nil	453,900	Nil
Motors, etc.	225,000	31,000	729,100	31,000
Iron Coal and Steel	140,000	Nil	3,933,100	63,000
Stores and Traders	Nil	Nil	387,900	Nil
Elec. Light and Teleg.	Nil	Nil	537,200	Nil
Hotels, Theatres, etc.	Nil	131,200	Nil	337,200
Gas and Water	Nil	Nil	Nil	94,600
Manufg. and Miscel.	136,200	1,068,200	2,717,600	4,280,000
Total	985,841,400	884,797,300	995,437,100	888,586,200

FINANCE AND BANKING

THE MONEY MARKET.—There has been no floating debt borrowing this week. The £110,000,000 weekly issue of Treasury bills has, for the first time, been equalled by the maturities. The banks have not been called upon to make any payments against Treasury Deposit Receipts and there were no TDR maturities. On this score, therefore, the position was left balanced. This absence of floating debt borrowing is due to the high concentration of tax payments from the banks to the Exchequer. Transfers of income tax and war damage contribution money have been particularly heavy. Despite this fact and the making up by the banks for their July statements, credit supplies in the money market have been ample. The reasons for this abundance are provided by the latest Bank return which shows an expansion of £25,107,000 in Government securities and a release of £8,987,000 from Public deposits. The effect of these two movements is cushioned to the extent of £3,232,000 by a rise in the note circulation, but enough remains to increase bankers' deposits by £29,413,000 to the comparatively high level of £199,806,000. The latest increase in the circulation has reduced the reserve of unissued notes to £13,438,000 and in view of the imminence of the August bank holiday another expansion in the fiduciary issue seems bound to occur next week.

MONEY RATES, LONDON.—The following rates remained unchanged between July 20th and July 27th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between July 20th and July 27th (Figures in brackets are par of exchange).

United States. \$ (4-38) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-38) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22) 17-50-40. French Empire. Francs 1971-2001. Syria. P. 8-81-85. Sweden. Krona (18-169) T.T. 16-85-95. Dutch West Indies. Florin (12-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 4-02-04; mail transfers 4-02-04. Brazil. 83-64½ cr. (buying); mail transfers 83-56½. Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between July 20th and July 27th.

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 176½-1. China. National 33-3½. Iran. RI 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-28 pesos.

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

NEW YORK EXCHANGE RATES

New York on	July 19	July 20	July 21	July 22	July 24	July 25	July 26
Cables:							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-180	90-180	90-180	90-180	90-180	90-250	90-250
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-78*	24-78*	24-78*	24-78*	24-78*	24-78*	24-73*
Rio de Janeiro	5-18	5-18	5-18	5-18	5-18	5-16	5-16
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78. † Free Rate. § Bid.

CLEARING BANK COMPARATIVE FIGURES

	June 1943	June 1944	Mar. 1944	Apr. 1944	May 1944	June 1944
Capital and reserves	140.9	142.5	142.5	142.5	142.5	142.5
Acceptances, etc.	95.5	99.4	97.8	96.3	97.7	95.6
Notes in circulation	1.6	1.5	1.4	1.4	1.4	1.4
Current, deposit and other accounts	3,630.4	3,896.8	3,988.2	4,016.8	4,050.7	4,100.2
Total liabilities	3,868.4	4,140.2	4,229.9	4,257.0	4,292.3	4,399.7
Cash, balances, and items in transit	386.6	414.2	423.4	430.0	417.6	427.0
Money at call	157.8	130.0	135.6	131.3	137.9	179.4
Discounts	165.0	149.6	154.8	164.3	172.7	184.7
Treasury deposit receipts	236.0	123.5	113.1	148.6	174.1	202.4
Investments	858.5	1,264.0	1,331.0	1,314.0	1,309.5	1,245.5
Loans and Advances	1,159.0	1,141.0	1,136.2	1,152.4	1,161.4	1,169.2
Investments in affiliated banks	743.9	752.7	772.2	754.3	755.6	770.3
Cover for acceptances, premises, etc.	23.9	24.1	24.1	24.1	24.1	24.1
Total assets	3,868.4	4,140.2	4,229.9	4,257.0	4,292.3	4,399.7

INDUSTRY AND TRADE

Utility Furniture.—The output of utility furniture is increasing and consequently the basic allowance to an unmarried couple eligible for utility furniture is to be restored to the original 60 units instead of the current 30. The increase is to be made in stages. Those who received permits between September 1st and December 31, 1943, may apply for their extra units from August 1st. Those who received permits during the early part of this year will be able to apply later. Permits issued after August 1st will be at the new rate, but holders may not be able to use all the units immediately. The period of validity of permits is extended from three to six months.

Clothing Coupon Changes.—A number of minor adjustments in the coupon rates for various articles of clothing will come into force on August 1st, when the new clothing book comes into use. Most of the changes are reductions in coupon value. The most important of these brings down the coupon value of furs—no doubt a result of discussions which took place recently between fur trade interests and the Board of Trade.

Agricultural Wages Claim.—At a meeting of the Agricultural Wages Board early in July the workers' representatives gave notice of a motion for an increase in the national minimum wage to £4 10s. per week. The Board decided that the motion should be considered at the next meeting to be held on September 6th.

Stopped Cotton Looms.—The weekly payment to cotton weavers whose looms have been stopped under concentration schemes, is to be raised from the rate of 2s. 3½d. per 40-inch loom space to 2s. 6½d., with effect from June 1, 1943. It is understood that this increased allowance will not involve any additional levy upon manufacturers with running looms.

Hosiery and Footwear Control.—Two controls which are at present divided between the Ministry of Supply and the Board of Trade are shortly to be merged. From August 1st the hosiery production branch of the Ministry of Supply will be merged with the civilian Hosiery Control of the Board of Trade. It will be part of the Board of Trade, and be known as the Hosiery Control. The two branches controlling footwear, the Control of Civilian Footwear, Board of Trade and the Directorate of Service Footwear and Leather Equipment, Ministry of Supply, will also be unified shortly.

Canadian Timber Purchases.—Ministry of Supply officials, including members of the Timber Control, have recently visited Canada to discuss with representatives of the lumber industry the purchases of timber for delivery during the two years following the cessation of hostilities in Europe. Terms of purchase were agreed covering the sale of British Columbian softwoods, Eastern Canadian spruce, and Canadian hardwoods. A similar agreement is under negotiation for constructional plywood. Formal contracts with individual shippers are about to be negotiated.

Agricultural Improvement Council.—The Minister of Agriculture has decided to establish the Agricultural Improvement

(Continued on page 172)

GOVERNMENT RETURNS

For the week ended July 22, 1944, total ordinary revenue was £56,236,000, against ordinary expenditure of £109,200,000 and issues to sinking funds of £90,000. Thus, including sinking fund allocations £2,860,239, the deficit accrued since April 1st is £1,007,346,000 against £1,060,646,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1944-45	April 1 to July 24, 1943	April 1 to July 22, 1944	Week ended July 24, 1943	Week ended July 22, 1944
ORDINARY REVENUE					
Income Tax	130,000	219,411	232,179	19,090	23,472
Sur-tax	80,000	9,120	7,834	350	330
Stamp duties	100,000	31,368	35,330	1,757	3,050
Stamps	19,000	5,250	3,702	1,300	1,100
N.D.C.	500,000	6,926	8,280	470	540
E.P.T.	1,000	128,464	137,999	13,050	7,908
Other Ind. Rev.	1,000	150	80	10	...
Total Ind. Rev.	200,000	400,689	425,404	36,027	36,400
Customs	564,900	162,578	177,790	6,937	13,180
Excise	472,900	131,000	136,000	10,900	5,805
Total Customs & Excise	1,037,800	293,578	313,790	17,837	18,985
Motor Duties	27,000	2,464	2,675	116	...
P.O. (Net Receipts)	...	2,050	...	1,200	...
Wireless Licences	4,850	830	850	...	...
Crown Lands	800	240	270	...	...
Receipts from Sundry Loans	7,350	1,702	2,183	...	...
Miscell. Receipts	24,000	23,248	20,296	1,003	851
Total Ord. Rev.	3,101,800	720,701	765,468	56,183	56,236
SELF-BALANCING P.O. & Broadcastg.	112,370	34,450	34,250	1,450	2,500
Total	3,214,170	755,151	799,718	57,633	58,736

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1944-45	April 1 to July 24, 1943	April 1 to July 22, 1944	Week ended July 24, 1943	Week ended July 22, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	117,785	125,847	862	1,450
Payments to N. Ireland	9,000	2,324	1,992	312	...
Other Cons. Fund Services	7,000	3,219	3,225	...	...
Total	436,000	123,328	131,064	1,174	1,450
Supply Services	550,139	165,504	163,889	90,600	107,750
Total	593,739	177,837	176,954	91,774	109,200
SELF-BALANCING P.O. & Broadcastg.	112,370	34,450	34,250	1,450	2,500
Total	604,979	181,282	180,424	93,224	111,700

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £91,146 to £3,019,884, the other operations for the week (no longer shown separately) raised the gross National Debt by £9,755,428 to £20,590 million.

NET RECEIPTS (£ thousands)	
War Damage Act	4,050
NET ISSUES (£ thousands)	
P.O. and Telegraph	250
Overseas Trade Guarantees	10
Total	260

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1943						
July 24	1170-0			Not available		
1944						
April 21	1180-0					
" 28	1200-0	2018-3	410-4	"	1431-0	5059-7
May 5	1220-0			Not available		
" 12	1240-0			"		
" 19	1260-0			"		
" 26	1280-0	2184-9	374-9	"	1419-5	5259-3
June 2	1300-0			Not available		
" 9	1320-0			"		
" 16	1340-0			"		
" 23	1360-0			"		
" 30	1380-0			"		
July 7	1400-0			Not available		
" 14	1420-0			"		
" 21	1430-0			"		

TREASURY BILLS

Date of Tender	Amount		Average Rate of Allotment	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1943				
July 23	90-0	164-6	90-0	20 0-29
1944				
April 21	110-0	216-8	110-0	20 2-85
" 28	110-0	208-3	110-0	20 0-25
May 5	110-0	209-1	110-0	19 11-81
" 12	110-0	198-2	110-0	20 0-32
" 19	110-0	202-4	110-0	20 0-35
" 26	110-0	195-7	110-0	20 0-98
June 2	110-0	216-1	110-0	20 0-45
" 9	110-0	203-5	110-0	20 0-49
" 16	110-0	197-5	110-0	20 11-93
" 23	110-0	199-5	110-0	20 0-57
" 30	110-0	203-6	110-0	20 0-89
July 7	110-0	197-4	110-0	20 0-54
" 14	110-0	199-7	110-0	20 0-26

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																
Prices, Year 1943		Prices, Year 1944 Jan. 1 to July 25		Name of Security	Price, July 18, 1944	Price, July 25, 1944	Yield, July 25, 1944	Prices, Year 1944 Jan. 1 to July 25		Last Two Dividends			Name of Security	Price, July 18, 1944	Price, July 25, 1944	Yield, July 25, 1944
High	Low	High	Low					High	Low	(a)	(b)	(c)				
British Funds																
83½	78½	79½	78½	Consols 2½	79½	79½	3 2 11	55 6	48 6	4 a	7 b	Babcock & Wilcox £1.	55/-	55/-	4 0 0	
112½	109½	110½	108½	Consols 4% (after 1957)	108½	109	3 13 3½	57 6	47 7½	3½ a	11½ b	Bolsover Colliery Ord. £1.	55 6	56 6	5 6 0	
100½	100½	100½	100½	Conv. 2% 1944-45	100½	100½	1 19 3½	30 4	20 4	1½ a	6½ b	Brown (John) Ord. 10/-	29 9	30 3	3 6 0	
102½	100½	102½	101½	Conv. 2½ 1944-49	102½	102½	2 7 0	101 3	90 6	5 a	15 b	Cory (Wm.) £1	100/-	100/-	4 0 0	
104½	102½	103½	102½	Conv. 3% 1948-53	103½	104	2 14 0	29 1½	25 4½	5 c	8 c	Dorman Long Ord. £1	28 3	28 3	5 13 3	
107½	103½	105½	103½	Conv. 3½ (after 1961)	104½	104½	3 6 0	42/-	33/-	4 a	6 b	Guest Keen & Co. Ord. £1	40 6	41 6	4 16 6	
97½	95½	97½	96½	Funding 2½ 1956-61	97	97	2 14 0	33 9	30 3	7½ a	15 b	Hudfields Ord. 10/-	33/-	33 6	6 14 0	
101½	99½	101½	100½	Funding 2½ 1952-57	100½	101	2 13 0	36 6	48 3½	12½ a	12½ b	Staveley Coal Ord. £1	56 6	56 6	2 6 0	
102½	99½	101½	100½	Funding 4% 1953-69	100½	100½	2 18 6	56 6	48 3½	12½ a	12½ b	Stewarts and Lloyds £1	58 3	58 3	3 0 0	
112½	112½	114½	112½	Funding 4½ 1960-90	112½	113	2 19 0	47	52 4½	4 a	6 b	Swan, Hunter Ord. £1	46 6	46 6	5 3 0	
102½	100	101½	100½	Nat. Def. 3% 1954-58	101	101½	2 15 0	11 9½	9 3½	10 c	12½ c	Thomas (Richard) Ord. 6 8	11 3	11 9	7 2 0	
102½	101½	102½	101½	War Bonds 2½ 1945-47	101½	101½	2 8 6½	27 4	23 7½	5½ b	2½ a	United Steel Ord. £1	27 3	27 3	5 17 0	
101½	99½	101½	100½	War Bonds 2½ 1949-51	100½	100½	2 8 0	20 3	17 3	4 a	6 b	Vickers Ord. 10/-	20/-	19 9	5 1 3	
Textiles																
101½	99½	101½	97½	Savings Bds. 3% 1955-65	100	100	3 0 0	11 9	9 6	Nil c	Nil c	Bleachers Association £1	11 3	11 3	Nil	
101½	100	100½	100	Savings Bds. 3% 1960-70	100½	100½	2 19 6	25 6	20 6	Nil c	4 c	Bradford Dyers Ord. £1	24 9	25 6	3 2 6	
115	112½	113½	111½	Victory Bonds 4%	113	113	2 19 6	32 6	26 1½	Nil c	Nil c	British Celanese Ord. 10/-	32/-	31 9	Nil	
103½	100½	102	100½	War Loan 3% 1955-59	101½	101½	2 17 0	55/-	44 3	3½ a	5 b	Coats, J. & P. Ord. £1	52/-	54 4½	3 4 3	
106½	102½	104½	102½	War Loan 3½ (aft. 1952)	103½	103½	3 7 6½	60 7½	51 6	5 b	2½ a	Courtaulds Ord. £1	60/-	59 6	2 11 0	
98½	93½	94½	93½	Local Loans 3%	94½	94½	3 3 8	26 0	20 9	3½ c	4 c	Fine Cotton Spicers £1	24 6	26 3	3 1 0	
102½	101	101½	101	Austria 3% 1933-53	101	101	2 17 6	4 4½	3 4½	5 b	2½ a	Hoyle (Joshua) 2/-	4 3	4 3	4 12 0	
Dom. & Col. Govts.																
103½	101	103½	101½	Australia 5% 1945-75	102	102	4 18 0	83 3	72 6	20 c	17 c	Patons & Baldwin's £1	80/-	82 6	4 4 9	
105½	102	105½	102½	New Zealand 5% 1946	103	103	3 8 7	92 6	99 6	5 a	15 b	Readers Bank, & Co. £1	111 3	111 10½	3 11 9	
112½	110	112	110	Nigeria 5% 1950-60	110	110	2 15 10	112 6	32 9	26 9	17½ c	17½ c	General Electric Ord. £1	98/-	97 6xd	3 11 6
Corporation Stocks																
108½	105½	108½	105	Birmingham 5% 1946-56	106	107½	4 13 0	92 6	99 6	7½ a	5 b	County of London £1	42/-	42/-	3 16 0	
98½	92	94½	93	L.C.C. 3%	93½	93½	3 4 2	99 6	39 6	1½ a	2½ b	Gas Light & Coke Ord. £1	21 3	21 6	3 14 6	
100½	99	100½	99	Liverpool 3% 1954-64	99½	99½	3 0 6	42 9	39 6	3 a	5 b	North-East Electric £1	35/-	35/-	4 0 0	
105½	104	106½	104	Middlesex 3½ 1957-62	106	106	2 18 9	21 10½	18 1½	2½ a	4 b	Scottish Power Ord. £1	41/-	41/-	4 2 9	
Foreign																
95½	83½	90½	89	Argentine 3½ Bds. 1972	93½	93½	3 17 6	41 9	39 6	5½ b	3 a	Austin 'A' Ord. 5/-	30 3	32/-	1 11 3	
68½	56½	75½	51	Brazil 5% Funding 1914	75	75½	4 9 5 c			7½ c	10 c	Birmingham S.A. £1	27 9	27 9	5 8 0	
36½	28½	25	20½	Chile 6% (1929)	24½	24½	6 8 0	32 3	24 3	6 b	4 c	Bristol Aeroplane 10/-	15 9	15 1½	7 12 0	
60½	49	51	44	Chinese 5% 1913	46	46	Nil	28 10½	22 4	7½ c	10 c	Ford Motors Ord. £1	39 9	41	2 18 8	
97½	88	94	90½	Portuguese 3%	94½	90½	3 6 4	15 6	13 9	6 b	4 c					
76	56½	74½	63½	Spanish 4%	73½	73½	5 8 10	41 3	32 3	6 c	6 c					

RESERVE BANK OF NEW ZEALAND				
Million £N.Z.'s				
	May 24, 1943	May 1, 1944	May 15, 1944	May 22, 1944
ASSETS				
Gold and stg. exch.	30.89	32.46	33.02	33.4
Advances to State	59.31	39.40	41.82	41.7
Investments	10.29	11.73	11.73	11.7
LIABILITIES				
Bank notes	31.88	37.05	36.94	37.1
Demand liab. State	14.09	12.19	12.84	10.9
Banks and others	53.77	33.29	35.32	36.1
Reserve to sight liab.	38.7	39.32	38.7	39.1

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted													
JUNE, 1944	Barclays Bank Ltd.	Comtts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams Deacon's Bank Ltd.	Aggregate	
Date	30th	30th	30th	30th	30th	30th	30th	30th	30th	30th	30th		
ASSETS													
Coin, Bank Notes and Balances with the Bank of England	£ 86,510	£ 3,838	£ 16,456	£ 6,179	£ 77,101	£ 18,404	£ 92,775	£ 6,266	£ 55,505	£ 56,322	£ 7,676	£ 427,032	
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	30,307	1,309	6,067	4,263	28,814	7,813	34,788	254	24,196	23,797	4,159	165,767	
Items in Transit					13,648							13,648	
Money at Call and Short Notice	25,544	4,165	5,543	9,007	31,028	5,646	34,517	8,780	23,743	32,740	4,022	184,735	
Bills Discounted	45,205	1,505	3,532	1,806	38,236	7,945	49,915	842	28,174	23,822	1,365	202,447	
Treasury Deposit Receipts	276,000	5,500	44,590	7,500	227,500	54,500	290,000	1,300	168,500	152,000	18,500	1,245,500	
Investments	218,646	15,205	60,455	19,723	214,235	59,427	233,931	24,666	132,484	162,828	27,550	1,169,150	
Advances to Customers and other A/c's	167,604	8,463	22,322	12,649	125,198	33,241	165,826	13,624	106,363	102,807	12,183	770,280	
Liabilities of Customers for Acceptances, Endorsements, etc.	15,630	1,227	2,994	5,528	22,863	8,714	12,069	378	10,992	12,919	2,297	95,611	
Bank Premises Account	7,904	405	1,362	695	6,669	2,877	8,497	470	6,847	4,852	876	41,454	
Investments in Affiliated Banks and Subsidiary Companies	6,219	...	...	...	3,776	...	8,557	...	2,514	2,992	...	24,051	
	879,569	41,617	163,331	67,350	789,068	198,567	930,875	56,280	559,318	575,079	78,628	4,339,682	
Ratio of Cash to Current, Deposit and other Accounts	10.34	10.00	10.66	10.31	10.41	10.12	10.42	12.08	10.49	10.36	10.45	10.41	
LIABILITIES													
Capital Paid up	15,858	1,000	2,997	1,060	15,810	4,160	15,159	1,500	9,480	9,320	1,875	78,199	
Reserve Fund	11,250	1,000	2,996	850	10,000	3,800	13,411	1,200	9,479	9,320	1,000	64,286	
Current, Deposit and other Accounts	856,831	38,330	154,584	59,912	740,381	181,674	890,256	51,855	529,367	543,501	73,456	4,100,189	
Acceptances, Endorsements, etc.	15,630	1,227	2,994	5,528	22,863	8,714	12,069	378	10,992	12,919	2,297	95,611	
Notes in Circulation	...	...	...	...	14	19	...	1,347	...	17	...	1,397	
	879,569	41,617	163,331	67,350	789,068	198,567	930,875	56,280	559,318	575,079	78,628	4,339,682	

EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND											
London on Australia and N.Z.*											
Buying				Selling		Buying				Selling	
Australia		N. Z.		†Aus- tralia	†N.Z.	†Australia	†N.Z.	†Aus- tralia	†N.Z.		
T.T.	Ord.	Air	Ord.	Air	125	124½	125	Ord.	Ord.	125½	125
	Mail	Mail	Mail	Mail				Mail	Mail		Ord. Mail
	(S)	(12)		(S)	(S)	(12)		(S)			
Sight	126½	126½	126½	126½	125½	124½	124½	123½	125½	125½	124½
30 days	127½	127½	127½	126½	...	...	124½	124½	123½	125½	124½
60 days	127½	127½	127½	127½	...	...	123½	123½	123½	125½	124½
90 days	128½	128½	127½	127½	...	...	123½	123½	122½	n.g.	124½

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bills will be sent by air mail on payment of appropriate postage.

* All rates (Australia and N.Z.) now based on £100—London. † Plus postage.

‡ Via Durban. By America N.Z. Air Mail (Australia) Demand, 12s 6d; 30 days, 12s 6d; 60 days, 12s 6d; 90 days, 12s 6d. (N.Z.) Demand, 12s 6d; 30 days, 12s 6d; 60 days, 12s 6d; 90 days, 12s 6d. (Postage). † Any Mail.

SOUTH AFRICA

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T. (101½ (eight); £102½ (30 days); £102½ (60 days); £102½ (90 days) for Rhodesia the corresponding rates are £100½, £100½, £101½, £101½ and £102½.

Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100½ for South Africa and £99½ for Rhodesia.

CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$: approximate sterling rates can be calculated from \$-£ rate.

OVERSEAS BANK RATES

	Changed	From	To		Changed	From	To
		%	%			%	%
Amsterdam	June 28,	'41	3	Madrid	July 15,	'35	5
Athens	Mar. 10,	'42	5	Montreal	Feb. 8,	'44	24
Belgrade	Feb. 1,	'35	6 1/2	Oslo	May 12,	'40	4 1/2
Berlin	April 9,	'40	4	Paris	Mar. 17,	'41	2
Brussels	Jan. 26,	'40	2 1/2	Pretoria	June 2,	'41	3 1/2
Bucharest	Sept. 17,	'40	3 1/2	Rio de Janeiro	May 31,	'35	5 1/2
Budapest	Oct. 22,	'40	4	Rome	May 18,	'36	5
Calcutta	Nov. 23,	'35	3	Sofia	Sept. 16,	'40	6
Chile	June 13,	'35	4 1/2	Stockholm	May 29,	'41	3 1/2
Copenhagen	Oct. 15,	'40	4 1/2	Zurich	Nov. 25,	'36	2
Heisingfors	Dec. 3,	'34	4 1/2	Tokio	...	...	...
Lisbon	Jan. 12,	'44	3	Wellington	July 20,	'41	2
N.Y. Fed. Res.	Oct. 30,	'42	1	Dublin	Oct. 26,	'39	4

(a) For banks and credit institutions. (b) For private persons and firms.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1944	+ or -	1944	+ or -
nd Pacific	3	July 22	\$1,870,000	+	5,566,000	+
st. Southern	3	" 22	\$2,905,000	+	8,515,000	+
Western	3	" 22	\$1,056,000	+	3,163,000	+
dian Pacific	29	" 21	\$5,077,000	+	172,735,000	-18,611,000
o. Gross	(4)5	May 31	\$27,317,000	+	\$112,000	127,918,000
o. Net	(4)5	" 31	\$34,470,000	+	\$1,172,000	18,142,000
al Argentine	3	July 22	\$2,770,000	+	904,550	8,713,450
of Havana	3	" 22	\$44,006	-	141,364	-

† Receipts in Argentine pesos. (a) Months

NEW YORK PRICES

	Close	Close		Close	Close		Close	Close
	July	July		July	July		July	July
1. Railroads.	18	25		18	25		18	25
Atlantic Coast	398	394	Am. Smelting	41	404	Int. Paper	183	181
Can. Pacific	112	111	Am. Viscose	46	45	Liggett Myers	84	81
Gt. Nthn. Pl.	355	372	Anaconda	26	251	Nat. Distillers	34	34
N.Y. Central	191	204	Beth. Steel	63	621	Nat. Steel	684	671
Pennsylvania	392	293	Briggs Mfg.	361	353	Phelps Dodge	22	22
Southern	27	26	Celanese of A.	35	34	Proct. Gamble	57	56
			Chrysler	94	921	Sears Roebuck	95	94
			Distillers-Seg.	32	35	Shell Union	25	25
2. Utilities, etc.			Eastman Kod.	163	165	Std. Oil N.J.	57	56
Amer. Tel.	162	162	Gen. Electric	38	37	20th Cen. Fox	25	25
Int. Tel. p.	171	181	Gen. Motors	64	63	United Indus.	164	164
Pacific Light	61	61	Inland Steel	85	84	U.S. Steel	194	194
People's Gas	171	181	Int. Harvst.	78	75	West house E.	103	100
St. Cal. E.A.	244	23	Int. Nickel	29	29	Woolworth	414	411
W. Union Tel.	494	48						

(Continued from page 168)

Council for England and Wales on a more permanent basis, with a larger membership and wider terms of reference. The Council was set up on June 12, 1941, the members being appointed in the first instance for three years. Its object was to promote closer contact between the farmer and the scientist with a view to ensuring the greatest possible application of the results of scientific research and new technical methods in ordinary farming. The expanded terms of reference include the following: "to advise . . . concerning agricultural and horticultural problems which appear to require scientific investigation; and to advise generally . . . lines on which a policy designed to raise the technical standard of agricultural and horticultural production can best be implemented."

"The Economist" Sensitive Index.—There was no change in the index during the week ended July 26th. The complete

index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

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

	Mar. 31, 1937*	Aug. 30, 1939	July 20, 1943	July 4, 1944	July 18, 1944
Cereals and Meat	93.0	66.9	111.3	108.6	108.7
Other Foods	70.4	61.1	107.5	107.3	107.3
Textiles	74.2	54.3	93.0	104.0	104.0
Minerals	113.2	95.4	135.9	139.7	139.7
Miscellaneous	87.0	77.6	126.8	129.3	128.8
Complete Index	87.2	70.3	114.7	117.6	117.5
1913=100	119.9	90.8	157.8	161.8	161.7

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

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1855)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

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

THE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies

The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

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THE HONGKONG AND SHANGHAI BANKING CORPORATION

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RESERVE LIABILITY OF MEMBERS - \$20,000,000

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Chief Manager: A. MORSE, O.B.E.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED,

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Guaranteed by the Australian Government. Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Western Australia, the Government of the State of Tasmania, Commonwealth Savings Bank of Australia, 8,221 Agencies at Post Offices in Australia. As at 30th June, 1943—General Bank Balances ... £237,573,348
Savings Bank Balances ... £21,004,431
Note Issue Department ... £149,496,943
Rural Credits Department ... £2,404,150
Other Items ... £21,990,876
£682,529,446

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

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Amritsar	Colombo	Mandalay	Nairobi	British E.A.
Bombay	Delhi	Nuwara	Eliya	
Calcutta	Kandy	Rangoon	Entebbe	
Cawnpore	Karachi	Tuticorin	Jinja	Uganda
Chittagong	Lahore	Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga	Tanganyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

APPOINTMENT. Robson, Morrow and Co. are seeking an outstanding man, a Chartered Accountant with wide commercial experience, who could be trained in modern management and accounting methods for work of national importance; four-figure salary and exceptional post-war prospects. Mark envelope "Application." Full particulars to Robson, Morrow and Co., Victoria Station House, Victoria Street, London, S.W.1.

PERSONAL

SENSE AND A SENSITIVE PALATE. As you possess both, you should try T.T.T. Magnums Cigarettes made by WHITMORE & BAYLEY, 92, Wigmore Street, W.1. Established 1823. 100, 13/4; 500, 65/6; 1,000, 130/-. Post Free. Sample flat 50 for 6/8.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 96) of 32 per cent. has this day been DECLARED on the issued capital of the Corporation in respect of the year ending 30th September, 1944. This Dividend is payable, less Income Tax, at 6s. in the £, on and after the 19th September, 1944, to all Stockholders on the Registers on the 20th July, 1944.

Although the gross amount of this Interim Dividend is 32 per cent. compared with 45 per cent. paid this time last year, the net amount is unchanged as Tax will be deducted at the rate of 6s. in the £. This will give Stockholders Dominion Income Tax relief in respect of the Income Tax imposed by the Gold Coast Government, and for the purpose of this Dividend such relief has been estimated at 4s. in the £ on the divisible profit.

THE TRANSFER BOOKS will be closed from the 21st to the 28th July, 1944, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
H. E. ASHBY, Manager and Secretary.Temporary Registered Address:
St. Hilda's, Bushey, Herts. 20th July, 1944.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 14) of 5 per cent. has this day been DECLARED on the capital of the company in respect of the year ending 30th September, 1944. This Dividend is payable, less Income Tax, at 5s. in the £, on and after the 19th September, 1944, to all Stockholders on the Registers on the 20th July, 1944.

Although the gross amount of this Interim Dividend is 5 per cent. compared with 7½ per cent. paid this time last year, the net amount is almost unchanged as Tax will be deducted at the rate of 5s. in the £. This will give Stockholders Dominion Income Tax relief in respect of the Income Tax imposed by the Gold Coast Government, and for the purpose of this Dividend such relief has been estimated at 5s. in the £ on the divisible profit.

THE TRANSFER BOOKS will be closed from the 21st to the 28th July, 1944, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
H. E. ASHBY, Secretary.Temporary Registered Address:
St. Hilda's, Bushey, Herts. 20th July, 1944.

An Interim Report

"THE Churchill," the Prime Minister pointed out in his speech on Wednesday, when talking of tanks, "can be either defensive or offensive." The speech itself came somewhat in the former direction. Against the background of brilliantly good news from the battlefronts, which was its chief occasion, it seemed by contrast almost cautious and non-committal.

No doubt deliberately, there was only a slight reflection in the speech of the growing sense that the last grand climax is already at hand. Beyond repeating his belief that victory may perhaps come more quickly than was expected, Mr Churchill attempted no analysis of the next phase or the duration of the war, still less of the peace. Beyond declaring the necessity for a Poland friendly to Russia, and for a friendly France to be included among the World Council of major Powers, in discussing the problem of Germany, he made no statement of policy for Europe or elsewhere. Beyond a reference to Corporal Hitler's odd conduct of strategy in the East, and a single sentence about mutual shooting, he paid no attention at all to the critical state of Germany.

It was in fact a routine news review. It was lit up as always by Mr Churchill's power of pointed phrase. It was put into relief by his skilful knack of understatement;

but it contained nothing new or revealing—except for the expected announcement of Turkey's circumspect break with the Axis. It was an interim report, and declared no dividend yet. Presumably, the Prime Minister made no promises or prophecies because he does not know himself what may happen next. In the drawer of his desk there is no doubt the Victory Speech all ready, but he dare not even quote from it until he is sure of the way.

This is Mr Churchill's habit and so far, through every ordeal, it has served the country well. Now, simultaneously with the striding forward of victory and peace, there is another ordeal. While bombardment with flying bombs (and possibly with rocket shells) goes on, it is not possible for those under fire, and for their friends, to be fully comforted by even the best of news. Mr Churchill knows this. Possibly he argues that, so long as he cannot offer any prompt remission, 4,737 people killed in seven weeks, 14,000 seriously injured, 17,000 houses destroyed and 200,000 made uninhabitable, with another 600,000 damaged, do not provide the best context in which he can readily say "Rejoice, for the war is being won." Possibly he fears a relaxation of effort. Nevertheless, the war is being won. The bombardment may threaten very grievous happenings. But it has not altered the course of the war,

which is now set. Nor will it do so. This is a race in which we are now too far ahead to be caught, not a boxing match in which the fighter behind on points can win with a knock-out in the last round.

It would be impossible for whatever the sobriety of his intentions, for any practised speaker or writer, or for any historian—and Mr Churchill is all three in the very highest degree—to fail to make a great and exciting story of irresistible success out of the mere facts of recent events. Everywhere and in every element, all our enemies are being progressively and decisively defeated: in the Far East where the downfall of “that presumptuous Power” is being hurried on; in Normandy where the “great adventure” of invasion, superbly mounted and now pressed on, is going well; in Italy where an army of almost all the United Nations is “cleansing” the Italian soil; above all, on the Eastern European front where the Russian forces have “torn the guts out of the German army” and are about to tear the Reich itself.

So true and so significant, indeed, is the tale of triumphs that Mr Churchill was able to sketch out on Wednesday that it is impossible not to wonder whether so much caution is still necessary. To offer blood, tears, toil and sweat, with an assurance of survival, when the only alternative was utter disaster, was bold and heartening. To offer much the same mixture, four years later, when the most staggering successes are being won by the Allies, must seem disappointing. It is peculiarly Mr Churchill's own achievement that 1944 is very different from 1940.

If Mr Churchill believes that the war in Europe (and

Britain and Argentina

IN recent weeks the relations between the United States and Argentina have taken a turn for the worse. Ambassadors have been recalled, and formal statements of indictment and rebuttal have been issued in Washington and Buenos Aires. There, for the moment, the official exchanges rest, but indignation is rising on both sides, and a school of thought that is strongly represented both in Washington and in the American Press is urging economic sanctions, in which Great Britain would undoubtedly be pressed to join.

Hitherto the British Government has closely followed the lead of the United States, Sir David Kelly, the British Ambassador, was recalled soon after Mr Armour. As the Prime Minister made clear on Wednesday, London deplores the political trends of the Farrell Government no less keenly than Washington. Indeed, the British have special reasons of their own for disliking the Farrell regime which, ever since its seizure of power in January, has adopted a hostile and provocative attitude towards British-owned enterprises in Argentina. On the score both of its domestic and of its international policies, the Farrell Government has made itself obnoxious. There is no cause for surprise in the fact that economic counter-measures have come up for discussion.

But the desirability of such measures cannot be judged simply by the merits or defects of General Farrell and his crew of colonels. There are a number of other reasons which should give pause. The simplest and most compelling argument is that economic measures would be far more likely to confirm the Farrell regime in power than to remove it. There is quite enough evidence already to show that overt pressure from foreign countries has given General Farrell a popularity that he would probably otherwise not enjoy. Indeed, this would be the natural reaction in any country and national pride is certainly no less in Argentina than elsewhere.

Moreover, it is very probable that economic war would, at this stage, damage the United Nations more than it would hurt Argentina. Argentine meat and leather, not to mention such minor items as quebracho and linseed, are vital for Great Britain. On the other hand, Argentina could hardly be brought to its knees by restrictions either on imports or exports. Argentine exports are, admittedly,

the bombardment) may still continue for a long time, it is his right and his duty to say so. But, in that case, it is probably needful also to say more, in order to explain doubts and reservations which seem to conflict so much with the burden of every day's news. Without such an explanation, and confronted with the continuance and perhaps the stepping-up of bombardment, many people on the threshold of their sixth year of war will understandably be puzzled. They want to know where they stand. Frustration and fatigue can be close companions.

The time has come, in fact, to ask two questions, which go to the roots. The first is whether the Government is really prepared, mentally, politically and diplomatically, for a possible quick end to the war. Are Mr Churchill and his Ministers and the Allies ready to cope, if need be, with the biggest "windfall" of all? Are they agreed on means to shake the tree, if possible to bring the windfall down?

The second question is whether, if too much reiterated, the exhortation to "hold on until the end comes" goes on being the best guidance for people who have now all but won a most terrible war. It is after all the slogan that Corporal Hitler addresses to his own helpless and hopeless dependants. It may, of course, be that the Victory Speech itself will run: "We have gained the day. I think I can say, without boasting, that we have not acquitted ourselves without honour. But the hardest tasks and the longest trials are still before us." Yet for us now, even with the echo of our earlier endurance again in our ears, may not this be a time for boasting to balance the new bombardment?

vulnerable, but there are already complaints that they are paid for only in pounds and dollars that cannot be spent. Imports are already greatly reduced ; domestic industries have been developed to meet many of the most urgent needs ; and other South American countries—not all of which could be induced effectively to join in the embargo—already supply more of Argentina's imports than either the British Empire or the United States. Argentina has reserves and can wait until the not too distant end of the war in Europe, when all the hungry nations of that shattered continent will look to its vast stocks of food.

Furthermore, there is the political objection that far-reaching economic sanctions against Argentina would be a flagrant departure from the practice of Britain and America in their dealings with other non-belligerents. No economic war has been declared on Sweden, Switzerland, Eire, Portugal or Turkey, and only a specific ban on one item, imposed for a special purpose, on Spain. The United States has only very late in the day made even a diplomatic move against Finland, which is actually at war with America's allies. If so striking a discrimination were to be made against Argentina, the nationalist reaction in favour of General Farrell would be all the stronger.

Thus on an analysis of strictly immediate considerations, any proposal for coercive measures, if it were to be made, should be rejected. But it would be idle to deny that there are more far-reaching arguments. There is no reason why anybody in Great Britain should hesitate to admit that British long-term trading interests enter into the matter. No other country in the world has freely sacrificed its commercial and financial interests on the altar of war as lavishly or as unconcernedly as Great Britain, and no commercial interests would be allowed to stand in the way of economic pressure at this stage of the war if it had any chance of success and was essential for the triumph of the common cause. But if the purpose of exerting pressure on Argentina is not only to aid the war but also to attain some other doubtless desirable, but hardly imperative, object such as "hemispheric solidarity," then the sacrifice, on top of so many others already made, may seem too great. For decades, Argentina has

been one of the main suppliers of cheap food for Britain's industrial population. In return, it has been a valuable market for British goods, and a fertile ground for British capital—to the great benefit of both countries. Stable trading and investment relations are generally admitted to be an important factor in world peace. It is not in the interest of either Britain, Argentina or the larger Atlantic community that one of the most successful partnerships in economic history should be broken up. Britain is no longer one of those rich nations that can afford fits of uncalculated ill temper. The gain must be counted against the loss; and in this case there would be an enormous loss for a very questionable gain.

All this should be said, and said firmly. But, admittedly, it is at this point that the Americans tend to see the cloven hoof. Argentina is one of the tenderest spots in Anglo-American relations. To put the matter bluntly, each country finds it difficult to avoid suspecting the other's motives. In American eyes, the British influence in Argentina is suspected of being reactionary and anti-democratic, and British policy of being designed to exclude American trade, not by fair competition, but by bilateral discriminations. In British eyes, American policy in Argentina is suspected of being moved less by the desire to defeat Hitler than by the desire to extend the influence of Washington from the northern half of South America to Cape Horn—in short, by a doubtless beneficent but none the less real imperialism.

These British suspicions would no doubt, and no doubt correctly, be resented and disproved in Washington. But it is no less important that the American suspicions, some outspoken and some implied, should be brought into the open and dispelled. It may be that the social contacts of the British colony in Buenos Aires have been too exclusively with the landed and conservative interests—if so, it is British trade that has probably suffered most. There is certainly no ground for suspecting any British intervention in Argentine politics, and the conservative General Farrell is assuredly no lover of Britain.

The more serious charge is that British policy forces Argentina to discriminate against American goods; it is chiefly based on the Runciman-Roca Agreement of 1933. But the circumstances of that Agreement should be remembered. It was made at the bottom of the Great Depression, in the same year that the dollar was arbitrarily devalued and that Mr Roosevelt broke the World Economic Conference. It is to be hoped that such circumstances will not recur and that such strong-arm methods will not again be necessary. But it would be the height of illusion to ignore manifest facts such as that Argentina is dependent on the British market, that Britain cannot buy without selling, and that Argentina, if it wishes to keep its markets, must play its part in making it possible for Britain to pay. The more valid criticism of the Runciman-Roca Agreement is not that it took such steps as were necessary in those desperate times to underline this simple

logic, but that it put Britain's bargaining position to unprogressive ends—for example, to the limiting of road competition with British-owned railways and to the pushing of goods without much regard to their competitive merits. It is right that the plain argument of the facts should be brought home—although, let us hope, by gentler methods; it is wrong that it should be used for the protection of inefficiency.

In any case, if the charge is discrimination, let it lie against both sides. The President of the American Import-Export Bank has explained the terms on which loans are made to South American countries in these words:

When technical assistance is required, it is a normal condition of our credits that the borrower shall first make satisfactory arrangements for the employment of American engineers or other technicians qualified to see that the work is properly carried out. Our credits also provide that all machinery and materials not available in the country of the borrower shall be purchased or leased in the United States, and that such machinery and materials shall be transported in American ships.

When Britain makes pounds available by the purchase of goods and claims a voice in the spending of those pounds, that is bilateralism and discrimination. When the United States makes dollars available by giving credits and claims a voice in the spending of those dollars, that is legitimate.

This is the heart of the matter. The British are no enemies to the Pan-American idea. On the contrary, they were midwives to the Monroe Doctrine and, until recent decades, its main material support. It is only to the exclusive perversions of the Pan-American ideal which sometimes emerge that the British—and incidentally the Argentines—object. Pan-America is, like the British Commonwealth of Nations, a co-operative association resting on consent. Within the Commonwealth, Canada resists the desire of other members to tighten the machinery of association, partly because it wishes to preserve untrammelled its special relation to the United States. Similarly, Argentina is not a complete adherent of Pan-America, partly because it wishes to preserve its special relationship with Europe and with Britain. (There is not, of course, any other parallel between the positions of Canada and Argentina.) Nobody in Great Britain would argue that the United States should be asked to put pressure on Canada in the interests of Commonwealth solidarity. Similarly, it would be unprofitable to expect Great Britain to join in compelling Argentina to take a different view of its Pan-American obligations.

Special security arrangements and regionalisms of all kinds exist, in a democratic world, only if they are voluntary. Of their nature, they cannot be exclusive and will tend to be untidy. It would be a tragedy if the "untidiness" of Argentina were to inhibit cordial Anglo-American relations, or of joint attempts to tidy up the situation were to result in Argentina's violent self-exclusion from the general community of Atlantic states or to delay its return to a democratic and liberal form of government.

100 YEARS AGO



On August 1st 1844

EQUITY & LAW
LIFE ASSURANCE SOCIETY

was founded in
LINCOLN'S INN FIELDS
now temporarily transferred to
163/4. STRAND, LONDON, W.C.2.

The Health Controversy

THE Government's appeal for a full public discussion of its proposals for a National Health Service has produced gratifying results. Not all of the six months' discussion has been relevant. The acute personal interest which everyone has in matters of health has stimulated the expression of views on much wider issues than those raised in the White Paper. Health policy has been the starting-point for numerous rambles in political theory.

But the discussions have already done positive good. They have established beyond all doubt that the principle of a national health service will have the support of all political parties. It is clear, too, now that the dust raised by a reactionary and rough-riding section of the medical profession has settled, that the objectives at any rate of a National Health Service are approved by the doctors; this, side by side with a multitude of objections in detail to the Government's actual proposals, has been ascertained by the inquiry of the British Medical Association into doctors' views. From the welter of opinion and comment it is now possible to pin-point the main items of dispute.

Many interests are involved in the present jerry-built structure of the nation's health services. They arise from a division of responsibility among numerous organisations—the medical profession, the voluntary hospitals, the local authorities and Whitehall. But the interests of all but the consumer of medical care and attention (that is, the ordinary citizen) are ancillary. The aim of the White Paper is clear—to establish a National Health Service which will provide for everyone all the medical advice, treatment and care they may require. Many critics have overlooked this primary aim. They have imagined that the White Paper is designed either to reform the medical profession or to make the first sallies in the tremendous task of recasting local government.

The chief critics of the Government's scheme have been found in the ranks of the doctors. They are not opposed to the aims of the White Paper—only to some of the means; and it is essential that their arguments should be carefully weighed, since the full co-operation of the medical profession is indispensable to the success of the scheme. The public's attention to these arguments has been distracted by the persistent sniping attacks of those who see in the White Paper the work of political extremists and a challenge to their vested interests. Provided that the doctors confine their criticism to "the question of how and in what form" (for, as Mr Willink has said, "there is no question of whether"), the public would be advised to give it as much attention as they would to advice at the bed-side.

A leading article in the *British Medical Journal* (July 8th) puts the doctors' fear in this way:

At the risk of distorting the position by summarising it briefly, we would say this fear is for the loss of professional freedom and the recasting of the medical services according to political dictate.

Is this fear justified? The doctor's conception of freedom is composite. In public discussion he has, so far, been preoccupied with three aspects of it—the scientific, professional and administrative. Very little has been said, apart from vague generalities, about the doctors' future economic position. But this is a matter of real, perhaps dominant, importance; the uneasiness of the general practitioner is due very largely to doubts about his future earnings and status.

This is not to suggest that the doctor is activated solely or primarily by motives of self-interest. No profession is richer in examples of selfless devotion to the cause of social welfare. But the doctor is human. It is true that under the present system his freedom is largely illusory. Nominally his own master, he is nevertheless, even in his hard-earned leisure, at the command of anyone who has

twopence for a telephone call. It is claimed that he is free to buy a practice of the kind and in the place that he chooses: but the heavy initial expenses of establishment set definite limits to this freedom. From the first, in probably an appreciable majority of cases, he is over-worked because, through indebtedness, he is driven to increase "turnover" of patients to a figure with which he must find it hard to cope efficiently. His hours are, generally, long and irregular. He must always provide his own old age pension. Moreover, as Professor Mackintosh has pointed out,

the general practitioner may be the servant of a number of different authorities, with varying responsibilities to each. He may receive instructions from a local authority, an insurance committee, the Ministry of Health and other voluntary or statutory bodies, according to the nature of his appointments.

That is the extent of the doctor's present freedom; and it is certain that the White Paper proposals could greatly improve his working conditions. But would they bring him in sufficient money to enable him to live at the necessary and accustomed standard? This is at the bottom of his anxiety about future status. G.P. or consultant, he wants to know, very reasonably, what he will be paid. Until he knows this, he cannot tell whether conditions in the National Service will really be better than his present somewhat unreal and very onerous freedom.

There is, however, another reason for the doctor's uneasiness about his status. He fears that employment under a salaried State service would be accompanied by loss of prestige. It is a regrettable fact that salaried public service does not, in this country, always command the respect or reward that it deserves. The doctor's status, like that of most professional men, is partly real and partly fictitious. The real element is the public's respect for his skill and humanitarian labours: the fictitious element is the conventional halo with which the public seems to invest all who are paid by fee. In the future the doctor's prestige will reflect the degree of success attained by the new Health Services.

But, on balance, a clear statement by the Government of the probable scale of salaries under the White Paper scheme would do more than anything else to allay the fears of the medical profession. There is an element of unreality about a controversy which is confined solely to matters of high principle and ideals. It would be diplomatic to discuss brass tacks for a while.

The doctors' second cause for alarm (according to the *British Medical Journal*) is that the health services will be recast "according to political dictate." The phrase covers a multitude of complaints—that the doctors will be subjected to control by local authorities; that they will be caught up in the trammels of officialdom, and will suffer unwarranted interference in scientific and professional matters. Some of these fears are groundless, and there will be little sympathy for the doctors if they protest too vehemently: but, as the PEP broadsheet, "Medical Care for Citizens," has indicated, the doctors' suspicions are not without substance:

Inflexible and pettifogging lay control of doctors, out-of-date methods of appointing and promoting hospital medical staffs, narrow-mindedness and lack of imagination are still far too prevalent among local health authorities. The doctors practising in municipal hospitals are still usually denied the full measure of freedom in their professional work which is the rule in voluntary hospitals, chiefly because local authorities like one man—in this case the medical superintendent—to be clearly responsible for all that happens in one of their institutions, whether hospitals, workhouses or schools. Local authorities still commonly expect their doctors to seek their

Council's permission before publishing papers even of a purely medical character, and they do not often invite expert technical advice from practising doctors.

The airing of such grievances, which are legitimate, should quicken the demand for a radical overhaul of the machinery of local government. But the new medical service cannot be held up until such reform is instituted, and in the meantime, some compromise, some "make do and mend," is inevitable. It does not follow that the precise compromise suggested in the White Paper—that is, administration by Joint Boards formed from local authorities and advised by Local Health Service Councils—will be acceptable. The doctors reject by an enormous majority the principle of local authority control; and it has also been suggested in *The Economist* that, for financial reasons quite unconnected with medical matters, it may be necessary to relieve the local authorities of the burden they now carry in respect of health services. For these two reasons, the scheme will inevitably have to be revised in the direction of more national control and less local authority control. A completely national solution is the ideal. But opposition from the local authority is likely to be as effective in blocking it as opposition from the doctors would be in blocking a completely local scheme. If action is to be taken quickly, it can only be by some form of compromise.

The doctors hold that medicine should be free from politics, but it is obvious that unless the state intends to abrogate all responsibility for the nation's health, politics—in the broad sense of the word—must enter into medicine. At present social justice in the field of health does not exist. The new medical service is a natural corollary of progressive action in the fields of housing, education and insurance. As such it is very obviously a political issue. When the *British Medical Journal* confesses that the profession as a whole feels apprehensive about any project that has the blessing of a particular political party; when it says that the change of heart at the Ministry of Health is a serious prognosis "if the change is an enlarge-

ment to the left"—then it is entering the political lists with a vengeance. If the doctors want to concentrate on medical science they should be glad to be relieved of administrative burdens. But their proposals that members of the Central Advisory Council should be elected by the BMA instead of being appointed by the Minister "in consultation with the profession," and that the powers of the regional joint boards should be advisory and not executive, might mean that health services would be controlled from Tavistock House rather than from Whitehall.

But when the doctors stress the fact that "housing, nutrition and satisfactory employment on a living wage with special safeguards against economic disaster" have more to do with public health than the framing of new medical services, they are right; they are admitting that the health services are matters of social policy which concern the layman as deeply as the medical profession. The White Paper offers the doctors full opportunity to co-operate in the provision of a national health service. In their professional and advisory capacities they remain the king-pins of the service. But the consumer's supremacy "in all business arrangements" is a democratic principle that cannot be challenged.

It is natural enough that a profession that has suffered in the past from "inflexible and pettifogging lay control" should view an extension of state control with some alarm. But the health services are not the only sufferers in this respect. Their administrative defects are repeated in every department of social organisation. They are the growing pains of true democracy. The answer is not to be found in a departure from the democratic principle in favour of some form of syndicalist or technocratic government, but in fuller co-operation and the rational integration of existing services. The problem is to provide equal access for all regardless of means to the country's resources of medical skill and equipment. It is essential that this skill should be properly rewarded and properly used in its new national duties. But this is only part of the solution, and the crucial necessity is to see that the problem itself is not lost sight of.

Land Reform in Poland

TWENTY-FOUR years ago, in the summer of 1920, when the Red Army was advancing on Warsaw, a provisional Polish Soviet Government was set up at Bialystok, with Felix Dzerzhynski and Karl Radek at its head. In Warsaw a Government of National Unity was formed, headed by the leader of the Peasant Party, Witos, and by the Socialist leader Daszynski.

The fate of the newly born Polish Republic was at stake. Both claimants realised that the antagonism between the semi-feudal landlords and the mass of landless peasants and smallholders was the central issue in Poland's social and political life. Both sued for the support of the peasantry. From Bialystok, Dzerzhynski and Radek issued a manifesto in which they announced the expropriation of the Polish landlords; but, at the same time, they appealed to the peasants not to touch the landlords' property and land and not to share them out among themselves; they announced that the large estates would be transferred to state ownership and managed as socialised property.

In Warsaw the Prime Minister, Witos, made a solemn promise to the peasants that, immediately after the conclusion of the Polish-Soviet war, the large estates would be split up and distributed among smallholders. At the most critical stage of the war, both sides were anxious to appear as the friends of the peasantry. But while the provisional Communist Government spoke with the language of collectivism which was incomprehensible to the mass of smallholders in the countryside, the leader of the Polish Peasant Party appealed to peasant individualism. Of the two the individualist appeal was the more effective. The overwhelming majority of the Polish peasantry rallied to the defence of Poland's parliamentary democracy. The Polish Committee of National Liberation which

has now been established under Soviet auspices at Chelm has not repeated the collectivist appeal made by the would-be Soviet Government of 1920. Its first step has been to initiate a radical land reform under which large estates over 50 or in some provinces 100 hectares (125 and 250 acres, respectively) are to be distributed to holders of less than five hectares of land. A few days after the Committee's proclamation, the Vice-Premier and acting Prime Minister of the Polish Government in London, M. Kwapinski, stated in a broadcast to Poland that the Polish Government here had prepared an identical scheme.

The significance of these appeals to the Polish peasantry will best be understood in the light of the history of land reform in Poland in the inter-war years. The promise of a radical reform made in the middle of the Polish Soviet war in 1920 was only very partially kept. The opposition of the great landowning interests in the Polish Diet proved a formidable obstacle in the early twenties.

Two basic Acts on Land Reform were passed, one in 1921 and the other in 1925. The former provided for the distribution among the peasants of estates of more than 100 hectares. The latter raised the maximum to 300 hectares. Both Acts provided for relatively high compensation to the landowners. Because of this the reform failed to achieve its main objective. It could not satisfy the "hunger for land" of the landless peasants and smallholders who were unable to pay for it. The main beneficiaries of the reform were well-to-do peasants.

Between 1920 and 1925 the peasant movement became utterly split over this issue. Three peasant parties fought each other with the utmost bitterness: the Conservative Piast Party (named after Poland's first peasant dynasty); the left Party of Liberation; and the radical Peasant

Party. Later on a strong extreme Left peasant party emerged called the Independent Peasant Party.

The disappointment of the countryside with the slow tempo and the wrong application of the land reforms was perhaps the chief cause of the early disintegration of parliamentary democracy in Poland. The multitude of peasant parties in the Diet allowed no Government to count on a stable parliamentary majority. For a time the peasants blamed parliamentary rule itself for the failure of the land reforms.

When Pilsudski staged his anti-parliamentary *coup d'état* in 1926 he was supported by the most influential and radical peasant party of the time—the Party of Liberation. Though Pilsudski did not commit himself to any specific promises about land, his thunderings against the “moral corruption” of the parliamentary government undoubtedly led the peasants to expect that he would speed up the reform. But shortly after he had gained power, Pilsudski concluded his famous Nieswicz Agreement with the landed aristocracy, with the result that, in the years of his dictatorship, the pace of land reform became even slower than before. The great landlords were heavily subsidised and protected by the state. In 1930 the various peasant movements reunited into a single peasant party, the party that is now headed by M. Mikolajczyk.

In the course of nearly two decades the total area transferred to small and medium size holdings was 2,500,000 hectares; that is, not much less than a quarter of the area that poor peasants in the whole of Poland would now receive under the schemes announced by both the Polish Committee of National Liberation and the Polish Government in London. The large estates in Eastern and Central Poland could not even claim for themselves the economic merits which large estates can elsewhere. Except in Western Poland, their agricultural technique is usually almost as primitive as the technique of the small peasant economy. This can

be seen from a comparison of the yields per hectare of the main cereals in the Polish grain-producing rural economy. The differences between average yields and the yields on holdings below 50 hectares were almost negligible.

YIELDS PER HECTARE IN 1937 IN QUINTALS

	Average	Holdings of less than 50 Hectares
Wheat	11.4	11.1
Rye	9.9	9.6
Barley	11.1	10.4
Oats	10.2	9.9
Potatoes	135	132
Sugar Beet	221	199

In the course of a quarter of a century the yield per hectare remained on the whole stationary and the area cultivated increased only very little. The important exception was Western Poland. There the large estate was a factor of technical progress in agriculture, and there, too, the peasants’ “hunger for land” was at any rate not acute, since there were only few tiny and independent holdings in those parts of Poland. Significantly, the scheme of reform proclaimed by the Polish Committee of Liberation puts the maximum size of a landed estate in those provinces at 100 hectares, instead of the 50 hectares set for the rest of Poland.

Though both the Polish Government in London and the Polish National Committee have now formally committed themselves to almost the same land policy, there can be no doubt that the Committee has gained an important start, apart from other, chiefly military, advantages it enjoys. No doubt the mass of Polish peasants would feel that their acquisitions would be more secure if they were obtained in a legally irrefragable way—that is through the authority of the legitimate Polish Government. But, on the other hand, there is a difference between the promise of a reform to be carried out in the future and an actual reform which is to be carried out without delay in liberated areas. The experience of the inter-war years has made the Polish peasantry suspicious of general promises and benevolent assurances.

The present situation in Poland is to some extent reminiscent of the position in Russia in 1917. In Russia, too, it was the democratic peasant party of the Social Revolutionaries that conceived schemes for the distribution of large estates among the peasants, while the Bolshevik Party propagated a collectivist system of farming. But, in 1917, the Social Revolutionaries were unable to carry out their own schemes, and the Bolsheviks stole their thunder and distributed the land among the peasants. Chernov, the author of the programme for distributing land, went into exile, while Lenin executed his ideas.

In the various stages of Polish history, social and the national issues have tragically clashed. Most of the progressive reforms in Poland, because of the weakness of Poland’s own progressive forces, were carried out by foreign invaders. Napoleon, Austrian Emperors, Prussian Kings, and Russian Tsars abolished chattel slavery and serfdom in various parts of Poland, while the Polish nobility, always late with internal reforms, fought heroically for their country’s independence. It was Poland’s tragedy that, in those struggles for independence, the peasantry remained either apathetic or hostile to the patriotic leaders. The great Polish insurrection of 1863 and 1864 was decisively defeated when in 1864 Alexander II decided to extend the Act of Emancipation to the Polish peasantry. The freed Polish peasants then delivered the fighters for Poland into the hands of their Russian benefactors.

Is Marshal Stalin, perhaps following in the footsteps of his Imperial predecessor? It would be a mistake to overlook the fact that the Polish peasantry is now incomparably more conscious—politically and nationally—than it was eighty years ago when it had just been emancipated from serfdom. Its hunger for land is certainly genuine; but so probably is its thirst for political freedom and national independence.

NOTES OF THE WEEK

Turkey Breaks with Germany

The Turkish decision to break off political and economic relations with Germany, announced by Mr Churchill to Parliament on Wednesday, will not at this stage have very much direct effect on the war. The area of operations has moved away from the Aegean and, in any case, the Turkish break is “not a decision for war.” For some time past, the Germans have been able to get only a trickle of supplies across the disrupted Balkan railways and the mined waters of the Black Sea. The trade break will be only a trifling embarrassment. The Turkish decision will have important consequences only if it helps to spur on Germany’s Balkan satellites to an attempt to get out of the war. Then, indeed, Turkey’s action might be the signal for a quick political and military collapse of Germany’s Balkan power. Another possibility would be a German or Bulgarian attack. Yet this is unlikely in view of Bulgaria’s record and Germany’s weakness. The question remains why, when their refusal to break with Germany was so determined in the early part of this year, the Turks have so quickly passed to a radical and opposite decision. The answer lies partly with the pressure of external events—the vast Russian advances, the Second Front, the first signs of internal disintegration in Germany. All these point to the Nazis’ imminent defeat. And these portents have in their turn worked a revolution in Turkey’s internal affairs. Until June, M. Menemenjoglu had powerful support in the Cabinet and the High Command for a policy of caution and wait-and-see. The anxiety of the President to take a more active Allied line was overridden. Events have forced M. Menemenjoglu from office, and with him went the last resistance to open support to the United Nations.

President Ryti Resigns

It was President Ryti who, late in June, pledged the Germans that Finland would make no separate peace with Russia without German consent. Thus, so long as he remained President, it could be argued that, constitutionally, nothing could be done to alter the pledge. Now the first public reaction in Finland to the attempt on Hitler’s life and to the complete German military débâcle in the Baltic is the resignation of President Ryti, and Marshal Mannerheim’s acceptance of the office in his stead. It is significant that the Finnish Diet, which was not consulted over the deal with Germany, considered the new situation, and as a result of these deliberations called on the Marshal. In June he was numbered among those in favour of peace with Russia, and it was also widely believed that he would be acceptable to the Kremlin. Mr Linkomies’ Government will, it appears, resign, and his successor is likely to be drawn from the Socialist and trade union circles who have most violently criticised the Ryti pledge. Thus the way at last seems clear to separate negotiations between Russia and Finland. It is believed that on the Russian side the Soviet Government will still offer approximately the same terms as it did in March and June, although the indemnity may be heavier. The reports from Sweden of extensive German troop withdrawals from Finland suggest that one of the chief physical obstacles to a Finnish armistice may now be removed.

The People’s Representatives

The Speaker’s Conference on Electoral Reform, with its Conservative majority (in accordance with the composition of the House of Commons), has in effect passed a vote of censure on (mainly) the Conservative Party. This is the implication of the letter sent to Mr Churchill by the Conference last week. Two points are made:

1. It is to be deprecated “that a prospective or adopted Parliamentary candidate or a Member of Parliament should give any substantial donation or contribution to any charitable, social or sporting organisation in the constituency or to any charitable fund specifically benefiting the constituents.”
2. The Conference regards with disapproval “the direct or indirect payment or promise of payment of substantial contributions or annual subscriptions to party organisations

(including local party organisations) designed to influence the action of such organisations in selecting any particular individual as a Parliamentary candidate.”

The translation of these principles into practice would be revolutionary, and most beneficial. Inevitably in the British two-party system, electors vote not for men or measures, but in the main for parties and leaders: they vote for this possible Prime Minister and Government, and against that Prime Minister and Government. The quality of both candidates and Mps is almost wholly in the hands of party administrators—who, as things are, signally fail even to attempt to select the best men (and women) for the job.

Advice or Instructions?

In the case of the Conservative party, candidates for Parliament must usually be able to pay for their electoral organisation and their election expenses, as well as making donations to charities and local activities. It has been calculated that the qualifying payment to be a candidate may run from £1,500 a year to as much as £3,000. These proposals of the conference are only the expression of an opinion—unlike the recommendation that the legal maximum scale of candidates’ expenses (including all fees to agents) should be reduced to £450, plus 1d. per elector in boroughs and 1½d. per elector in counties. Unless the Conservative party chooses to find another source of finance, such as the collection of weekly pennies from supporters, these views will be ignored. If this happens, the next Parliaments will be no better in quality than their predecessors—for the Labour party’s preference for senior trade unionists in all their “safe” seats is as hostile to talent and energy as the Conservative money test. It is of the gravest importance that the Prime Minister, after having received this very striking recommendation from the spokesmen of Parliament itself, should ask whether these principles, too, can not be made, in part at least, a matter of law and legal enforcement. After all, these proposed limitations on interested spending simply reflect a healthy broadening of view, with time, about what is tantamount to bribery and what is not. And Mr Churchill is leader of the Conservative party.

Indian Meeting

It is a step forward that Mr Jinnah, with the approval of the Moslem League of which he is the leader, should have agreed to meet Mr Gandhi for discussions on the political future of India. Too much should not be expected from the meeting of these two most agile politicians; but at least the position should be made somewhat clearer. At present the chances of an agreement between the Congress and the Moslem League, the two chief Indian parties, are extremely obscure. With one breath, Mr Gandhi

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The Valencia almonds that went into the Black Magic truffle-and-nougat and montelimar — they’re in Valencia.

Brazil is no longer where the nuts come from. It’s where the nuts stay.

Venezuela no longer sends us its peculiar fruity cocoa beans. It sends us petrol.

We didn’t use petrol in Black Magic.

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ROWNTREES

INSURE WITH



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has seemed to accept Pakistan, or the separate and independent government of Moslem provinces; with another he has appeared to condemn it, as he always did in the past. Mr Jinnah, too, has given little guide to his real intentions. In a speech a week ago, though he had agreed to talk with Mr Gandhi (in mid-August), he severely criticised Mr Gandhi's latest "proposals." Nevertheless, there are hopeful signs in the uncertain scene. There can be little doubt that the two politicians have decided that they must meet and talk partly, at any rate, because they are afraid of their thunder being stolen. Events, both economic and political, were threatening to leave them behind.

The British Role

The Viceroy and British Government have wisely sponsored the starting of plans for economic reconstruction. They have the big industrialists, who really dominate the Congress party, with them on this line of policy. They are addressing themselves to India's most obvious and most pressing need. There is, moreover, a widespread desire among moderate Indian opinion—represented chiefly by Mr Rajagopalachari, whose triumph it will be to have brought Mr Gandhi and Mr Jinnah together at last—to undo the failure of two years ago, when the collapse of the Cripps Mission left all the Indian politicians on the wrong foot. All this seems to have caused both Mr Gandhi and Mr Jinnah to think again; and it was this sense of a new opportunity that caused Parliament in last week's debate to press for every help from the British authorities towards an agreement among the Indian leaders. The Government was no doubt right to say in reply that there is very little more that Ministers or the Viceroy can do, on the political side, until at least the germ of an Indian agreement is shown to exist. After all, the Cripps offer of progressive independence still stands. But it is also true that the pursuit of economic advancement without an advance towards political independence would almost certainly prove a false trail, essential though the former is. Mr Birla, of the Congress industrialists, has pointed this out. At least, it is necessary for the British authorities to make plain that they are placing no obstacles in the way of the widest possible discussions.

Post-War Wealth

The fifth Bulletin of the Tory Reform Committee, the authors of which are Sir Alfred Beit and Mr Hugh Molson, sets out to tread the delicate middle path between those who say that the country cannot afford schemes of social reform and those who say that it can afford the sun, the moon and the stars. This task the authors accomplish by the fashionable, and wholly correct, method of national income estimates. Their figures can be summarised in the following table, of which the first column is the official estimates for 1938, the second is *The Economist's* estimates for 1943 at 1938 prices, and the third is the authors' estimates of minimum expenditure in a post-war year, also at 1938 prices:

	1938 (£ million)	1943 (millions of 1938 pounds)	Post-war
Government expenditure ..	837	3,840	1,250
Private expenditure on consumption	4,138	3,270	4,100
Private net investment at home	305	—95	550
Public and private net investment abroad	—55	—485	150
National expenditure	5,225	6,530	6,050

The third column seems to be on the low side. The figure for government expenditure covers, of course, only government expenditure on goods and services, and therefore excludes transfer payments such as interest on the national debt or social services. Even so, an increase of £400 millions is small in view of all the commitments already accepted. The authors are certainly right in holding that it will be politically impossible to depress the rate of consumption below the pre-war level; possibly they are over-optimistic in thinking that it can be held at that level. The increase in domestic investment is certainly necessary, and since "net investment abroad" includes any steps taken to reduce war-indebtedness, as well as to replenish depleted reserves, the figure of £150 million is also not excessive. The question is whether the post-war national income will be large enough to provide any margin over this minimum expenditure of £6,050 million. The authors estimate that the post-war national income may be £11,000

million more than that of 1938. This would bring it to £6,225 million. The margin is small, particularly since the expenditure is under-estimated. But, even so, the figure suggested for income requires some optimistic assumptions. It is 19 per cent above the pre-war figure and only 5 per cent above the war-time peak. It assumes an increase in average individual productivity since 1938 of about 10 per cent, combined with a reduction of unemployment to 5 per cent of the insured population. The immediate prospect is thus certainly no rosier, and possibly less favourable, than the authors make out.

The pamphlet also gives some figures bearing upon the post-war Budget. The first approach to the expenditure side is as follows:—

	£ mn.
1938 expenditure	1,068
Inc. in cost of national debt	285
„ in war pensions	100
„ cost of fighting services	250
„ cost of education	102
„ cost of health	80
„ cost of social insurance	86
Total	1,971

These estimates are, again, possibly on the low side. Moreover, the total does not include any allowance for increases in other expenditure consequent upon the general increase in the price-level. On the revenue side, the authors say that "it seems unlikely that the Chancellor of the Exchequer will dispose of a revenue of more than £2,000 millions after the war," but since they do not state what change in the level of prices they envisage, it is not easy to check the figure. It is certain, however, that the post-war budgetary problem will be a severe headache to the country. It is not easy to strike the exact mean between irresponsible profligacy and defeatism in these matters. There will be some margin of resources; but it may well be that the margin is already more than fully mortgaged.

Accomplished Facts in Moscow

The Polish Prime Minister is making a last minute attempt to reach an agreement with Russia. He has gone to Moscow to negotiate with Marshal Stalin personally, and to tell him that the Polish Government accepts the Curzon line as a temporary boundary between Poland and Russia, with the proviso that the final drawing of the frontier should be postponed until after the war. On the territorial issue, Moscow has demanded from the Poles nothing more than this; and had the conflict been confined to this point only, agreement would have been an accomplished fact by now. But the field of controversy has disastrously widened. The Soviet Government has recognised the Polish Committee of National Liberation as the temporary administration in Poland. The question must be asked whether, under the circumstances, Marshal Stalin is still prepared to deal with M. Mikolajczyk, not merely as the leader of the Polish Peasant Party, but as the head of the legitimate Polish Government recognised by the other Allies. The Polish Government is ready to return to Warsaw as soon as possible and to reconstruct itself so as to include some members of the Committee. What the Committee is probably prepared to do is to include some members of the Polish Government, but to retain its position as the recognised authority in Poland. The conflict goes deeper than it might perhaps appear, because it now involves nothing less than Poland's sovereignty and independence. When M. Mikolajczyk arrived in Moscow on Monday last, he found the auguries there not at all promising. The Soviet press greeted him with polemical salvoes against his "Government of usurpers"; and on the same day the Soviet Government and the Polish Committee of Liberation exchanged diplomatic envoys. (The Committee's diplomatic envoy with the Soviet Government is M. Rzymowski, a prominent Pilsudskist publicist who, ten years ago, had the dubious merit of being first to demand concentration camps for the democratic opposition in Poland.) The accomplished facts seem to be piling up in Moscow into a formidable obstacle to reconciliation.

"Trotskyite" Ghost in the Epirus?

The conflict between the Greek Government of Papandreou and the Left Wing guerillas in Greece is not yet solved. The leaders of the EAM are still refusing to merge their

army, the ELAS, with the other partisan forces. They also refuse to join the Greek Government on the conditions laid down by the Lebanon Conference last May. It is interesting to note that a Russian military mission has now arrived in the Greek mountains. A report from Cairo says that its

most probable objective is to draw into line the recalcitrant communists who now rule the EAM detachments.

Whether this is really so cannot yet be ascertained, though it is known that M. Papandreou has had some support in the Middle East from Soviet representatives. "Recalcitrant Communism" used to be pretty strong in Greece some years ago. Its spokesmen, who labelled themselves curiously as "Archivo-Marxists," gave many headaches to the leaders of the Communist International in Moscow. Under the Metaxas regime the "Archivo-Marxists" were wiped out by police repression; and it seems somewhat doubtful whether the same movement has now been able to re-emerge and to sway the Greek guerillas. But it is quite possible that some such unorthodox Communist tendency may have established itself among the "men of the mountains" firmly enough to oppose the Lebanon Agreement and to reject any conciliation with the dynasty. If so, then the Russian military mission in Greece will be confronted with a task which may be as much political as military. The Mission has come to Greece with an increased moral and political prestige derived from the victories of Russian armies. This will probably strengthen its hands in laying the "Trotskyite" ghost in the Epirus.

The Maquis Again

The latest communiqué on the activities of the French Forces of the Interior issued from Supreme Allied Headquarters states that

The activities of the Maquis, who have provided a constant threat to the enemy's rear, are now forcing the Germans to employ considerable strength in repressive measures.

In the Vercors area, the Germans were compelled to use artillery, aircraft and paratroops in a fifty-six hour battle against the French guerillas. Heavy fighting continues in Central France and the steady offensive against all the German lines and methods of communication has been maintained. All this costs the Maquis a heavy price in lives and equipment, and the evidence reaching Algiers points to serious deficiencies in weapons and reserves. M. Grenier, the Commissar for Air, thrust the issue of supplies to the fore in a speech to the Assembly in which he called the under-equipment of the Maquis "a veritable crime against France" and laid the blame squarely on Allied Supreme Headquarters.

In vain have I attempted to obtain . . . an authorisation for French aircraft to operate against the Germans in support of French patriots attacked by German armoured cars. Today I publicly refuse to bear any responsibility in the matter.

This is a serious statement. If the Allies' air superiority rested on a very narrow margin, the decision to withhold aircraft might be justified. But their superiority is absolute and overwhelming. Guerilla fighting is, much more than regular fighting, a matter of morale. A few aircraft over the Maquis means far more than the same number circling the "official" battlefield. And their absence will rankle for long among the Allies' best friends in France as a betrayal in the hour of need.

Accidents Will Happen

The regrettable oversight of the Home Secretary's department in failing to lay the National Fire Service Regulations before Parliament has now been formally repaired. Mr Morrison followed up last week's expressions of regret and apology by placing the Indemnity Bill before the House of Commons on Tuesday. The Bill merely provided that the regulations should operate in the same way as if they had been through the proper procedure. This act of constitutional reparation is more, however, than a mere formality. Obviously, there was never any doubt that Parliament would do what the Cabinet wished. Nor does it seem likely that any real objection would have been raised against these Regulations if they had been duly produced at the right time. But, if Parliament is to retain effectively its power (and duty) to scrutinise administrative actions, in the interests of the community at large and of individuals in particular, the form of law is of great importance in these many unavoidable instances of executive law-making. The

question to be settled now is how best to avoid any recurrence of this oversight in other Government departments. It is conceivable that, in some circumstances, the harm done by such unconstitutional practice might be considerable. No Minister or civil servant should be in a position simply to depend on automatic indemnification because of his Government's majority, and so to slacken in his attention to the likely reaction of vigilant Members of Parliament. The requirements of modern administration, in peacetime as well as wartime, make it quite impracticable to bring more than a fraction of the Executive's decisions before Parliament for prior debate and acceptance. But if Regulations can pass permanently into force when they have not received at least the tacit and implied consent of Parliament, after Members have had a chance to see for themselves what is being done, the risk of arbitrary action and possible injustice is patent. In this case, there was not the slightest justified suspicion of any deliberate intention to deceive. But there must be adequate safeguards to protect the House and those it represents against less scrupulous, or less responsible behaviour. A Conservative amendment proposing that regulations of this nature shall cease to be valid if they are not laid before the House within three weeks, was forestalled by a promise from the Home Secretary that the Government would consider some new statutory provision to this end. It is in any case remarkable that, as one member observed, this is the first occasion for complaint in five years of war.

Bomb Damage Repairs

It is now three weeks since the Government announced its decision to concentrate the labour and material resources of the building industry on the repair of houses damaged by flying bombs. The whole of London's resources have been engaged; some thousands of building workers have been brought from the provinces, and contractors from other areas, complete with equipment, have moved in. In addition, numbers of marines, naval ratings and RAF men have been drafted to help in the work of emergency first-aid repairs. Latterly the labour force has been further augmented by carpenters and joiners, builders' handymen, slaters and tilers from industrial establishments outside the building industry, and district manpower boards are now carrying out a survey of all undertakings which might employ such workers, though the emergency medical service hospitals, the railways and water undertakings will not be depleted. The mobilisation of building resources on this scale necessarily raises many difficulties, but the Ministries concerned claim that the arrangements are working well. The appeals both for building volunteers and domestic workers to help accommodate and feed them have met with a good response. In view of the urgency of the work, the builders have agreed not to take their Bank Holiday, and will work throughout the week-end. On July 13th, Lord Portal expressed the hope that the repair work would keep pace with the damage inflicted, and that houses not seriously damaged would speedily be rendered habitable. The number of houses totally destroyed, according to the Prime Minister's statement on Wednesday, is 17,000, while about 800,000 houses (of which a quarter have not yet been made habitable) have been damaged. Since continued bombing, possibly with heavier explosives, may be expected, the work of repairing damaged houses will necessarily remain a high priority in building resources. In the meantime, the local authorities are using their powers to requisition empty houses for the homeless, and when the available accommodation is exhausted, they will resort to billeting. In any

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case, rest centres will not be used for more than a couple of days, and the Minister of Health is satisfied that they are being cleared as fast as possible; it is claimed that since the flying bombs started, the number of people in rest centres has never been as high as 50 per cent of the maximum during the 1940-1 blitz.

Strike a New Note

The flying bomb has added a new note to the cacophony of London's streets, and the proposed "imminent danger" signal of three two-second blasts on a klaxon will add yet another. In the absence of any official system Londoners have for some time been experimenting with a variety of warnings—visual and aural—and the results have been more than a little confused and confusing. Standard instruments are now being manufactured. Until they have been installed the most suitable instruments at present available will continue to give the signal to duck or take cover. The normal life and work of London has gone on remarkably in spite of these aerial hazards, which are very disturbing. The new warning within a warning, if it can be made to operate satisfactorily, will help Londoners to carry on in this way with somewhat less apprehension. The Government has decided that visible signals are not desirable. In spite of the Luftwaffe's worst efforts the Londoner's field of vision is still severely restricted. Moreover visible warnings would increase the risk of traffic accidents "caused by the diversion of drivers' attention from the road." There will still be very many people, however, who for good or ill will continue to make the visible or audible appearance of the flying bomb itself their call to evasive action. Mr Morrison paid deserved tribute to the officers responsible for operating the warning system (the familiar sirens, which are of course to continue to sound the general "alert" and "raiders passed") since the enemy's first secret weapon made its spectacular descent.

Help for the Tuberculous

An investigation carried out during the second half of 1942 by the National Association for the Prevention of Tuberculosis and the social medicine committee of the Medical Research Council found that, of 1,346 families containing a tuberculous patient, 69 per cent had an income sufficient to buy an adequate diet measured by the League of Nations standard. The remaining 31 per cent had incomes below the level needed. The League of Nations nutritional standard, however, is based on the diet regarded as adequate for healthy persons, whereas tuberculous persons require extra food and particularly extra expensive food, such as milk, eggs, butter and green vegetables. It does not follow, therefore, that even in the 69 per cent of comparatively well-off households the tuberculous member could receive the food needed, even if no allowance is made for wartime shortages. Those in the 31 per cent could have no chance of building up a healthy resistance to the disease. Since 1942, as the investigations point out, the financial position of tuberculous persons has been greatly improved by the special allowances which have now been in operation for over a year. These aim at encouraging a tuberculous patient to stop working and undertake treatment until he is cured, and they are fairly generous—there are children's allowances, maintenance allowances without any means test, discretionary allowances to meet standing charges, such as rent and rates, and special payments in individual cases needing extra help. But though in many cases the allowances relieve immediate financial anxiety and encourage the tuberculous to stop working, it is not certain that they can also enable them to buy the extra diet they need. It is not enough merely to maintain the former standard of living. In many cases, as the investigation shows, a higher standard of living is necessary. This might be achieved, not necessarily by increasing the financial allowances, but by arranging for tuberculous persons to have their extra milk—the main supplementary food needed—free or at a cheap rate, according to means, as is now arranged for expectant mothers and children. The investigations also call attention to the most patent defect of the new system of allowances, which has already been commented upon in *The Economist*. They only apply to patients with pulmonary tuberculosis who are considered to have a prospect of returning to work. Chronic cases, who ought to go on receiving regular treatment and care, are excluded from this special financial help. Thus, they may have to choose between living on public assistance, which certainly

will not improve their standard of living, or of finding employment, which by definition they are not fitted to do. And since many of these chronic cases have positive sputum, there is a danger that they may spread the disease among their fellow workers. This attitude on the part of the Ministry of Health is not only inhuman; it is also short-sighted.

Bank Fellowships

The Bank of England, on its 250th anniversary, has made a handsome gift to the nation. This birthday present in reverse takes the form of a trust fund for the promotion of economic research, and will be known as the Houblon-Norman Fund. The title will commemorate two of the Bank's most notable Governors—Sir John Houblon, the Governor of 1694, and Mr Montagu Norman, who retired recently after holding the office for twenty-four years. It is expected that the income from the fund of £100,000 will provide (handsomely) for three fellowships each year and for additional grants towards the expenses of existing economic research. The fellowships are intended

for the promotion of research into the working and function of financial and business institutions in Great Britain and elsewhere and the economic conditions affecting them.

Wisely, the Court of Directors have decided that the management of the fund shall be independent of the Bank, and Mr B. G. Catterns (the Deputy Governor), Lord Eustace Percy and Mr Samuel Courtauld will be its first trustees. They will be assisted by an expert committee consisting of Mr Henry Clay, Sir Hubert Henderson and Mr A. M. Carr-Saunders. This charitable gesture is, naturally enough, approved and welcomed by *The Economist*. Facilities for economic research are a necessary element in the long-term reconstruction of British finance and industry. Carefully administered and allotted, the fund cannot fail to prove money well spent. In establishing this fund the Bank is following the good example of other national corporations and business houses. Only recently the name of ICI has been added to the list headed by Nuffield, and education and research need many more such benefactors. It is fitting that the big profits of big business, where they exist, should be so employed. In the House of Lords, on Tuesday, Lord Barnby suggested that, since voluntary subscriptions had proved inadequate, the Government should impose a statutory levy on any industry which asked for research in its own sphere. It is reasonable that industry should be asked to share in the cost of a service which affects its welfare so vitally: but it would be impolitic to segregate industrial research units and their finances to serve narrowly the needs of particular interests. The poorer industries are those least able to afford the research facilities which they need so greatly.

Shorter Note

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940	1,494	1,980	3,474
Sept.-Dec., 1940	22,282	28,522	50,804
Total, 1941	20,863	21,839	42,702
Total, 1942	3,221	4,149	7,370
Total, 1943	2,357	3,462	5,819
1944—			
January	107	270	377
February	961	1,712	2,673
March	279	633	912
April	146	226	372
May	68	75	143
June	1,935	5,906	7,841
Totals to date	53,713	68,774	122,487

Those killed during air-raids in June included 716 men, 988 women, and 231 children under 16.

Fatal casualties from flying-bomb attacks up to the beginning of this week amounted to 4,735.

By comparison, road deaths during the month of May totalled 632, compared with 401 in May, 1943. In addition, 11,512 people were injured (3,222 seriously), compared with 8,972 in May, 1943.

AMERICAN SURVEY

Midwestern Steel Town

(From a Correspondent in Indiana)

THE 36,000 steel workers of Gary, Indiana, are producing and partially or wholly processing more than 80 per cent as much steel as the whole of Japan. For several years the Gary steel mills have been producing more than their rated capacity, despite the findings of Brookings Institution some years ago that 85 per cent of steel capacity might be regarded as a maximum for production.

There is no intimation that this ability to produce can be continued indefinitely. Indeed, there can be little doubt that this is a forced rate and that eventually payment must be rendered in the form of extensive repairs. Inasmuch as all steel companies appear to be setting aside large depletion reserves, repair jobs for thousands of workers can be foreseen when industrial reconversion sets in. However, there seems to be no question of the ability to carry on as long as needed at the present rate. In steel, as elsewhere, the war has set new base marks.

Gary's steel production to-day is estimated to be about 75 per cent greater than during the first World War. However, double the number of employees are required, while incomes have mounted to over three times what they were 25 years ago.

To get the proper perspective on Gary it should be recalled that the city was founded by the United States Steel Corporation in 1906 in the sandy swamp land at the foot of Lake Michigan, and that when the first World War started in 1914 the steel mills were only beginning to hit their stride. Unions were unthought of and the hours swung from 10 to 14 in alternate periods of two weeks; it was only later that the Corporation led the steel industry to the 8-hour day.

To-day all the mills are completely organised by the CIO. The basic wage rate is \$31.20 for a 40-hour week, although the average work week now is 50½ hours. The extra 10½ hours at time-and-a-half brings in \$12.28 more, or \$43.48 for the average week. This is average pay and thousands get more.

This large increase in income has had the results that could have been expected. Savings funds show astonishing growth, but equally astonishing is evidence of foolish spending. All the stores and taverns have felt the impact of a new demand. Particularly is this true of the better women's stores. The sale of cheap things has fallen off, while the demand for high priced apparel can hardly be met. Dresses at \$100 to \$150 are snapped up almost before they can be priced. Indeed, shop assistants comment on the hesitation of old customers before paying present prices, while the new customers sweep everything before them. Jewellery stores are selling amazing quantities of costume jewellery.

Doubtless this impetuosity is more apparent than real. However, there is no question about the demand created by the new incomes. Business was never like this, not even in the silk shirt era of the last war. Much of it comes from people getting things they have long wanted but never before could afford. This kind of buying is represented by the negro woman who had worked hard at a comparatively low wage and yet had educated her two children. Their education completed and the children out on their own, the mother secured a war job that brought her an incredible sum. She used it all to buy sheets and blankets for her beds, household furnishings she had never possessed.

This story came out at a discussion of the need for saving some of this new war income for the day of unemployment which may be coming. "That's all right," said the negro business man who told the story, "but I don't blame that old lady for splurging as she did. Those sheets and blankets represent a new day in her life and a new standard of living."

Despite spending, a great savings fund is being built up. How large it is one can only guess, but the guess is based

on some facts. Gary pay-rolls, to 36,000 steel workers and some 7,000 others, representing a Gary area population of 175,000, reach close to \$100 million a year. Present savings of individuals, including war bonds, must be approaching \$50 million. There are 30,000 savings depositors in the Gary banks, almost all of them mill workers.

But the most fantastic phase of savings is the hoarding of cash in safety deposit boxes and in many unknown spots. It is estimated that millions are hoarded in Gary. This is not a local but a national phenomenon. Unprecedented deals for cash are told of. The sale of a building is arranged and the buyer pulls out a roll of bills, counts off 20 or 30 thousand dollars in full payment. Such deals are the exception, to be sure, but they occur with surprising frequency.

All kinds of curious reasons are given for hoarding. One of the most common is fear of the Government. The Government may tax their money or seize it or make it worthless. How or why, apparently, does not enter into the consideration. The money must be protected, so it is hidden. Here, undoubtedly, is one explanation for the unprecedented tripling of currency in circulation since 1939. There seems to be no doubt that several billions of paper dollars are hoarded to-day throughout the nation.

Five thousand Gary steel workers are women. Neatly dressed in slacks, they are noticeable everywhere. They have doubled the income of many families and have won a new status for themselves. But if their status has developed new stresses and strains in the community it will become evident only with their separation from pay-rolls as employment declines. Their number is still growing, inasmuch as women represent the only unemployment pool still available, as the male workers continue to flow to the Army.

Recently the steel workers' union opened its newly-acquired and renovated headquarters building with a three days' celebration. Invitations for its dinner were sent to Phil Murray and other national officers, to managers of the steel mills and many members of the Gary Chamber of Commerce. While the mingling of these diverse elements need not be too highly appraised for its future good, it is yet true that little of the old antagonism towards organised labour exists in the community. Certainly a dinner of the kind mentioned would have been unthought of a few years ago. Business men have learned that well-paid contented workers make a good community—and also good business.

The chief local criticism of unionism voiced by employers is the tendency of the union organisation to think in terms of the organisation rather than the good of the individual worker, but there is nothing new in that. However, this tendency does keep the worker-management committees from getting the results that are latent in them.

Management appears to regard these committees as a helpful adjunct to the production of steel, but thinks they would be much more beneficial if the employee members did not need to bother with instructions from the unions or union policies. A start has been made towards a relationship which contains high potential values, but those values can be developed only over a considerable time. Progress calls for a degree of real labour statesmanship.

One of labour's problems which has a distinct community bearing is the changing status of the negro. Though it is a national problem, its impact on Gary is probably stronger than on any northern community, for Gary has a higher percentage of negroes than any city in the north; 20 per cent of Gary's industrial workers are negroes. They belong to the unions, which ask equal recognition for them.

Following the Detroit riots, rumours were flying in Gary and the Chamber of Commerce named a racial committee to study the situation. Many meetings were held with negro groups, and a mutual understanding of joint problems was reached. Finally a number of representative negroes were invited to join the committee with the hope that an inter-racial body may grow out of its activities. The committee has sought to ameliorate recognised inequalities, but negroes themselves realise progress in some instances can be made only with disconcerting slowness. Nevertheless community forces are keenly alive to this problem.

One block to improvement is the large group of southern whites who came north with negroes. Another is some new economic antagonism between negroes and foreign-born elements resulting from the movement of the former into the neighbourhoods of the latter. This antagonism has shown up particularly in one mixed school (Gary has every possible kind of mixed and segregated schools) over the use of a swimming pool. Apparently there is little, if any, feeling between the children in the school, but a lot on the part of white parents who are getting negro neighbours. When a Negro buys a house in a white neighbourhood, there is a feeling that values have been depreciated.

Another source of some community concern arises directly out of the war. Yugoslav supporters of Marshal Tito arranged for a speech by Louis Adamic in the largest auditorium in the city owned by the schools; that brought a demand from Yugoslav supporters of General Mihailovich that controversial problems should not be discussed in a school building, along with predictions of certain rioting. The school board hastily revoked the lease, but after due consideration permitted the meeting to be held. There was no trouble; and then the Mihailovich supporters held a similar meeting in the same building.

Gary has groups from all the nations of the world, one of the largest being Polish. They have shown great feeling over Russia's treatment of Poland, but no local difficulties have come out of such national problems. Indeed, the most surprising effect of the worldwide disturbance of the war is the failure of centripetal forces to separate Gary's many nationalities and create hatred between them.

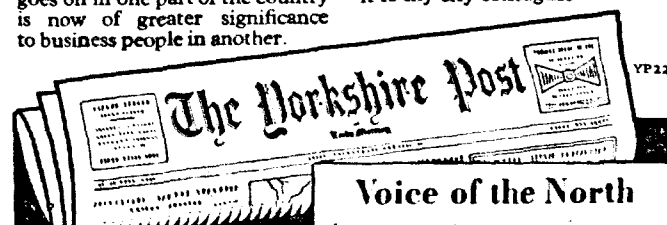


"Well, first of all because The Yorkshire Post gives me full reports of all local trade meetings, instead of merely summarised reports—and that's valuable to me. Although there's something more than that, really."

"I think the days are gone when we can just divide ourselves up into 'north' and 'south'. Modern communications have annihilated distance, and what goes on in one part of the country is now of greater significance to business people in another."

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American Notes

The New South

Southern voters continue to show remarkable discrimination in the primary elections. In Arkansas, Representative Fulbright, who made an international reputation in one term in the House of Representatives, has headed the poll in the Democratic primary for the Senate. Mrs. Hartie Carraway, the strongly-backed incumbent, and incidentally, the only woman member of the Senate, was badly beaten. There were four candidates in all, and as Mr. Fulbright did not win a clear majority of the votes cast there is to be a run-off election on August 8, but his chances are thought to be very bright. It will be a great asset to the Democrats to have so able a young man, who has made himself a leader of liberal internationalism, in the Senate to wrestle with the Old Guard of both parties. At the same time, one of the most picturesque and reactionary figures from a bygone age, Senator Ellison Smith, known universally as "Cotton Ed," has been defeated in the South Carolina primary by Governor Johnston. "Cotton Ed" was the embodiment of the narrowest kind of regionalism. He was a child of the grudges and prejudices of that unhappy time when the South seemed stricken by a pernicious anæmia, unable to rise above its economic distresses and its spiritual despondencies. A number of other illiberal Southern Congressmen have been sent back to private life by the primaries, and outstanding progressive characters like Senators Hill and Pepper have been triumphantly vindicated despite bitter opposition. The demonstrations against Mr. Roosevelt staged by part of Texas, Louisiana, and Mississippi and the drive against Mr. Henry Wallace are only part of the truth. The selectiveness of the primary voter points to an awakening political consciousness in the South. The tendency of many commentators to dismiss the South as merely the conservative wing of the Democratic party, as a constant brake on progress, does not fit all the facts. It must be admitted that in recent decades the quality of Southern representation in the two houses of Congress sadly declined and that a tradition of the most blatant demagoguery, of which Huey Long was the prize example, was established. The tide, however, has perceptibly turned. The South seems to be rallying against its own wilder elements, against those who sought power through mischief, the men who exploited the economic discontents and the race prejudices of the most ill-used section of the North American continent.

A Challenge to Youth

This is a revival that is of interest to the outside world as well as to the United States. The able young men beginning to make their mark in Southern politics are all distinguished by a devotion to the principles of collaboration for peace, and are greatly concerned with making the Rule of Law a reality. This is an attitude traditionally characteristic of the best of Southern thinking. The South has always had an international-mindedness of its own, which was shown not to have died out when in 1940 and 1941 so many young Southerners flooded into the Canadian Air Force that it was suggested it should be called the Royal Texas Air Force. In part this may conceivably be due, as the cynics emphasise, to the narrower opportunities open to young men of spirit in the South than in the West and East, but that was not all. It is to be devoutly hoped that an equally high order of courage will be forthcoming on Southern domestic issues. The war has brought a temporary prosperity—in many towns even a hectic prosperity—but it has superimposed new problems on old sores. Nearly 2 million people have moved into the South since 1940. The low standard of public health, of housing, and of education has not been lifted by the war; the sharecropper remains; race feeling has been sharpened rather than smoothed over; the discriminatory freight-rates, which handicap Southern industry, have not been abolished. The old problem of the absentee landlord, in regard to industry and commerce, is still unresolved. There has been a gloss over these old grievances during the war, with the young men in the forces, and work for all who would crowd into the factories from the farms and the hills. But what is to happen when the war factories fold up, the soldiers return, and state revenues fall? The die-hards who rejoice at the going of Mr. Wallace, and are determined to fight to the last ditch for the poll tax, anti-negro dis-

crimination, and states' rights will not provide the answer. The war has immensely speeded up the process of industrialisation in the South. It has provided an outlet for almost every crop, a job for every human being. It is of the greatest urgency that with the end of hostilities the South should be enabled to use both its new and its old resources, its human beings as well as its new synthetic rubber plants, if it is not to become a breeding-ground for despair and reaction. The emergence of young, able, and unembittered politicians in the South is a sign of hope.

Republican Purge

Representative Hamilton Fish, of the 26th Congressional District of New York State, which includes President Roosevelt's home at Hyde Park, started his campaign for re-election this week with the curse of both Governor Dewey and Mr. Willkie upon him. Governor Dewey's blast was occasioned by a sneering reference of Mr. Fish to the effect that the "Jews, unfortunately, were more or less for the Roosevelt Administration." The Republican candidate very properly proclaimed that the injection of a religious or racial issue into the campaign was a disgraceful, un-American act. Mr. Willkie, in a characteristically generous gesture, has gone even further. Enemies of Mr. Fish's candidacy have been buying space in newspapers to accuse him of being pro-Nazi. Mr. Willkie has offered his legal services to Mr. Maxwell Anderson, the playwright, should Mr. Fish sue him for his part in the advertisements, and called his attack "a public service." Mr. Fish is firmly connected in the public mind with the most bigoted forms of isolationism. There can be few Republicans of any standing who would not breathe easier with Representative Fish removed from the Congressional scene, and Mr. Dewey's statement has been widely applauded. However little Governor Dewey and Mr. Willkie have in common, they could hardly have failed to agree in regarding Mr. Fish as a liability to the party. It is not, of course, certain that even these big guns of the party will blast "Ham" Fish out of his concrete emplacements in Dutchess County. He has this week won the endorsement of his party in the primary election, though with a much reduced majority, which will encourage his Democratic opponent. Mr. Roosevelt once had a little difficulty over a purge of his own—admittedly on a larger scale—which suggested that local elections are seldom decided on national politics alone, and that high-powered adjurations to voters sometimes work the opposite of what is intended. Past attacks on Mr. Fish by national figures have been resented in his constituency, and have helped him to secure re-election. His constituents are no more isolationist than any other group of voters, but in the past twenty years they have found in Mr. Fish a friend and neighbour attentive to their local interests. It will be surprising if he is defeated, but the attempt to do so reflects credit on Governor Dewey and will hardly go unnoticed in New York City, with its large Jewish vote. Perhaps it will encourage the Presidential candidate to turn his attention to other equally undesirable personalities on the fringe of the party. There is no doubt that Mr. Willkie's support would be available for an extension of the Republican purge.

The Coal Deficit

There have been rumblings about an approaching coal shortage for some time. Mr. Ickes, the Solid Fuels Administrator, now puts the expected deficit for the coal year beginning April 1, 1944, at 21 million tons, made up of 16 million tons of bituminous and 5,000,000 of anthracite. Production of bituminous is expected to be about 610 million tons, against requirements for 626 million tons, and anthracite production about 60 million tons against a demand for 65 million tons. The estimate for bituminous is slightly above last year's production, and already the prospective soft coal deficit has been cut from 30 million tons at the beginning of the year to 16 million tons. The preponderance of the deficit, however, is in Southern Appalachian coal, which is essential to steel production and is favoured for residential heating in the eastern half of the United States. Stock-piles are said to be below minimum reserves, in part owing to the failure to apply consumer restrictions sufficiently early last year and to the loss of 40 million tons because of work stoppages, mainly the coal strikes of last year. The crux of the matter again is manpower. The soft coal industry has lost 50,000 men since January, 1943, and anthracite employment in the same period fell from 76,000 to 73,000. Approximately 62,000 miners have entered the Services since 1940; 20,000 of these were withdrawn last

year. Less than a quarter of the men aged 22-25 in the mines have been deferred as essential to coal production. There have also been substantial transfers to other industries; early this year the "outmigration" figure was as high as 5,000 a month. The men left in the mines are older; in 1942 the average age was 32, whereas to-day it is over 45, with obvious effects upon the superannuation and absenteeism rates. Absenteeism among older miners is reported to be as high as 80 per cent on Saturdays in some Kentucky mines. It is, consequently, a tribute to the efficiency and patriotism of the miner, or the efficiency of management, that bituminous coal produced last year reached 1,500 tons per man, as against 1,270 per man in 1942. With expected production at about 670 million tons, requirements at 691 millions, and stockpiles of over 60 millions, the situation is hardly desperate, although the margin is narrow, and no interruption to coal production can be allowed. Domestic consumers already have been cut down somewhat—to nine-tenths or seven-eighths of their normal consumption, depending upon their location and the type of fuel they require. No real rationing is expected, but should an unexpectedly severe shortage of industrial fuel occur, it should be possible further to reduce these allotments without causing extensive hardship. Domestic uses account for about a quarter of the soft coal consumed, so that substantial savings might be obtained.

Geared to Rubber

The end of the rubber crisis has been underlined this week by the resignation of Mr. Bradley Dewey, the Rubber Director, who declared it was time to liquidate the special agency created two years ago to "bull through" the synthetic rubber programme. At that time the Baruch Committee insisted that

If we fail to secure quickly a large new rubber supply, our war effort and our domestic economy both will collapse. . . . The rubber situation thus gives rise to our most critical problem.

That problem has been solved. Early this month Mr. Dewey set the production of synthetic rubber for the second quarter of 1944 at 209,000 long tons, or at the rate of 836,000 long tons a year. During the first half of the year the figure was 376,000. The programme has been so successfully completed that some facilities have even been lent to provide extra quantities of high octane petrol required for the invasion. Unfortunately the transfer of the functions of the Rubber agency to the War Production Board does not mean an unlimited supply of tyres. The goal for passenger tyres, which is 22 million this year, probably will be met, but this is hardly plenty in view of the state to which the public's tyres have been reduced in the last two years. The serious shortage, however, is in heavy duty truck and bus, airplane and tractor tyres, for which female labour is not suited. The bottleneck here is one of manpower in the manufacturing plants; and in a report issued on July 25th by the Rubber Director's Office a somewhat acid reference is made to the fact that less than 6,000 additional workers—only half needing to be "strong husky men"—stand between the present shortage of essential civilian tyres and the ability to meet all real needs. The reader is pointedly reminded that, by Presidential directive, the responsibility lies with the War Manpower Commission.

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THE WORLD OVERSEAS

Secondary Industries in West Africa

(From Our Accra Correspondent)

Accra, July 1st

THE four West African colonies are dependent for the purchase of imports on the export of a few crops. They are economically backward and by themselves, without a long-term policy of assistance and preferential treatment from outside they cannot hope to be more than a source of supply for cocoa and the fats for making soap, margarine and so on for the wealthier communities of the world.

The fortunes of cocoa, on which the Gold Coast export market is almost entirely, and Nigeria partially, dependent, have emphasised in the inter-war years the economic and social instability of dependence on one or two export crops. The gradual political awakening and natural desire in the African people for a measure of economic independence has, particularly since the Nowell Commission's report on cocoa in 1937, come into alignment with the view of the colonial governments that a balanced economy is worth striving for on fiscal and political grounds—and with the view of the large commercial firms trading on "The Coast" that West Africa yields a larger profit margin as a market than as a source of supplies for Europe and America.

Hence, perhaps for the first time, African opinion, the Government and big business are all agreed on a major point of economic policy—the need to increase purchasing power in West Africa. One of the means to this end is again agreed in principle—the establishment of secondary industries.

It is perhaps unfortunate that the realisation of this mutual agreement has coincided with the growth of ephemeral industries during wartime. Shipping has been rationed and the volume of imports drastically limited. With a shortage of consumer and capital goods there has, at the same time, been a great increase in demand, owing to the presence of troops in large numbers. Small firms and village groups making soap, perfumes, preparing fruit juices, marketing garden vegetables, and reconditioning machines have sprung up. Some are efficient firms, many are not. All have benefited from the protected market which war conditions have brought, but many are destined to become uneconomic as soon as normal conditions return.

The Conditions of Progress

It will therefore be against a background of disillusionment, and perhaps even of distrust in certain areas, that West Africa's industrial development must take place. While it is true that small industries can only be developed if there are the raw materials and a policy which takes location into careful consideration the claims of these factors and of the nearness of markets, this is not the whole of the problem. There has to be considered the African himself; the capital outlay involved in tropical industrial development; and the implications of policy in Britain after the war.

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African labour is not cheap. The wage rate for an unskilled labourer in an urban area of the Gold Coast is 1s. 10d. per day (1s. 6d. plus 4d. cost of living bonus). Skilled workers, such as masons, carpenters and blacksmiths in the same areas, will earn from 4s. 6d. to 6s. per day. Although wages, particularly for unskilled workers, are low the labour costs of production are high, by reason of the low productivity per head. From what limited statistics are available, it would appear that this could be offset by the use of machinery only in the long period. In the unskilled category labour is mobile, but takes a long time to learn even an unskilled repetitive job.

Stamina of body and concentration of mind are both weakened by bad diet, low real wages and prevalence of disease among workers. Labourers work hard only under supervision, and initiative is uncommon. The effect of all this is to raise labour costs above the corresponding costs in Europe. For this reason, costs in small local industries will probably be high at the start and firms will rely for their market on local patriotism, novelty and on improved simple marketing methods in many cases organised on co-operative lines. Costs will fall as the unskilled labour becomes accustomed to the job over a period of anything up to four years (given adequate supervision by Europeans). In larger industries where machinery can be introduced, costs may fall fairly quickly (again under European supervision) to a level which is economic for the local market, thanks to the shipping costs from Britain and South Africa. It should be one of the points of post-war development policy to conduct experiments into the effect of the introduction of machinery on costs and the effect it may have on the degree of European supervision necessary to establish industries capable of competing at home and abroad. Generalisations based on experience in East and South Africa should not be taken unreservedly without a careful scrutiny of local conditions.

The establishment of an industrial unit on "The Coast," especially if it has to be near its raw materials (such as with bricks, tiles and other branches of the heavy clay industry which has possibilities in these colonies) involves much more than setting up plant. Roads may have to be built, swamps drained, water piped for miles. Road maintenance alone is a costly item. Even a modest programme of industrial development is therefore to be undertaken only as a long-term policy. It is not a question of thousands of pounds, but of millions.

The absence as yet of any considerable African managerial class in West Africa and lack of foreknowledge of the vagaries of African capital investment make it appear likely that development will be started by European or Government capital and supervision. In this way, in time, local business men can be taught the importance of maintained standards of quality, business efficiency and a brand of commercial ethics somewhat removed from the traditional "ethic" of "The Coast," which dies hard among the Africans. But unless machinery is quickly created which can foster the coming-of-age of the African entrepreneur, the cry will inevitably go up that our colonial "trusteeship" aims still at keeping the African as a hewer of wood and a drawer of water.

Colonial Policy

In view of all these problems it would appear that industrialisation will come first in those branches where there is only little competition with imported articles. Costs are likely to be much too high in the early stages of development for local enterprise to compete with the highly specialised industries of Europe and America. But if this is so, then there is great urgency to develop this narrower field quickly. A beginning has been made in the Gold Coast by the West African Institute with the production of bricks,

tiles and pottery, and the Governments of the four colonies are said to be interested in applying the lessons learned there in the light and heavy clay industries to their own local conditions.

The expansion in the consumer goods market in the large towns on the coastal fringe, because of the presence of troops and the unskilled workmen attracted there by the labour requirements of Service contracts, has already passed the peak. But it has lasted long enough for the people in these towns to have become accustomed to boom conditions. They are the politically vocal section. They will judge a policy of industrial expansion and interpret the motives of those responsible according to two criteria: the employment given by the industries developed; and the openings made available in responsible positions for educated Africans.

Any programme of expansion which goes beyond fostering purely localised cottage industries and crafts will require financial aid (say, from the Colonial Development and Welfare Fund) as a long period economic and social investment. Where it may meet the competition of imported articles, especially in textiles, it will have to be fitted in with the post-war economic policy of the Empire as a whole. Such are some of the ramifications of "trusteeship."

Canadian Oil and US Policy

MR CRERAR, Canada's Minister of Mines and Resources, has informed the Canadian House of Commons that the United States Government has modified its original plans for the search for and development of oil resources in North-Western Canada. The Canol Project, completed in May after two years of construction, will be kept on; but the US Government has disinterested itself from the search for an additional 15,000 to 20,000 barrels of oil daily from deposits in Yukon and in the Canadian North-West Territories.

The Canol Project, which included the development of oilfields near Fort Norman, the construction of a pipe-line from the Norman Wells to Whitehorse, and the erection of a refinery at Whitehorse, is providing 3,000 barrels of crude oil per day, or, rather, their equivalent in refined products—for the Alaskan Highway services. This quantity, however, meets only a minor part of local requirements, and it was not unreasonable for the Canol Project to be supplemented by a wider plan designed to secure additional oil supplies from local sources amounting to five to seven times the capacity of the Canol installations.

There are two important reasons why the United States Government has dropped this supplementary scheme. First, the strategic position in the North Pacific has changed. There is no longer the menace of a Japanese invasion of the North West corner of the American mainland; and, the tanker shipping route from the United States to North-West Canada and Alaska has become much safer. Secondly, the cost of developing the oil resources of North-West Canada at this stage of the war is from every point of view—finance, manpower and materials—too high.

The discontinuance of the US plans does not mean that the undeveloped oil resources of North-West Canada are not worth attention. In fact, the Canadian Government has already prepared plans for the development, after the war, of the natural resources of the newly opened territories of North-West Canada in which the oil resources play a very prominent part.

Military v. Civilian Views

The American Government's withdrawal from the additional Canadian oil development plans, however, is of far greater than regional importance. This is the first indication that US military oil policy has suffered a reverse. The Canol Project was designed exclusively by the Service departments without consultation with the Government's civilian oil authorities and experts. As the investigation of the Truman Committee into the project at the turn of last year revealed, the United States Petroleum Administration for War and other interested US Government agencies heard of the initiation of the scheme only through outside gossip.

As late as last December, when the construction of Canol was approaching completion, the Petroleum Administrator for War, the chairman of the War Production Board and the Secretary for the Navy demanded its stoppage because

the value of the scheme would not be worth the additional cost. Even General Somervell, who had given the order for the execution of the scheme, testified before the Truman Committee late last year that he would not have given his order if he had foreseen the difficulties of the project and especially the time its completion would require.

On the basis of its Canol investigation the Truman Committee recommended in its report that, in future, all United States oil projects in foreign countries, including purely military ones, should be carried out after consultation with, and at the direction of the Petroleum Administrator for War, a civilian authority. The discontinuance of the additional US oil development scheme in north-west Canada appears to be the first practical result of this recommendation. The experience gained in connection with the Canol Project will probably ensure that economic and practical considerations will henceforth play a greater part in the development of US military oil projects and plans.

Books Received

Agrarian Problems from the Baltic to the Aegean. Discussion of a Peasant Programme. (London) Royal Institute of International Affairs. 96 pages. 3s. net.

Introduction to Income Tax. By E. D. Fryer. (London) Pitman. 92 pages. 4s. net.

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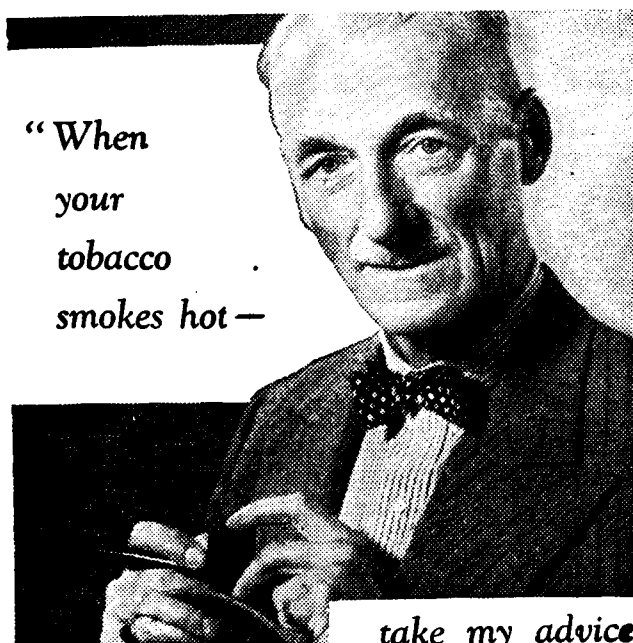
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Germany at War

Last Ditch

THE conspiracy of German generals and officers was officially ended a few hours after it began. No really convincing explanation has come from official Nazi sources. On the face of it, the crisis and the source of the plot were confined to military circles; but the results will affect the entire Nazi regime and its administration.

The totalitarian Nazi regime presents at the moment a paradoxical situation. The military situation is extremely fluid and dangerous. Economic resources and manufacturing capacities are hopelessly inferior. But the regime itself is striving to move an even greater concentration of all the resources and human energies of Germany and the occupied countries.

The conspiracy of the generals and officers was obviously ill-conceived and badly prepared. It was met with strong counter measures, which seemed to reveal the curious strength of a totalitarian administration, mainly based on the political *apathy* of the great masses of the people including the once all-powerful industrialists and financiers.

Faced by certain military defeat, prolonged destruction and unending sacrifices, the German people show no signs yet of being able (or willing) to take the road to rebellion. The mass of the soldiers go on fighting, in spite of the obvious crisis of the military machine.

Two facts are outstanding at the end of the fifth year of the war. Germany's economic and manpower resources have been stretched to their utmost limits. In the East, almost all the conquests have been lost. Italy has practically been out of the war for nearly twelve months. In the West, Allied armies are again on French soil. By all ordinary reckoning, the end is not only inevitable but near. Under these conditions the regime attempts yet again a "total mobilisation." Where are these later-than-last reserves to come from?

Unfortunately very little is known about ordinary life in Germany. The actual extent of agricultural and industrial activity can no longer be even guessed at—except that it has greatly declined. Total losses in human life during five years of war are a complete secret. Large towns are in ruins. The industrial population, including millions of foreign workers and prisoners of war, has become, perhaps, the most mobile population in the whole world.

As each new stage in the war forced the regime to exact a greater effort from the German people and from the people of the occupied countries, some new bureaucratic department grew up—and some parts of the population were withdrawn from work connected with the war effort. It has been apparent for some time that the growing bureaucracy, and the fact that people could withdraw with some ease from war work because of bombing, were the greatest sources of anxiety for the leading Nazis. If this process were to go on unchecked, it would have produced utter exhaustion. Political apathy would produce complete apathy in agricultural and industrial activity as well, which mean

an early defeat of the regime. This was the situation when the invasion began.

After the abortive conspiracy within the Wehrmacht, it can be said in retrospect, that the leading Nazis in a confused manner realised this danger and its opportunities. The danger was of complete apathy. The chance was to make use of these reserves accumulated by the swollen bureaucracy and by withdrawals from work for a new drive for total mobilisation.

The problem can be stated, from the Nazi point of view, in simple terms. Sufficient numbers of men must be found for the fighting fronts. These, fully or partly trained, can be found among the home establishments of the Wehrmacht. But the empty depots and training establishments must be filled up with new men. All this must be done, not in months, but in weeks. So the second or third "total mobilisation" begins.

The greatest single source of new manpower for the Wehrmacht and for war factories is the civil, the economic and the military administration, the number of civil servants in central, regional and local administrations, totalling several millions. In addition, those who have wandered away from work can, in part, be brought back to duty. A drastic comb-out of the bureaucracy announced by Dr Goebbels, and officially termed "the reduction of public services to the barest minimum," may yield appreciable numbers of soldiers and war workers. To do this is obviously to run a great risk. It will endanger, perhaps at once, but certainly in the long run, the complex system of public health services and the running of the rationing system, as well as local and regional administration. So far the totalitarian regime has been bound up with a large and privileged administration. The present total mobilisation will only achieve some measure of success if the numbers of bureaucrats are reduced and their privileges taken away.

The war material and equipment of the home establishments of the Army are now to be sent to the fronts. The ruthless depletion of depots and warehouses will yield results for a time. But the certainty of being short of materials in the winter may have caused serious dissension among the generals and the politicians.

There is no doubt that this risk is now being taken by the Nazis in order to stave off military defeat this summer and autumn. After this supreme effort, the Nazis will still be faced with continuing the war. Their second hope is that by a systematic reduction of the entire population to the standard of the bombed-out people, new resources may be secured for maintaining war production during the winter.

From an industrial point of view, Germany's war industry, under the pressure of large-scale bombing, has by now been extremely simplified. The "meccano" system has been widely applied, not only in building, but also in manufacturing. Factory plants and halls are entirely prefabricated. The piece of work that is to be machined is kept in a standardised fixture and is moved in this fixture from one machine tool to another. Large numbers of unskilled workers can be employed. Factories and machine tools have been made highly mobile.

Most important, and most grim, the working population is now no longer bound by the ties of a secure home. An extremely large number of homes have been destroyed. Families have been separated for years. Women have been relieved of the care of their children. There is practically no obstacle to moving large numbers of workers at a moment's notice. If figures published in Germany still have any meaning it can be said that the great majority of the German and foreign workers employed in industries are fed by central kitchens and works canteens, and that a very high percentage are housed in huts arranged in large camps close to gigantic factories constructed in the open country.

The extractive industries cannot be moved. The mining and steel industries are still at their former places. Here is, perhaps, the greatest danger to Germany's war industry, particularly in the East, where Russian armies are only 150 miles away from the Upper Silesian coal and steel and chemical industries.

This is the situation that confronts the Nazi regime at this moment. The future capacity to make war is being risked in order to stabilise the front in the East and to prevent an Allied break-through in France.

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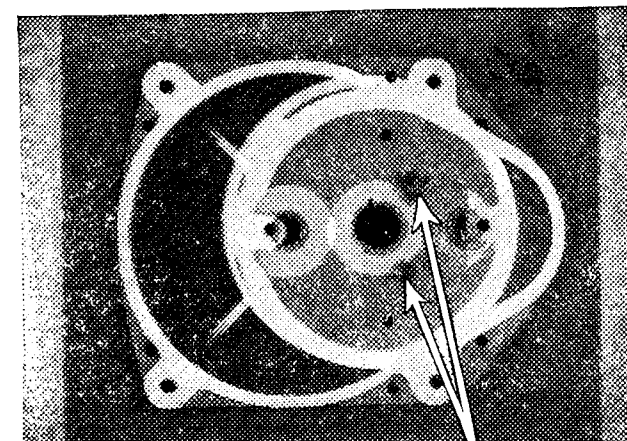
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THE BUSINESS WORLD

Electricity Shares

BEFORE the war, a good electricity share ranked in the investment scale only a little lower than a bank share. Both "industries" were "utilities" and both were proverbial for their conservative internal finance and the rock-like stability of their dividends. Parallelism went even further; for in the 1930s the continuous expansion in the national currency and credit which found expression in the banks' figures was matched, in the electricity companies' accounts, by the results of the rapid electrification of Great Britain, in which the completion of the grid system of bulk transmission played a considerable part. Between 1932 and 1939 the current generated by British supply undertakings was doubled, but as the industry adopted a policy of passing on the resulting economies to consumers, and as statutory control of charges and dividends was in force over a large part of the retail selling side, payments to shareholders increased only slowly, if at all. In fact, the industry's earning power had the ideal "backing" of a constantly expanding market rather than the lure of increasing dividends, and the low characteristic yield on electricity shares attested their established popularity with the most conservative type of equity investor.

On the outbreak of war—indeed, for some months earlier—the market for electricity shares proved vulnerable to vague but widely held fears of the physical effects of enemy air bombardment on the companies' properties. Although, in fact, the more vulnerable plants were geographically better spread over the country than their counterparts in many other industries, the whole trend of the preceding twenty years was towards increasing concentration of electricity generation on a relatively limited number of large and efficient plants which, on the face of things, seemed to offer excellent enemy targets. As the war went on, however—and particularly after the fall of France and the Battle of Britain—it was seen that, for a large number of companies, these fears were exaggerated, and electricity shares have joined in the strong recovery movement which has now carried ordinary share prices as a whole, not merely above immediate pre-war levels, but near the highest point reached in the active markets of 1936/37.

To this general statement, however, there are two exceptions to make, both of which have direct significance for investors at the present time. In the first place, while electricity holding companies have been allowed to publish regular annual accounts throughout the war, an official Egyptian darkness has descended on the results of all operating companies, which, for security reasons, have been unable to publish any profit and loss or balance-sheet figures since 1939/40. Interested shareholders, it is true, have been able to consult contemporary records at their companies'

offices, but that facility has not been open to intending purchasers, who have merely had to try to put two and two together and form their own opinion, from general indications, of what has been happening. In the second place, the general impression that the enemy has tended, throughout the war, to single out the London area as a Number 1 target for Luftwaffe and V1 bombing, has produced a disposition among investors to discriminate between the London companies (and possibly those of the Home Counties) and all the others. In the absence of firm facts and figures, it has been impossible to obtain any check on the accuracy or otherwise of the conclusions on which this tendency is founded. Today, however, when the war appears to have reached a point at which post-war recovery considerations are the only really relevant factor in a revaluation of electricity shares, it seems worth while pausing to ask how far the present differentiation in prices, to the disadvantage of the equities of companies in the Greater London area, is really justifiable.

The table at the foot of this page shows clearly the extent of the differential and epitomises some of the ostensible evidence for its existence. The companies included in the table are a representative group of supply, distribution and holding companies in the London area and some of the largest and best known concerns in the more important provincial areas. In every case, the present market price of the ordinary shares is contrasted with the highest and lowest prices recorded during the three years, 1937 to 1939. Without exception, there has been an impressive and gratifying recovery from the levels to which prices were driven down by exaggerated doubts and fears in the first few months of the war, before any enemy bombing had actually taken place. When comparison is made, however, between share prices today and at the highest levels of the three years before the war, a striking discrepancy is revealed between the experience of shareholders of the London and provincial concerns. Broadly speaking, "London" shares are still standing at only 70 to 80 per cent of their best pre-war level. The "provincial" shares are, however, very nearly back at their 1937 peak prices; the proportions run from 90 per cent to over 100 per cent of the pre-war "highs," apart from Edmundsons, where comparison is vitiated by a 50 per cent share bonus made in 1938. Allowing for that, Edmundsons shares are not slightly above their pre-war highest price.

Now, it is clear that investors have not been discouraged from buying and holding any electricity shares owing to

THE ECONOMIST, August 5, 1944

the absence of regular published figures of wartime financial progress. Of the seven "provincial" companies shown in the table, four have not been allowed to issue accounts since 1940, but their shares to-day command virtually as high a price as ever they did in time of peace. They have, in fact, exactly followed the trend of equity prices as a whole. The "London" shares, equally clearly, have not done so. To bring them into line, in that respect, would require a further rise, from current price levels, of 25 per cent to 33 per cent—which is quite a significant quantity.

What is the explanation? It is not really hard to perceive. The "provincial" companies have fully maintained their pre-war rates of dividend; the "London" companies, with one exception, have not. In default of the usual balance-sheet evidence, the market has been content to take dividend policy as the best available index of actual earning power. On this, the evidence seems conclusive. At current prices, and on current dividends, yields on "London" and "provincial" shares are virtually identical at $3\frac{1}{2}$ to 4 per cent, with a very slight bias, possibly, in favour of the "London" shares. The only exception to the rule occurs in the case of a company which has stated that its current dividends are being paid in part from reserve.

The implications of all this appear to go some way to suggest that "London" electricity company shares, as a group, may well offer one of the few examples of serious under-valuation of recovery possibilities remaining in the under-valuation of equity share market today. Admittedly, investors do not know how far the dividend reductions made by these companies have been due to the direct effect of enemy bombardment of their properties and how far to the falling off in general demand for electricity following the wartime shift of population from London. The distinction is important in one sense at least; for the industry itself will have to bear one-half of the cost of war damage, and how the incidence of the burden will fall on individual companies is not quite clear. In any case, the more extensive the physical reconstruction necessary after the war, the longer the rehabilitation of earning power will be delayed. But it is generally believed that knowledge of the extent of physical loss which the industry has suffered through hostile action would comfort investors a great deal more than the enemy. Is it, then, suggested that, after the war, the London area will be appreciably less well populated or prosperous than before the war, or that its future demand for electricity is likely to grow at a lower rate than that of Great Britain generally? The answer is

certainly in the negative. Wise planning may help to limit any sprawling, formless growth of Greater London, on lines which many criticised but no one could stop before the war. But it seems entirely safe to say that there will be few areas of the country where electricity companies can be expected to work in a more favourable environment than in Greater London.

Politically, of course, electricity may rank high in the list of public utilities likely to come under a closer measure of state control after the war. The industry itself has not provided an altogether impressive example of internal unity in approaching the problem of its own future organisation. But political risks, as such, apply to the industry generally, not to specified geographical areas of operation. The differentiation, if any, is between, say, the efficient and relatively well-organised generating side and the distribution side, or, alternatively, between companies whose rights may be liable to fall in and be taken over by municipalities and those whose tenure is more assured. In the latter respect, the position of the "London" concerns is more rather than less favourable than that of many others. Under an Act of 1925, their tenure has been assured until 1971, and although the "life" of their shares, in their present form, is thus limited, their legal position is, *pro tanto*, all the stronger if the worst (from the shareholders' point of view) should happen. With approximately two-thirds of the industry already under municipal control, the "London" concerns account for the larger part of the capital and sales of all companies in the country, which makes the anomaly in their present market capitalisation all the more striking.

All in all, it is difficult to discover any rational explanation why "London" electricity shares should be the only group of "recovery" equities, enjoying high pre-war investment status, which can now be bought to offer a yield approaching 5 per cent on pre-war dividends which have more than a reasonable prospect of restoration when the war is over. If the "provincial" shares are rightly priced, the "London" shares are too low. If the present valuation of the "London" issues is justified, then the "provincials" are standing about 20 per cent too high. But acceptance of the latter view would challenge the entire current basis of ordinary share prices. The present average yield on all the ordinary shares in the *Financial News* Index, at 3.61 per cent, is actually lower than the average of 3.89 per cent for the seven "provincial" electricity shares shown in the table attached to this article. The conclusion seems self-evident.

The Entry into Industry

ONE of the greatest tragedies of British industry during the period between the two wars was the existence of an army of unemployed young workers. Boys and girls, who went out to earn their living at fourteen, often found themselves "too old at eighteen," and discarded in favour of a new and cheaper generation of school-leavers. In 1931, as many as 215,000 young people between 18 and 20 were out of work. The International Labour Office in a report on the problems of vocational guidance (1935) condemned the pernicious effects of placing juveniles in employment which, by its nature, cannot last for more than 2-3 years at the most, and then leaves the young person stranded with no training for any adult occupation.

It is a very encouraging sign for the future that there should to-day be a complete unanimity of opinion between Government industrialists, trade unionists and educationists that blind-alley work must be eliminated and opportunities for training and advancement provided for young entrants to industry. The Ministry of Labour's committee on juvenile recruitment and training, set up in 1942 as a sub-committee of its Joint Consultative Committee of employers and trade unionists, has circulated a questionnaire to over 150 different industries, in order to find out the views of employers and trade unions on the subject. Many industries have already prepared their plans for juvenile recruitment and training. The scheme for training building labour, produced by the Central Council for Works and Buildings in March, 1943, provides an admirable pattern for other industries. The Forster Committee's recommendations for training youths in the mines have been put into operation (as described in an article in *The Economist* of February 12th). The cotton industry has launched a scheme for attracting young workers. The flour milling, boot and shoe, pottery and printing in-

dustries have already replied to the Ministry of Labour circular. And last week a special conference of engineering apprentices was called by the Amalgamated Engineering Union, in order to find out the views of the young workers themselves.

The widespread concern now felt about the problems of juvenile recruitment is not altogether disinterested. It is, if anything, a case of self-preservation. With the decline in the birth-rate, juvenile labour may before long become scarce, and not superfluous. Every industry may, to a certain extent, compete with others for a share of the shrinking supply. In 1937 there were over 3½ million adolescents between 14 and 18. To-day the number is only 2½ million. By 1956, it is estimated, it will be 2½ million. If the school-leaving age has by then been raised to sixteen, the number of juveniles available for employment will be approximately half the

ELECTRICAL COMPANIES (HOLDING, SUPPLY AND DISTRIBUTION)

Company	Last Published Accounts	Ordinary				Ordinary Dividend		Yield at Present Price	
		Highest Price, 1937-39	Lowest Price, 1937-39	Present Price	Present as % of 1937-39 High	1939	1943	On 1939 Dividend	On 1943 Dividend
LONDON (wholly or mainly):—									
County of London	1939	55/3	27/6	42/3	76.5	10½	8	4.97	3.78
City of London Electric	1940	38/9	22/-	30/3	78.1	7½	5½	4.92	3.60
London Assoc. Electric	1943	35/6	17/9	26/3	73.9	5½ (a)	4	4.11 (b)	3.05
London Electric Supply	1939	40/9	20/-	30/6	74.8	7.46 (b)	6	4.89 (c)	3.94
Metropolitan Electric	1940	51/9	32/6	42/-	81.2	10	8	4.76	3.81
Northmet Power	1939	56/6	30/4	40/-	70.8	10	7	5.00	3.50
South London Electric Supply	1939	35/3	22/6	28/-	79.5	6.65 (c)	7 (d)	4.75 (h)	5.00 (d)
PROVINCES:—									
Clyde Valley	1940	46/6	26/9	42/-	90.3	8	8	3.81	3.81
Edmundson's	1940 (e)	45/3	18/-	31/3	69.1 (i)	6	6	3.84	3.84
Lancashire	1943	39/-	24/6	36/9	94.3	7½	7½	4.08	4.08
Midland Counties	1943	41/4	29/6	41/6	99.3	8	8	3.90	3.90
North-Eastern	1940	34/9	23/-	35/6	102.2	7	7	4.00	4.00
Scottish Power	1943	42/9	27/6	41/9	97.6	8	8	3.83	3.83
Yorkshire	1940	45/10½	28/-	43/-	93.7	8	8	3.76	3.72

(a) 7 per cent. for 1938.

(b) 8 per cent. for 1938.

(c) 7 per cent. for 1938.

(d) Paid in part from reserve.

(e) March 31st.

(f) 5.23 per cent. on 1938 dividend.

(g) 5.25 per cent. on 1938 dividend.

(h) 5.00 per cent. on 1938 dividend.

(i) Comparison affected by 50% share bonus in 1938.



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present number. These are not very palatable facts, but industry must face them. It will have to use juvenile labour more economically and not regard it as a source of "cheap labour." It may mean that many jobs formerly assigned to boys will have to be done at the other end of the age scale, by older men and women. Already, newspaper selling provides an example of this trend. The "nipper" in the London streets has disappeared and papers are sold by old men.

Nationally, the problem in the future may be one of distributing the available supply of young labour between competing occupations. Industries, such as mining and cotton, would seem to stand a poor chance, other things being equal, against the more attractive employment offered by aircraft and motor manufacture, or general engineering, since most boys, given a free field, would probably choose to be mechanics. The older industries, which suffered so acutely from shortage of juvenile recruitment in recent years, will have to make their conditions of work and welfare more attractive, and to offer prospects of stable employment and advancement before young workers will, of their own volition, enter them.

It may, therefore, be necessary to devise some form of controlling entry into industry, so long as this can be done without infringing the essential right of an individual to select an occupation or career. Guidance could probably be exercised in a negative way, such as is proposed for the location of industry. Thus if an occupation, like an area, became too congested, the Government might have to say that entry, for the time being, was restricted. In any case, it is essential that the Ministry of Labour should have full knowledge of the jobs and prospects in any given occupation, in any given area. Such a survey, which should be continuous, could feature in the national man-power budget.

Positive influence over recruitment could be exercised through the development of vocational guidance. At present, this is done either through the Ministry of Labour's Juvenile Advisory Committees or the Juvenile Employment Committees under the local education authorities. Before the war, only about one child in three was placed by the committees, the remainder more or less drifted into industry without any form of advice or guidance. The use of psychology in vocational guidance could well be developed. Though Britain was a pioneer in evolving a juvenile employment service, it has lagged behind other countries, notably the United States, in applying psychological and aptitude tests. It is also essential that the committees should keep in close touch with the juveniles they place, and give them an opportunity, at 17 or 18, of reviewing their position and, if they wish, changing their jobs.

Once the occupation has been selected, the question of training and continued education becomes all-important and the juvenile advisory committees should satisfy themselves that adequate training facilities are provided before placing juveniles in employment. It is generally agreed that the existing provisions for technical education and training in Britain are inadequate. Before the war, less than a third of the adolescent working population was engaged in organised education of one form or another. This state of affairs will, of course, be remedied under the Education Bill, which provides for compulsory continued education during normal working hours, up to the age of eighteen. The White Paper on Educational Reconstruction acknowledged that

despite what many local education authorities have done,

technical education has not hitherto made that advance which the needs of a highly industrialised community demand.

The standard of buildings and equipment has often been, as the White Paper admitted, "deplorably low"; the size of classes too big—and the quality of instruction, owing to the shortage of competent instructors, not always high. There has, moreover, been a certain element of snobbery in the approach towards technical education, and a widespread impression that the white-collar office worker was inherently superior to the worker at the factory bench.

Many improvements have been made during the war. Training has been provided at Government Training Centres as well as at Technical Colleges and institutions. The number of Junior Technical Schools alone has increased from 230 in 1938 to 379 at the present time. The bulk of training, however, is still given in industry. Many individual firms have long operated excellent training schemes, such as those run in conjunction with the local authorities at Birmingham, Coventry and at Rugby, where attendance at day continuation schools is compulsory. Other firms, faced with an influx of dilutees, have had to evolve training schemes. But as a whole, the training for industry, provided by industry, is defective. A letter from representative employers and trade unionists in the *Times* of April 12th went so far as to say that

In our public provision for training craftsmen, England is now definitely a backward country.

This, of course, refers to the training of skilled workers. But training of one kind or another can also be given to unskilled or semi-skilled workers. Even traditional blind-alley jobs, combined with continued education, can be regarded as short cut jobs, which come to an end when the youth is old enough to take up an adult occupation. To give a list of firms providing training systems would merely be tedious, but from the experience of such firms as Messrs Cadburys, Sainsburys, Fords, and Dunlops and the Gas, Light and Coke Company, which operate schemes, it appears that even menial or repetitive jobs, combined with education, need not lead to a deadening of the individual.

For the more skilled jobs, requiring apprenticeship, the engineering industry is now considering a joint scheme (mentioned in *The Economist* last week, p. 162), though no final agreement has been reached. It is proposed that the present apprenticeship period of five years, from 16 to 21, should be continued, but that instead of a boy being indentured to a particular employer, the placing of apprentices should be controlled by local joint industrial juvenile advisory panels, which would supervise standards of employment and training. Boys would not be apprenticed to employers who did not conform with the requisite standards. Apprentices, it is suggested, should learn a wider range of processes, and the boys would not become too specialist. For example, pattern maker apprentices would learn about foundry work and vice versa, while fitters should acquire drawing office experience and so on. Technical training would be integrated with general education on the lines proposed in the Education Bill.

The emphasis on the need for an all-round training is very welcome. It should go far to break down some of the older craft demarcations, which hamper flexibility of labour and may well impede the realisation of a policy for full employment. Indeed, if mass production methods are widely developed, as for instance in shipbuilding, many of the processes requiring most specialist craftsmanship will disappear. As to the quality of training provided in the workshop, it is essential that it should be given in adequately equipped workshops, under competent instructors and that the apprentices should as far as possible be engaged on actual production work. A further necessary condition is that opportunities should be provided for training for foremanship grades or positions of responsibility in the works. The suggestion of Mr George Wansbrough in the *Times* of May 15th that the present Ordinary National Certificate and the courses leading up to them should be scrapped in favour of a simplified and more general grounding in all the aspects of engineering, deserves careful consideration.

The whole field of technical education and training is too vast for treatment in a single article. But the issue is of such overwhelming importance for the future of British industry that the time is surely ripe, to adopt the suggestion that has been put forward that a special Commission should be appointed forthwith to examine the whole question.

Business Notes

Portal Bungalows

The Portal bungalow came in for considerable criticism on the occasion of the second reading of the Housing (Temporary Accommodation) Bill in the House of Commons on Tuesday. The criticism impressed the Government so much that the debate was adjourned until after the coming recess. One objection was that the bungalow is not good enough, that it is small and unsightly. There may well be room for further improvements in detail and, possibly, a case for its construction in, say, two sizes—a three-bedroom type as well as a two-bedroom type, with precisely the same components. But to make several different kinds of houses would sacrifice much of the advantage of speed in mass production; and the fact that the Portal model is not as good and attractive as a normal house evades the issue. It is designed as a stop-gap to relieve a pressing housing shortage in the shortest possible time. It is not meant to be the equivalent of an ordinary house, the point being that it will not be possible to produce ordinary houses anything like quickly enough. Mr Willink, Minister of Health, was able to show conclusively that the choice was not between factory-made bungalows and an equal number of ordinary houses, but between a given number of new houses—about 300,000 ordinary houses and 250,000 factory-made ones in two years—and a very much smaller number of houses than 550,000. Neither the labour nor the materials are likely to be available for the construction of anything like that number of ordinary houses within two years of the end of the war.

The second criticism concerned the cost of the Portal bungalow and the system of contracting to be adopted. The bungalows are estimated to cost about £600 a unit. Trans-bungalows are estimated to cost about £100, the kitchen unit is port and erection will cost about £100, the kitchen unit is likely to cost an equal amount, and the remaining £400 will be for the "shell," roof, ceilings, partitions, lining materials, floors, insulation material and other fittings. At least five firms will take part in the construction of the bungalow. Briggs Motor Bodies and the Pressed Steel Company are to provide the bulk of the "shells" and the partitions; Fisher and Ludlow, Sankey-Sheldon, and Rubery Owen will be among the main contractors for fittings. All these firms are large ones, capable of handling big orders; moreover, all of them are Government contractors and possess efficient costing systems. The Government will be able to deal with them on the same basis as it places munition contracts. Nevertheless, members of the House of Commons were right in insisting on the need for securing the lowest possible costs at all stages of production, from the raw material to final assembly—where possible, by tender. To secure this, it is not enough for the Government to have access to the costs of its contractors; it should also provide the incentives that will induce contractors to adopt the most economical methods. The Portal bungalow will provide the Government with an opportunity of leading a drive for the reduction of the cost of a commodity that is in universal consumption and absorbs a high proportion of the incomes of the working classes. Mr Eden was probably wise not to press the House for a decision on Tuesday.

Equities after the War

The latter part of last week witnessed the first real relapse in British industrial equities since early June. Slight setbacks prior to that date had occurred on Fridays and had been followed by an immediate resumption of the rise, but on this occasion markets have appeared definitely hesitant for some days and it seems possible that the upward movement, which has been running steadily since around Easter, has more or less exhausted itself. The figures of *The Actuaries' Investment Index*, of which some particulars are given on page 200, show an average for all industrial equities of 86.7 per cent of the level at the end of 1928. The range in the items making up this total is from 171.9 for electrical equipment and 156.1 for breweries and distilleries to 53.9 for cotton and only 29.0 for shipping. The index suffers from a substantial weakness in that it is based on

the prices of one date only and that not a particularly representative one. It is, perhaps, more useful to take a rather more recent computation. In August, 1936, the total index was the same as it now is, but for a rather different selection of shares. Further, the value was about or rather above that figure for the ensuing eight months. Is it reasonable that the general level of securities should be the same on the eve of the post-war period as it was in 1936-37? Trade was admittedly brisk then, but unemployment was still of the order of 1,660,000, while the wholesale price index of the Board of Trade shows a rise of some 78 per cent since 1936-37. In other words, granted a successful policy of employment and an absence of restrictionist finance, the outlook is for a very much higher money national income in, say, 1945-50 than there was any reason to expect in 1936-37. It is also the fact that the authorities appear, at last, to be alive to the necessity of a fiscal policy which will encourage efficiency in industry and they have already made concessions in the matter of research and replacement costs. There will certainly be further pressure for relief from taxation, both on retained profits made at home and on foreign-earned profits already subjected to tax. Against this, there is the fear felt in some quarters that some limitation of dividends has come to stay. The extent of this limitation is, probably, the decisive factor for the near future.

Eight Year Changes

It is possible to conclude from these changes in the situation that post-war earnings of British industry, in terms of money, will be very much higher than those expected in 1936-37; that there should be a substantial increase in real terms, but that equity holders will reap the advantages only in part in larger dividends in the near future. Some part may well not accrue to them at all and some will accrue in the form of greater stability of earnings and prices. It is difficult to say just how these facts will influence prices and the yields expected. At the end of last month, while the price index was the same as some eight years before, the average yield given was 4.08 per cent compared with 3.64 per cent in August 1936. Of this rise about half may be regarded as the counterpart of a rise in the yield on 2½ Consols from 2.96 to 3.16 per cent. A substantial part of the remainder may be due to changes in the composition of the index, a part is certainly due to the ridiculously low yield given at that time by home railway stocks and shipping shares, namely 1.51 and 0.77 per cent respectively. There remains, however, a margin, possibly considerable, which would only be justified if the outlook now is less certain than it was then. Returning to the price index, of the fourteen classes which then existed, ten show rises, but only four of these are really substantial; shipping 61.8 per cent, cotton 26.5, oil shares—not strictly British industry—22.3, and electrical equipment 15.7 per cent. The least of the four falls is 7.5 per cent for motors, while iron and steel and electrical distribution are slightly worse, and gas stocks have lost 21.5 per cent of their August 1936 value. It is interesting that the very important miscellaneous group, stores and catering and home railways, all show only very minor improvements on the period of almost eight years. In the case of building materials, the rise is only 10.8 per cent since 1928 and 5.8 per cent since 1936; while the figures for coal are only a trifle less in each case. These facts suggest that, subject to a reasonably happy solution of Britain's internal problems and a recognition that the reward of risk bearing must be considerable, there is room both for further adjustments between the different classes of security in this index and for a continuance of the upward movement, after a pause for such adjustments.

New Savings Bond Issue

After a lapse of some 27 months, during which £966,450,000 odd have been issued, the Chancellor of the Exchequer has decided to suspend the offer of 3 per cent Savings Bonds, 1960-70, from August 5th. On Tuesday, a new issue of bonds, 1965-75, with a final maturity date of

**BUY 3%
SAVINGS
BONDS** 1960
1970

- ★ POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE
- ★ Purchasable in multiples of £5
- ★ Interest paid half-yearly
- ★ Interest is subject to Income Tax, but tax is not deducted at the source
- ★ May be sold quickly through your Savings Bank

August 15, 1975, will be on offer at par. As the Chancellor rightly pointed out, these new terms are even more favourable to the borrower than the old ones. The maximum life of the 1955-65 issue, when it was first made at the end of December, 1940, was some 25 years 7½ months; that of the 1960-70 in April, 1942, 28 years 4 months, and the life of the new series is just over 31 years to final redemption. It is interesting to observe that the yield on 2½ per cent Consols fell from 3.26 per cent in December, 1940, to 3.04 per cent in April, 1942, but has since risen to 3.16 per cent. That the authorities should be able to borrow at the same rate for a longer period now than in April, 1942, is due mainly to the fact that TDRs are encashable in advance only by conversion into one or other of the tap issues. If proof were needed of this, it is provided by the fact that the old 1960-70 series, recently quoted ex dividend, was frozen hard at the minimum price of par. If previous experience is any guide, the minimum for this will be dropped to 98 on Tuesday and an effort will be made to get business going at close under par. The fact that the 1955-65 issue, also recently ex dividend, stands at par indicates that some official assistance is likely to be necessary before conditions are such as to render the new issue attractive to any but holders of redundant TDRs. The belief that such assistance will inevitably be forthcoming explains the modest rise in some prices in the gilt-edged market on the announcement. The opportunity will arise in the next few weeks of dealing with the 1952-54 issue of National War Bonds, of which two series have now been issued. The two combined raise the total to a figure at which it may be considered that a change of date is desirable, but it is still far short of the total reached by the 1949-51 series.

Responsibility for Civil Aviation

In its proposals for civil aviation, the Tory Reform Committee presses for two decisions that could be taken without prejudice to international negotiations to give this country a flying start at the end of the war. The Committee, in common with other critics of pre-war and present arrangements, does not wish civil aviation to share the same roof with military aviation at the Air Ministry. It would like it to be placed, together with other means of transport, in an all-embracing Ministry of Transport with the status of a major department of state. Failing this solution, it would like civil aviation to go wherever shipping will go, possibly even to the Board of Trade. There are good arguments for and against the present regime of combining responsibility for both military and civil aviation in a single department. In wartime those for single control are probably unanswerable; almost all current traffic is military. Even after the war military aviation and air transport will remain much more closely associated than the Navy and merchant shipping; quantitatively, it is on the military demand that the aircraft industry, which supplies both, has depended, and will depend, for its existence. Nevertheless, it has been proved in the past that single control has serious disadvantages in peacetime. The primary concern of the Air Ministry must be in the military and strategic aspect of aviation, not with the rapid development of commercial air transport. The best solution might be, not to relieve the Air Ministry of responsibility for all air transport, but only of the responsibility for purely commercial air transport. The armed Forces of the future will include a growing air transport establishment for rapid movement, just as a modern army requires a huge fleet of lorries. Military control is as essential over military air transport as it is over military road transport. Subject to this qualification, purely commercial air transport might best be administered by an all-embracing Ministry of Transport after the war, with provision for rapid mobilisation in an emergency.

Participation in Air Transport

Even more urgent than the question of departmental responsibility is a decision on the conditions of participation in British civil aviation. Who is to run the air services? The choice is not merely between public and private enterprise ; there is room for both. At present, overseas air transport is in the hands of the British Overseas Airways Corporation, while domestic air transport is largely controlled by the railways. Hitherto the Government has been studiously

vague in its pronouncements on this subject. Careful examination of official statements suggests that the Government is either deliberately delaying a decision or is still in two minds. It has carefully refrained from discouraging shipping, railway and other interests from making preparations for participation; there is, for example, the neat phrase of Lord Beaverbrook that BOAC has no monopoly of air transport, but merely of subsidy. But there is nothing in the Government's statements that would preclude it from establishing a regime of public operation if it ultimately decided to do so; it has given no definite promises. So long as the complete internationalisation of the world's trunk lines was not definitely ruled out, the Government could hardly commit itself. This is not known to be unacceptable to the United States. But indecision at this stage may well be harmful, in that it will cause delay in the expansion of civil aviation after the war. In the sphere of inter-Empire traffic the Government's decision will inevitably be influenced by the views of the Dominions, but this again is no reason for continued procrastination. The Tory Reform Committee suggests a mixture of public and private enterprise, and, in particular, that no "chosen instrument," such as BOAC, should operate more than one trunk route. Moreover, in its view, all operators, whether public or private, should derive their authority from a public board similar to the Civil Aeronautics Board of the United States. In principle, there is much to be said for the creation of a central public authority of this kind, functioning under the department responsible for commercial air transport. Equally, major trunk routes might often best be operated by single, and preferably public, concerns that would be given the mail contract for their respective routes. Feeder lines might well be left to private enterprise, subject to policy control by the Government. In practice, it may not always be possible to draw a clear distinction between feeder and trunk lines, as in the traffic between Britain and the Continent, for example. But such difficulties need not stand in the way of a statement of policy. What matters most is not so much the precise form of British post-war civil aviation as the formulation of policy designed to enable this country to participate as early, as fully and with as much enterprise as possible in the world's air transport.

Freedom of the Screen

Public criticism of the rapid consolidation of the British film industry under the leadership of Mr J. A. Rank came to a head last year. Criticism in Parliament and the press encouraged the Board of Trade to try to arrest the process of consolidation by *ad hoc* measures; and it led to the appointment of a committee of inquiry. This committee's report to the Cinematograph Films Council has now been submitted to the Board of Trade. Not unexpectedly, the members of the committee—Mr A. Palache (chairman), Sir Walter Citrine and Professor A. Plant—discovered a definite trend towards monopoly in the industry in recent years. Its signs are:

- (i) The rapid growth of the vertically integrated combines and the control that they are able to exercise at the various stages from production to exhibition ;
- (ii) The introduction and extension of undesirable practices in restraint of trade, partly by producers, partly by distributors, partly by exhibitors.

The recommendations of the Committee are designed to ensure the freedom of the screen from monopolistic practices, whether by vertical or horizontal combines, and to avoid American financial control. Legislation is suggested as a remedy, together with an ingenious scheme—"a trustee arrangement comparable to that of *The Times* or *The Economist*"—to prevent control from passing either into foreign hands or those of "undesirable" groups or persons. The "small" man in the industry is to be encouraged by the creation, under Government sponsorship, of a film finance corporation; this organisation would not only finance "qualified" producers on reasonable terms, but it would be empowered to establish a renting organisation and, eventually, to extend its activities into the field of overseas marketing. In sum, the wings of combinations are to be clipped and talent given greater scope to flourish independently. This is not the occasion for commenting in detail on the committee's suggestions. No doubt their adoption would make for greater independence; but a code of behaviour does not necessarily guarantee growth. It is efficient and successful enterprise that the film industry most requires.

Re-equipment of Industry

In the House of Lords on July 26th, Lord Barnby drew attention to the need for a speedy re-equipment of British industry to enable it to resume its peacetime activities without unnecessary delay. By way of example, he quoted from the Cotton Board Committee's Report, which suggests that textile machinery makers should be given a measure of relief from part of their munitions obligation in order to be able to produce equipment that will be urgently needed after the war. (A similar plan to allow the aircraft industry to speed up its preparations for the production of civil aircraft is made by the Tory Reform Committee in a Report discussed on page 194.) Lord Templemore pointed out that the problem of arranging the cancellation of existing contracts to free first the manufacturing capacity that will be most urgently required is one on which the Board of Trade and the Supply Departments have been "working for some time." He emphasised that the speed at which a given industry or factory can be released from war contracts does not only depend on the importance of its peacetime products, but also on the extent to which it may be required for the production of war stores that cannot be made elsewhere. In other words, capacity can only be released in so far as it is surplus to war production. This proposition, clearly, cannot be challenged. Nevertheless, it is legitimate to question—as Lord Winstone did—whether the Government is in fact allowing preparations for re-equipment to proceed as rapidly as it might within the limits of the resources that can be spared. Lord Winstone suggested, moreover, that the United States was going ahead more rapidly than this country in its preparations for peace. True, Britain, unlike the United States, is a base for military operations. Nevertheless, there is a strong case, in so far as this is practicable, for allocating any manufacturing capacity that can be released from war production on a basis that does not place this country at a serious disadvantage. A Britain short of foreign exchange will have to expand its exports with all possible speed in order to finance essential imports of food and materials.

Government Factories

As a supplement to the White Paper on the Disposal of Government Stores, Mr Dalton last week outlined the Government's policy with regard to factories and producing plant. Their allocation will be controlled to harmonise with declared aims in town and country planning, the distribution of industry, the export trade and local employment. The normal procedure, though there is to be no hard and fast rule, will be for the Government to lease these factories (in the short period) rather than to sell them by auction. This policy will not be received with unanimous approval. Disposal by auction would suit the interests of those with adequate capital resources whether their businesses are sound or highly speculative; but such a method would restrict competition unduly and might well deprive industry of the new blood it needs so urgently. After the last war, Government factories, although their disposal was very imperfectly conducted, became the nuclei of new and successful trading estates dealing primarily in the light industries. After this war there will be a shortage of modern factory premises at a time when industry will need every inch of elbow-room if its declared objectives of expanding exports and full employment are to be realised. The White Paper on Employment Policy has emphasised the imperative need for flexibility in the exporting industries. It is essential that the nation's limited resources should not be frozen into a rigid pattern. Because the state and nature of the export markets are uncertain and unpredictable, industry will be compelled to conduct itself empirically. It follows that a system whereby factory space can be acquired cheaply and adapted speedily and without costly major reconstruction for peacetime production will have many advantages. It would be a mistake, on grounds of equity, to limit the acquisition of the factories to those with the necessary purchasing power. The only argument in favour of disposal by auction would be that such a method would make for speed in adaptation and utilisation. The Government's scheme, which is as yet only an outline of a policy, has much to recommend it. Any system of allocation of factory space should deal sympathetically with those industrial units which have been put out of commission by enemy action—especially where the organisation of such units is still intact.

Oil Duties Committee

It appears that, as was indicated in the Budget speech, some action is to be taken with regard to the absence in this country of an industry based on the chemical refining of oil. In reply to a question in the House of Tuesday, the Chancellor of the Exchequer announced that he and the Minister of Fuel and Power had appointed a Committee—

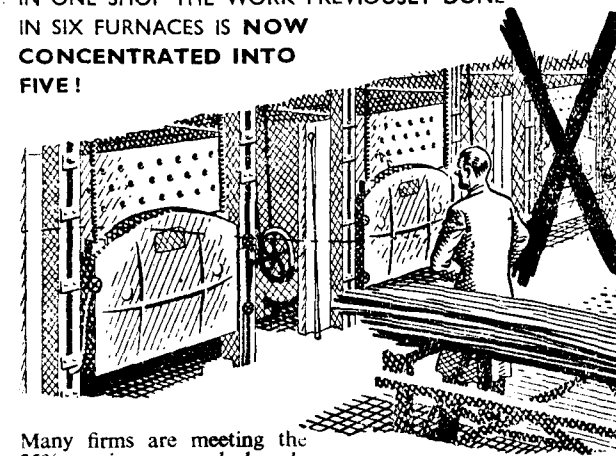
To consider and report upon:—

- (a) the effect of the hydro-carbon oil duties on the supply of raw materials to, and the development of, the chemical industry in this country so far as the use of hydro-carbons and their derivatives is concerned.
- (b) the extent to which any change in those duties would affect industries engaged in the production of similar products from coal.

The chairman of the Committee will be Sir Amos Ayre and the other members, Sir John Fox, Mr. A. S. Nacharg and Sir Robert Robinson. There has been considerable controversy in recent years concerning the whole question of oil refining in this country, but it seems that a whole complex of new products is in process of evolution from the full chemical refining of oil and coal. While there is an element of competition between these two raw materials in this field, as in others, there appears to be a case for considering the two, in large measure, complementary. To this question, at least, the new Committee should be able to provide an adequate answer. For the rest, it seems a pity that the terms of reference are not sufficiently wide to include an enquiry as to any other impediments to the full participation of any interests which so wish in the development of this new group of industries in Britain. It is precisely in fields such as this, where the amount of skill, research and ingenuity in the final product is large compared with the value of the raw material, that Britain must look in future for the increase or even the maintenance of its standard of living at home and its power to meet overseas commitments. But if success is to be achieved there must be adequate supplies of crude oil available to this country, and freedom of access to these supplies.

FIGHT FUEL WASTE WITH FEWER FURNACES

IN ONE SHOP THE WORK PREVIOUSLY DONE
IN SIX FURNACES IS **NOW**
CONCENTRATED INTO
FIVE!



Many firms are meeting the 25% cut in gas supply largely as a result of better furnace loading. Such savings were planned by management and secured by the keen watchfulness of the operatives.

that the economies in gas and electricity should be maintained; and this will follow where the management, workers and fuel watchers are in close co-operation.

PRACTICAL HELP IN FUEL EFFICIENCY BULLETINS

There are many excellent suggestions, for furnace users in Fuel Efficiency Bulletins Nos. 5 (gas operated), 13 (electrically operated), 24 (oil operated), and 17 (furnace insulation). Everyone should study them—managements, fuel watchers and operatives. Extra copies can be obtained from the Secretary of your Regional Fuel Efficiency Committee.



ISSUED BY THE MINISTRY OF FUEL & POWER

Two Years of Fuel Efficiency

The Report of the Ministry of Fuel and Power on the progress of its fuel efficiency campaign, now two years old, is in many respects encouraging. Although a quantitative estimate of the economies made by industry is impossible, it is calculated that, if the recommendations of the inspection engineers who have visited factories consuming an aggregate of 39 million tons a year were adopted, the saving would be in the order of 10 per cent, or nearly 4,000,000 tons a year. Although the scope for economy is limited in the case of major fuel-using industries, such as gas, electricity, coke ovens, collieries and iron and steel, it is reported that these have organised methods of more efficient utilisation. For instance, the railways' fuel efficiency committee has arranged special courses of instruction, with particular emphasis on the saving of locomotive coal by the adoption of improved standards of driving and firing. A mere record of the number of inspections carried out—over 11,000 factories have been visited, and 5,000 revisited, by 700 engineers—though impressive, is not necessarily conclusive. In some cases economies may be just an indication of past extravagance. It might also be argued that if the 10 per cent cut imposed by the Ministry of Fuel in December had been imposed earlier, the same results would have been achieved more rapidly. Nevertheless, there can be no doubt that the campaign has been of value. Since the need for economy in fuel consumption may well be greater and not less great after the war; with the present downward trend in production, it seems that the fuel efficiency campaign is one of the wartime experiments that might, with advantage, be retained in the post-war period.

Britain's Roads

The post-war proposals of the British Road Federation, issued this week, are designed primarily to ensure the improvement of Britain's road system and to encourage all forms of road transport, private and public. There can be no doubt about the need for road improvement after the war and, even, for testing the merits of motorways. But the nature and scale of road expenditure will necessarily have to be determined in relation to transport facilities as a whole and in the control of the resources that are likely to be available. The roads, in other words, must queue up with all other claimants for capital expenditure. In its aim to encourage the expansion of road transport, the proposals are inevitably critical of monopolistic practices. To quote from the Report:

As soon as circumstances permit, subject to overriding conditions of national policy, unfettered freedom of choice of the means of transport he employs should be restored to the individual, be he trader, farmer, industrialist or private citizen. This is a fundamental liberty and is essential, from the point of view of the general welfare of the community, as a means of improving the efficiency of transport services, because the individual is in the best position to know which form of transport is most suited to his needs, and so will enable him to make his fullest contribution to the general well-being.

Perhaps unavoidably, the Report does not deal with transport as a whole.

Home Railway Half-Year

Seldom has the home railway half-year passed with so little general interest as this year. The announcements, limited in recent years to dividend declarations, had not been expected to provide any new feature. Having regard to the extreme activity of 1943, there was little possibility that revenue outside the agreement would show an appreciable increase, while the War Damage position, if changed at all, was more likely to be altered adversely than in favour of the stockholder. In these circumstances, the general sagging tendency in prices of all but the prior charge stocks is to be attributed to causes other than the fact that all the dividends to be paid are the same as those of a year ago. No doubt the adverse factor is the complete failure—foreseen by all but the constitutionally optimistic—of the campaign for a revision of the agreement which would permit of larger payments. The extent of the movement is moderate. As shown by *The Actuaries' Investment Index*, there is a fall from the May high of 80.3 per cent of December, 1928, to 77.7 on July 25th. The fall has continued almost daily since then, but is still not large. The case for a revision is still being pressed in Parliament but, as Mr Noel-Baker was not slow to point out, those who complain omit to consider that it was the duty of the Government to make the best

bargain the railways would accept. He also gave an assurance that the agreement was reached voluntarily. It is on this point that sincere doubts still exist, the more so that it is very hard to believe—irrespective of the equity of the actual terms—that conditions could have arisen in which the railways would not have reaped large benefits from a very heavy concentration of traffic, coupled with a reduction in services rendered, other than the mere carriage of goods and passengers.

Co-ops in the West End

After the war, the Oxford Street, London, shopping area will have a new department store, owned by the London Co-operative Society. The Society has bought from Peter Robinson, Ltd., its eastern block, a 16-year-old building of seven stories with a frontage in Oxford Street close to Oxford Circus, for the sum of £425,000 on a 999-year lease. This is the first time that the "Co-op" has appeared in what might be called the central shopping area of Great Britain, and it is a fitting celebration of the centenary of the Co-operative Movement. It forms part of the large policy of expansion which the co-operators are following. During the last two years they have acquired department stores in the suburbs, and the latest of these was the purchase of Marshall Roberts, Ltd., in Camden Town. The new West End store will not be open for some time after the war. At the moment the building is requisitioned by the Government. Although the store will primarily serve members, it will be open to the public. It will be interesting to observe its effect on neighbouring department stores. Lessons can be learned from the co-operative store, whose distribution costs are often lower than those of commercial firms. On the other hand, the co-operative store might well learn much itself from its close proximity to stores a great part of whose efforts are expended in providing services. The interplay of competition between the two types of store can be of benefit to both.

Good News for Bondholders

Holders of overseas bonds have had more than one piece of good news during the current week. In the first place, the month-old rumour that the Government of Guatemala proposed to repay at par the whole of the debt corresponding to the original issues of 1895, 1913 and 1928 has been confirmed. The first instalment of cash is actually in this country, and holders have until January 15, 1945, to accept the offer. Repayment will include interest to date, and, although redemption is, properly, by sinking fund, holders will be well advised to accept the offer, which covers the whole sterling debt. This was followed on Tuesday by news that the new Argentine authorities propose to repay the 4 per cent State Railway Sterling bonds on November 1st. These form the collateral for the issues of the Cordoba Central Trust, whose position has been in doubt ever since the earlier announcements of a general policy of redemption of external debt. These are the best bits of news out of South America for a very long period, and, although neither was really unexpected, they have done something to offset the ill-effects of the Argentine Government's general attitude. It is also satisfactory that settlements have been reached in respect of the debenture issues of the Sorocabana and Southern San Paulo railways whose assets were sequestered in 1940. The Brazilian Government has now agreed to terms which permit cash distributions of about 36 per cent on the £1,425,940 Sorocabana stock and of 80 per cent approximately on £506,634 of the Southern San Paulo issue. Both these are substantially above what appears to have been expected, for the stocks stood at about 29 and 60 respectively.

Tax Reserve Certificates

The Chancellor of the Exchequer has given information in the House of Commons about the total Tax Reserve Certificates tendered quarterly in payment of taxes and the distribution of these totals between the various categories of taxes. In the table at the foot of this page these figures are combined with the quarterly receipts under these heads of taxation to show the cash and TRC payments for taxes since the beginning of 1941. The interesting feature brought out by this table is the relatively high ratio of TRC payments in the case of Excess Profits and Sur-Tax. This tends to confirm other evidence of the attractions of TRCs for these two classes of taxpayers.

The Fiduciary Issue

After a see-saw movement lasting several weeks, the forces making for expansion in the note issue have won the day, and a new landmark has been reached by the addition of a further £50 million to the fiduciary issue, raising it to £1,200 million, or four times the pre-war figure. Apart from the closing of "Salute" weeks, the reason for the recent slowing-down in the expansion of the note issue—it stood at £1,146,019,264 on Wednesday of this week—is probably the departure of large forces overseas, just as a year or so ago it was the recalling of large notes

CHANGES IN FIDUCIARY ISSUE SINCE 1939
(£ million)

	From	To	No. of Weeks' Interval Between Changes
1939—September 5	300	580	40
1940—June 12	580	630	46
1941—April 30	630	680	18
August 30	680	730	13
December 3	730	780	20
1942—April 22	780	830	14
July 28	830	880	18
December 3	880	950	19
1943—April 14	950	1,000	25
October 6	1,000	1,050	9
December 7	1,050	1,100	13
1944—March 7	1,100	1,150	21
August 2	1,150	1,200	

from circulation. On that occasion the effect was largely an economy in cash reserves; on this it is, in part, a substitution of an overseas issue for a domestic one. The full list of changes in the fiduciary portion of the issue since the outbreak of war is given in the accompanying table.

Scientific Farming

The future of agriculture is one of the important reconstruction problems which has to be faced. The Parliamentary and Scientific Committee—an unofficial group of members of both Houses of Parliament and representatives of certain scientific and technical institutions—has examined the question and published its conclusions in its report, *A Scientific Policy for British Agriculture*. The Committee's solution to the problem is given in the word "science." There is an unfortunate tendency to overwork the word, as though it were an inevitable panacea. One aspect of farming which the Committee does not submit to scientific scrutiny is the one which, perhaps, looms largest in the minds of most farmers: the market. True, the report submits that "economic stability for British agriculture can only be secured by price guarantees." In this sentence the whole question is begged, since the real problem is how far British agriculture can be organised to stand on its own feet. Clearly, if high enough prices are guaranteed, agriculture can be shaped in any form desired—of this the wartime record of farming is proof enough. On other questions the report provides a valuable underlining of principles which cannot too often be repeated. Among these is the urgent

need for improving agricultural and veterinary education and research—they recommend that at least £3,000,000 a year should be devoted to the latter. They also urge the completion of soil and geological surveys, and the extension of plans for veterinary aid. Less scientific is the insistence on a system of farming described as rotational, mixed and balanced. The respect, amounting almost to reverence, which has been paid to the plough, is a keynote of the report. Security considerations may demand the post-war production of crops such as wheat and sugar-beet, but to farm these in England is not economic. Mechanisation has reached the stage where agriculture can be converted from a peacetime to a war basis reasonably quickly. This means that security need not be stressed in plans for post-war agriculture, and that its relation to the national economy as a whole should be the guiding principle for the future.

Shorter Note

Regrettably, a premature and inaccurate press report of the National Arbitration Tribunal's decision on women's wages in engineering was quoted in last week's issue of *The Economist*. The Tribunal, it has now been stated, has not made any definite award in the case. It has, however, made certain recommendations to both parties which will be discussed at a meeting next week, and which, it is hoped, will result in agreement. Failing a settlement by further negotiation, the matter would, of course, be referred back to the Tribunal.

Company Result

Seager, Evans and Company. Distillers.

	1942	1943	1944
<i>Consolidated Balance Sheet:—</i>			
Trading profit	117,285	515,903	459,783
Taxation	57,687	—	—
Income from subsidiaries	177,603	519,878	464,818
Total profits	252,275	1,035,781	924,601
Expenses and depreciation	69,572	213,725	184,128
Directors' fees	2,500	5,078	4,932
Bank interest	11,744	16,792	15,884
Advertising expenditure	7,419	12,399	15,261
War damage	738	1,761	1,355
Pensions and premiums	2,129	5,885	5,230
Provision for losses of subsidiaries	3,500†	—	—
<i>Parent Company:—</i>			
Ordinary stock:—			
£100,000	40,784	79,696	67,756
£20,000	18,469	24,625	30,781
£5,000	7 1/2	32 1/2	27 1/2
£1,000	—	10	12 1/2
Special reserve	—	22,964	30,000
General reserve	—	70,000*	57,544
Carry forward	36,123	50,569	—
<i>Consolidated Balance Sheet:—</i>			
Net fixed assets	611,935	596,151	584,443
Net liquid assets	169,137	306,916	359,145
Gross liquid assets	817,501	852,220	1,037,096
Stocks	645,994	694,173	654,933
* For 1942 all profit and loss account figures are for parent company only.			
† Including EPT attributable to subsidiaries.			
‡ Representing grant to write off development account of subsidiary.			
§ Of which £52,339 represents taxation reserves of parent and subsidiaries no longer required.			
After deducting £527 in 1943 as proportion of a subsidiary's profits attributable to outside shareholders, and £543 in 1943 and £503 in 1944, as undistributed profits of subsidiaries.			

The £1 units of ordinary stock, standing at 50s. 3d. ex dividend, yield £4 19s. 6d. per cent.

TAX RESERVE CERTIFICATES
(£ million)

Three Months to End of	Income Tax		Sur Tax		NDC		EPT		Total, Four Headings		T.R.Cs. Taken Up	Payments for Immediate and Future Taxes
	Script	Cash	Script	Cash	Script	Cash	Script	Cash	Script	Cash		
1941—												
March	—	336	—	55	—	8	—	28	—	427	—	427
June	—	80	—	8	—	4	—	40	—	132	—	132
September	—	99	—	5	—	6	—	58	—	168	—	168
December	—	149	—	11	—	5	—	81	—	246	17	263
1942—												
March	—	443	—	50	—	7	—	67	—	567	175	742
June	—	128	—	8	—	6	5	52	5	194	96	290
September	1	144	—	4	—	8	21	77	22	233	118	351
December	—	135	—	9	1	5	21	77	22	226	116	342
1943—												
March	128	472	10	44	2	9	27	67	167	592	140	732
June	10	145	1	7	1	4	29	57	41	215	113	326
September	4	201	—	4	2	6	55	87	61	298	131	429
December	1	152	—	8	5	7	52	76	56	243	121	364
1944—												
March	182	488	13	43	2	8	41	70	238	609	152	761
June	11	160	1	6	1	5	38	65	51	236	117	353

COMPANY MEETINGS

ANGLO-NEWFOUNDLAND
DEVELOPMENT COMPANY,
LIMITED

MR FRANK HUMPHREY'S REVIEW

The annual meeting of Anglo-Newfoundland Development Company, Limited, was held, on the 1st instant, at Grand Falls, Newfoundland.

Mr Frank Humphrey, the president, in the course of his speech, said: The profit of the company for the year to December 31, 1943, after providing for depreciation and depletion, amounted to \$838,165.07 which includes dividends from Terra Nova Properties, Limited, of \$349,090. After charging debenture interest and directors' fees, and making provision for debenture stock redemption and reserve for contingencies, there remained a profit of \$81,990.07, which had been added to the balance of profit brought forward from the previous year.

During the early months of the year 1943 the mills operated at a reduced capacity, with some improvement during the second half of the year, because of an increase in United Kingdom requirements. The overall operations for the year averaged approximately 80 per cent., as against 85 per cent. the previous year.

DIVIDEND DECISION

Newsprint prices in North America continued under strict Government control, but the price per ton—which had remained constant from 1938—was increased on March 1st by \$4.40, and again on September 1st by a like amount. This, it will be appreciated, was of material assistance to us, but the additional revenue only in part covered the high delivery costs on our sales for North American delivery.

War conditions, which adversely affect our earnings, are still with us, and the slight improvement over last year is accounted for by, firstly, the exchange of tonnage with the Canadian industry; secondly, increased shipments to the United Kingdom, and, of course, the increase in the price of newsprint and United Kingdom pulps during the year. In view of all the circumstances surrounding the industry at this time, it is still considered wise to omit the payment of a dividend.

BALANCE SHEET

The reduction in our various fixed assets has been brought about through the operation of the usual annual depreciation write-off.

In the case of pulpwood, of which we have some \$570,000 less value than at the end of December, 1942, we have been unable to obtain the necessary woods labour up to this time to enable us to keep our wood piles up to normal requirements. However, in this respect the outlook for the future seems brighter, and we hope it will not be long before we are again fully stocked with this essential raw material.

The increase in cash for the year was approximately \$1,190,000. Looking to the future, it was deemed wise to strengthen our structure by the retirement of our fixed debt; which took place on July 1, 1944. This we were able to accomplish without weakening our current position, which continues to be ample for our purposes.

GASPESIA SULPHATE COMPANY

This company again operated throughout the year at full capacity. The selling price of unbleached sulphite pulp remained unchanged during the year. On the other hand, costs of production materially increased, due principally to rises in wood and labour costs. The installation of the new steam plant proceeded satisfactorily during the year and should be completed during the present year.

The net profits of this company, after charging ordinary depreciation and depletion, were \$332,172.44. Out of these profits there was set aside as provision for Income and Excess Profits Taxes the sum of \$175,000, and for special depreciation and partial write-off of the old steam plant the sum of \$53,677.62.

This company's raw materials supply was

strengthened when within the past few weeks the Government of the Province of Quebec authorised the granting of an additional 600 square miles of timber limits containing high quality pulp wood.

BUCHAN'S MINE

Despite the acute shortage of skilled labour, Buchans mined and milled 36,000 tons more ore in 1943 than in 1942, and the profits for the year were substantially better than in 1942. A higher price for part of the zinc concentrate shipments also contributed to this better result, and a further improvement in the zinc concentrate price will prevail in 1944. No new ore was discovered during 1943, and the ore reserves were recalculated conservatively, with the result that the reserves at December 31, 1943 were 488,200 tons less than at the end of 1942.

The net income of Terra Nova Properties, Limited, from its share in the Buchans Mine and from its other mining interests, after providing for taxation and other expenses, amounted to \$666,023.72, out of which dividends were paid during the year of \$350,000.

The report and accounts were unanimously adopted.

AMALGAMATED DENTAL
COMPANY, LIMITED

The thirty-ninth annual general meeting of the Amalgamated Dental Company, Limited, was held, on the 28th ultimo, at 26, Broadwick Street, W. Mr E. Russell Polden (the chairman) presided.

The chairman, in his statement which was circulated with the report, after referring to the accounts, stated:

In the sphere of specialised technical research much has been achieved which should well serve the interests of the company.

Dealing with the current position, there exists a state of efficiency which makes it possible, with certain exceptions beyond the company's immediate control, effectively to meet the call upon the company's services in the supply of essential dental products for national and civilian requirements.

The report was adopted.

HARLAND AND WOLFF,
LIMITED

ANNUAL GENERAL MEETING

The fifty-ninth annual general meeting of Harland and Wolff, Limited, was held, on the 27th ultimo, at the Grand Central Hotel, Royal Avenue, Belfast.

Mr Charles J. G. Palmour (chairman of the company) presided.

The Secretary, Mr A. T. Marshall, read the notice convening the meeting and the report of the auditors.

The Chairman referred briefly to the large programme of work being carried out at the company's various establishments, but said he was still unable under existing conditions to make any general review of the company's activities. He therefore formally moved the adoption of the report and accounts.

Sir Frederick Rebbeck seconded the resolution, which was carried unanimously.

The Chairman said that in view of the statements which had appeared in the Press he thought it right he should inform members that suggestions for the reorganisation of the company's capital had been submitted to the board by a majority of the present holders of "A" shares.

Particulars of these proposals will shortly be communicated to the holders of "A" shares and "B" stock and meetings will subsequently be convened for their consideration.

Thanks were again due to all the work-people and staffs at the various establishments for the manner in which they have carried out their duties.

The retiring directors, Mr William Strachan, Jr., Mr Atholl Blair and Mr L. V. Dunlop, were re-elected; and the auditors, Messrs Price Waterhouse and Co., were reappointed.

GENERAL ELECTRIC
COMPANY, LIMITED

IMPROVED RESULTS

SIR HARRY RAILING'S
STATEMENT

The annual general meeting of this Company was held, on the 27th ultimo, in London. Sir Harry Railing (the chairman) presided.

The following is an extract from the chairman's statement which was circulated with the report:—The profit after providing for taxation and for contingencies amounts to £1,812,409, as compared with £1,748,917 last year, an increase of £63,492. After providing £460,699, against £459,619, for depreciation and £106,645, against £89,276, for our pension fund, we are left with a net profit for the year of £1,240,730, against £1,195,741 last year. We recommend that a dividend of 10 per cent. per annum and a bonus of 7½ per cent. on the ordinary stock, both less income-tax, should be paid as last year, and the sum of £865,134, against £817,762, should be carried forward. Apart from our large carry-forward, our general reserve stands at £4,700,000.

THE STATE AND INDUSTRY

Since for certain raw materials and food we are dependent on other countries, we are vitally interested on the one hand that where a lower standard of education and living exists it should approach more closely to our own, and thereby foster an expansion of world demand. On the other hand, it is vital for us by choosing the right kind of goods and producing them at the right price to increase our exports at least to such a figure that we are able to obtain these necessities in return.

No individual, community or State, without exhausting its capital, can go on living, much less advance its standard of living, unless they produce goods at a competitive value which others are willing to accept in exchange for their own. The co-operation of labour for this purpose is as essential as that of the management of industry. In the end the fulfilment of all the hopes we have for improvements depends upon our ability to create this expansion and to share in it to the greatest possible extent. This is true, whether the State or so-called private enterprise supplies capital and management. That a measure of State direction on policy at the highest level may for some time be necessary to safeguard the community's interests can hardly be denied. That the State should not be the operating mechanism of productive industry equally cannot be denied by anyone who has had any experience in the administration of large or small undertakings, or of Government enterprises.

The post-war world will demand more than ever from industry, and especially from export industry, imagination, initiative, pioneer spirit, the courage to run risks and to make quick decisions, or as the Report of the Minister of Reconstruction puts it, "resiliency and flexibility." All these qualities are, according to the laws of nature, much more likely to be obtained from individuals than from the State.

Life is much too complex to be cast in one mould. The individual, or the unit, must give way wherever its interests clash with clearly established overriding national considerations, but within these limits the greatest possible freedom must be given not only to thought, but also to the action of individuals and of functional bodies within the State.

RESEARCH WORK

Our company, for a great many years, has carried out activities which are now being hailed in some quarters as new discoveries. Our research laboratories have celebrated their twenty-first birthday. We have always paid the greatest attention to export and have a full-scale overseas organisation which, in spite of the difficulties of war, we have maintained intact to meet the post-war need.

The report and accounts were unanimously adopted.

AMALGAMATED PRESS,
LIMITEDINCREASED PROFIT AND
DIVIDEND

LORD CAMROSE'S SPEECH

The seventeenth annual general meeting of The Amalgamated Press, Limited, was held, on the 28th ultimo, in London.

The Viscount Camrose (the chairman), in the course of his speech, said: Profit for the year shows an increase of £30,989. Most of this is absorbed in an increased tax provision of £586,000, as against £562,000. We have decided to recommend, as the report shows you, an extra one per cent. in the final dividend. If this is approved, the dividend for the year will total 12 per cent., against 11 per cent. last year. The increase is not a large one, and only requires an extra £6,000 net. As I have just pointed out, the profits, after tax, are not materially increased, but we have every justification for believing that this very cautious increase in the dividend is one which we can maintain without strain.

As the directors' report shows you, we have again placed £100,000 to the reserve account, making that account £1,650,000, and the carry-forward is increased by £4,403.

KELLY'S DIRECTORIES

A year before the war, as you will remember, we acquired a controlling interest in Kelly's Directories, Limited. That company, with its subsidiaries, did very badly in the early war days. Now it has regained its strength and prosperity and in the balance-sheet and report published a few days ago you will see that the directors recommend that the dividend for the year on the Ordinary capital should be raised from 15 per cent. to 20 per cent., while the reserve allocation in the parent company has been increased from £25,000 to £50,000. The post-war outlook for the group of publications and directories owned and controlled by the Kelly Company and its subsidiaries would appear to be very satisfactory indeed.

Other of our interests outside the main business of the Amalgamated Press itself are shaping well and justify us in a measure of optimism with regard to the results they are likely to yield when peace returns.

It is dangerous to make any prophecy to-day, but I think I can tell our 22,000 shareholders that the parent business and its outside interests are in an excellent position to take full advantage of the opportunities which will offer themselves when the war has become a thing of the past.

SUPPLY OF NEWSPRINT

The year we are reviewing to-day has had no particular high lights in the publishing field, and a general survey of our periodicals would not, therefore, be of any interest. So long as the supply of newsprint is severely rationed and the starting of new publications is prohibited the enterprise of peace-days must remain non-existent. What we strive to do is to make as good a job of our periodicals as the circumstances of the day permit, and, above all, to second and support the national effort in every possible way. I drew your attention last year to the fact that publications such as ours devote a great deal of space to the printing of information and advice on matters directly connected with the war effort. They give vital information and advice on food, cooking, fuel and other questions of consequence in the home life of our people. Right from the beginning of the present struggle our editors have maintained close and almost daily connection with the Government departments concerned, and we have had many messages of appreciation of the way in which we assisted in the solution of different problems.

The report was unanimously adopted.

THE METAL BOX COMPANY,
LIMITEDDISTRIBUTION OF 17½ PER CENT
SIR ROBERT BARLOW'S REVIEW

The twenty-third annual ordinary general meeting of The Metal Box Company, Limited, was held, on the 27th ultimo, in London.

Sir Robert Barlow (chairman of the company) presided.

The secretary (Mr John Cartner) read the notice convening the meeting and the report of the auditors.

The chairman's review, which had been circulated with the report and accounts, and was taken as read, was as follows:—

The pressure of work during the year has continued at a very high level, and the board again wishes me to express its appreciation of the sustained effort made by executives, staff and workers. The staffs of the overseas companies have met exceptional demands, despite the strain imposed by long periods abroad without home leave.

The balance of profit available—£229,579—is an improvement over last year. Due to increased income tax, it is however below that of pre-war years.

Certain of the subsidiary companies were liquidated at the end of the year and will be consolidated in next year's accounts. This will facilitate administration and reorganisation after the war. Considerable progress has been made in our planning for the post-war period.

The board has appropriated a further £50,000 to the development and reorganisation reserve, bringing this reserve up to £250,000. As will be seen from the consolidated balance-sheet, the total of undivided profits and reserves now exceeds £2,000,000.

The increases in amounts owing to subsidiary companies, and in debtors and creditors arise in the normal course of business and have no special significance.

An interim dividend of 5 per cent. was paid on the ordinary stock on January 1, 1944, and your directors recommend for the seventh year in succession a final dividend of 10 per cent. and a bonus of 2½ per cent.

We send our greetings and good wishes to the large number of our employees who are serving with the Forces, and we look forward to their early return to us.

The report and accounts were unanimously adopted.

A final ordinary dividend of 10 per cent. (making 15 per cent. for the year), together with a bonus of 2½ per cent., both less income-tax, was declared.

Mr R. Beverley, Mr J. Cartner and Mr C. C. Conway were re-elected directors of the company, and the auditors (Messrs. Hodgson, Harris and Co.) were re-appointed.

HENDERSON'S TRANSVAAL
ESTATES, LIMITED

The 32nd ordinary general meeting of this Company was held, on the 2nd instant, in London.

Mr W. L. Castleden (chairman and managing director), who presided, said: During the year we made considerable changes in our investments, increasing our holdings in Other Securities (mainly Gold Mining Stocks) by £33,100 and reducing Government Securities by £20,200, with a resulting profit of £5,289.

Sundry Debtors, which consist almost entirely of dividends outstanding, are lower by £7,100, due to reduced dividends. Temporary advances to Subsidiary Companies are increased by £8,100 while the cash position is stronger by £18,700.

Revenue shows a small decline, but is amply sufficient or justifying recommending the payment of a dividend of 10 per cent. and allow a substantial balance to be carried forward.

The report was adopted and resolutions were passed for the conversion of the fully paid shares of the company into stock.

CENTRAL COMMERCIAL
PROPERTIES, LIMITED

IMPROVED POSITION

The 16th annual general meeting of Central Commercial Properties, Limited, was held, on the 1st instant, in London.

Mr W. Stanley Edgson, F.S.I., F.A.I., the chairman, said that like its four predecessors the year to June 30, 1944, had proved difficult, but without doubt had shown more promise for the future. The hope he had expressed last year that they had turned the corner from the effects of the war had so far proved justified. Although they had sold properties producing approximately £2,600 per annum, the gross rental revenue showed a further increase at £97,530 with a net revenue of £77,876, and the current gross rent roll now stood at only slightly below £100,000 a year.

The Town and Country Planning Bill and the White Paper on the Control of the Use of Land led one to the conclusion that the Government's policy, while seeking to be reasonably fair to the landowner, was very vague and uncertain as to when or how they would be able to rebuild or alternatively receive compensation for the demolished properties, and left one with an impression that they would be much handicapped by the deadening hand of delay and sterilisation. Need he emphasise how impossible it was to carry on a progressive business of creating investments under such uncertain conditions, and might he ask what inducement there was under the present proposals to private enterprise? Why should they rebuild some of their older properties when they were to be robbed of a high proportion of their legitimate improvement value, when by merely reconditioning worn-out property such a tax could be avoided?

The report was unanimously adopted and the proposed payment of one year's dividend on the cumulative preference shares to June 3, 1942, was approved.

GLOBE TELEGRAPH AND
TRUST COMPANY, LIMITED

The seventy-first ordinary general meeting was held, on the 1st instant, the Right Hon. Lord Fender presiding.

The following is an extract from the chairman's statement circulated with the report—The income amounted to £196,942, after deduction of income-tax. The appreciation in the company's investments amounted to £2,395,491.

During the past year we considered it prudent to realise a considerable portion of our preference shareholdings, which realised a sum of £149,000. The proceeds have been reinvested and show a small reduction in income, but as the reinvestment includes a line of £75,000 2½ per Cent. National War Bonds, such reduction in income is of little moment.

We have once more been able to maintain our dividend at 5 per cent., tax free.

The report was adopted.

MILLAR'S TIMBER AND
TRADING COMPANY,
LIMITED

The annual general meeting of this Company was held, on the 27th ultimo, in London, Major A. W. Bird, D.S.O. (managing director), presiding.

The following is an extract from the directors' statement circulated with the report and accounts: The liquid position of the company and its subsidiaries continues to be satisfactory.

A not unimportant part of the burden of taxation is due to the failure of the United Kingdom taxation laws to give adequate relief to British companies who trade in foreign countries and the dominions, and who have to pay tax both at home and abroad on the same income.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. Shares*	20 Fixed Int.†	Old Consols	Ord. Shares
July 27....	6,654	5,948	116.5	134.0	3.16	3.61
" 28....	6,439	6,192	116.7	134.1	3.16	3.60
" 31....	7,971	(a)	116.7	134.1	3.16	3.60
Aug. 1....	6,189	7,236	116.6	134.0	3.15	3.60
" 2....	6,822	5,801	116.5	134.0	3.15	3.61

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.7 (July 28); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3). (a) Bank Holiday.

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		July 12, 1944	July 19, 1944	July 26, 1944
	Low Mar. 15	High July 12			
37 Industrials.....	95.1 (a)	108.4	108.4	106.6	104.3
32 Rails.....	88.9 (a)	106.8	106.8	106.4	103.8
40 Utilities.....	85.0	92.2 (c)	91.6	91.0	90.5
419 Stocks.....	93.6 (a)	105.7	105.7	104.1	102.2
Av. yield %.....	4.84 (b)	4.43	4.43	4.45	4.62

* Common Stocks. (a) Feb. 9. (b) May 3. (c) July 5.

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
July 21....	128.1	1,431,000	July 25....	125.5	831,000
" 22....	126.3	837,000*	" 26....	126.5	829,000
" 24....	125.2	1,005,000	" 27....	126.1	694,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending August 5, 1944	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 201.			
Year†	Including Conversions	Excluding Conversions	
1944.....	1,006,121,170	992,100,189	
1943.....	1,115,779,242	1,099,043,584	

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944.....	991,669,468	430,721	Nil	987,596,945	2,217,789	2,285,455
1943.....	1,095,819,064	2,585,843	638,677	1,088,778,140	1,454,552	8,810,892

* Conversions excluded. † Includes Government issues to August 2, 1944, only. Above figures include all new capital in which permission to deal has been granted.

ACTUARIES' INVESTMENT INDEX

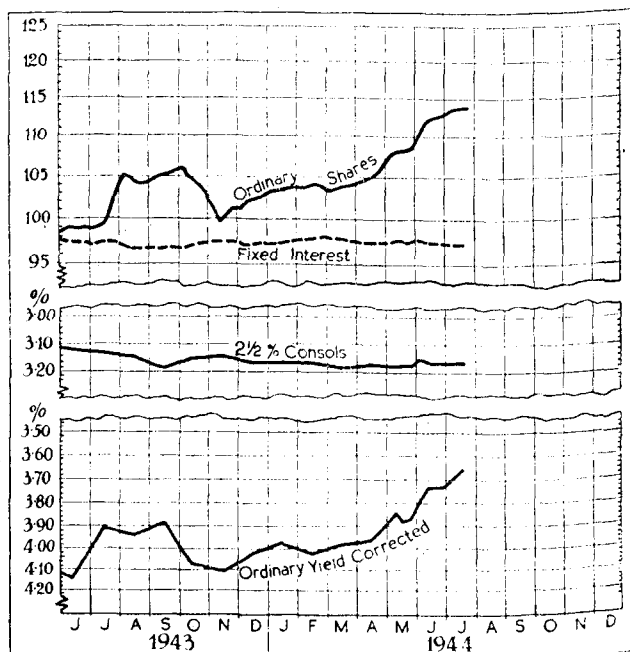
Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	Aug. 18,† 1936	July 27, 1943	June 27, 1944	July 25, 1944	Aug. 18,† 1936	June 27, 1944	July 25, 1944
2½% Consols (1).....	150.6	142.5	140.4	141.1	2.96	3.18	3.16
Home Corps. (4).....	144.2	142.6	141.6	141.5	3.23	3.29	3.29
Ind. Debts. All. (40).....	122.6	121.1	122.5	122.5	3.96	3.85	3.85
Ind. Pref. All. (115).....	112.3	110.5	114.5	114.5	4.03	4.24	4.24
Insurance (10).....	133.8	106.3	115.3	123.0	3.18	3.61	3.39
Investment Trusts (9).....	59.0	47.3	51.2	51.8	3.84	4.47	4.41
Building Mats. (6).....	104.7	95.1	104.1	110.8	4.64	2.95	2.76
Cotton (5).....	41.8	46.6	51.6	53.9	2.09	3.19	3.01
Elec. Light & Power (16).....	133.4	113.1	119.9	121.4	3.82	3.89	3.85
" Equipment (13).....	148.6	152.2	167.9	171.9	3.66	3.80	3.71
Gas (8).....	132.9	98.5	104.0	104.3	4.44	3.59	3.57
Iron & Steel (18).....	80.6	66.4	71.8	73.6	3.70	5.44	5.31
Motors (7).....	59.9	48.7	53.1	55.4	3.95	3.98	3.84
Oil (4).....	85.7	83.8	101.0	104.8	3.20	3.24	3.14
Shipping (7).....	19.1	24.1	28.1	29.0	0.77	4.37	4.24
Stores & Catering (17).....	86.3	71.0	83.2	87.3	3.63	3.03	2.93
Breweries (20).....	151.4	141.0	154.6	156.1	3.88	4.12	4.11
Miscellaneous (20).....	78.4	71.2	77.8	80.6	3.89	3.71	3.58
Industrials— (All Classes) (158).....	86.7	77.2	84.5	86.7	3.64	4.18	4.06

† Figures not strictly comparable. Fixed interest Aug. 25.

FIXED INTEREST AND EQUITY PRICES. CONSOL 2½% AND EQUITY YIELDS

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols.

(Logarithmic Scale)



Insurance Share Index.—This index has up to the present been based on an investment of £1,000 in each of 24 securities in 1913. Owing to the recent acquisition of the shares of the *Gresham Fire* by the *Legal and General*, and the consequent lack of a market quotation, the number of securities composing the index at June 30th, 1944, is reduced to 23; the index has been re-calculated for each of the four earlier dates shown in the table. For the past six months there is a gain of 6.7 per cent, a rather smaller percentage than that for industrial shares in the aggregate. The index now stands at approximately the level at the end of 1938. Offices whose shares have not yet recovered to their immediate pre-war values—the *Equity and Law*, *Legal and General*, *Life Association of Scotland*, *Prudential*, *Scottish Life* and *Sun Life*—are all primarily or exclusively interested in life assurance; in the case of the *Prudential* the prevailing uncertainty concerning the future of industrial life business has an obvious bearing on the market valuation of the shares.

(1913=1,000)

Company	June 30, 1942	Dec. 31, 1942	June 30, 1943	Dec. 31, 1943	June 30, 1944
Alliance.....	1,806	1,995	1,995	2,121	2,268
Atlas.....	2,984	3,048	3,301	3,428	3,519
Caledonian.....	4,151	4,277	4,529	4,780	5,126
Commercial Union.....	3,537	3,646	3,646	3,918	4,245
Employers' Liability.....	2,522	2,567	2,613	2,658	2,901
Equity & Law.....	1,237	1,732	1,980	2,351	2,640
General Accident.....	11,333	13,666	14,000	14,165	14,833
Guardian.....	3,077	3,192	3,307	3,455	3,629
Legal & General.....	7,924	8,197	7,924	8,278	9,126
Life Association of Scotland.....	1,831	1,783	1,783	2,225	2,187
London & Lancashire.....	3,923	4,077	4,154	4,385	4,769
North Assurance.....	2,620	2,523	2,717	2,814	3,105
North British & Mercantile.....	4,713	4,904	4,968	5,159	5,541
Northern.....	1,761	1,851	2,089	2,089	2,148
Phoenix.....	1,624	1,793	1,911	1,996	2,148
Prudential.....	2,494	2,182	2,158	2,206	2,598
Royal Exchange.....	3,943	3,943	4,313	4,313	4,559
Royal.....	2,796	2,882	3,011	3,011	3,355
Scottish Life.....	2,640	2,640	2,640	3,118	3,090
Scottish Union & National.....	2,958	3,106	3,401	4,067	4,141
Sun Fire.....	2,622	2,755	2,844	2,800	3,120
Sun Life.....	2,418	2,317	2,468	2,468	2,670
Yorkshire.....	3,092	3,195	3,453	3,605	3,711
Total.....	3,392	3,577	3,705	3,887	4,149

FINANCE AND BANKING

THE MONEY MARKET.—Apart from any tender bills held outside the market, floating debt borrowing this week was limited to some £17½ million net to be provided by the banks on Treasury Deposit Receipts, of which the new issue was twice that figure. The clearing banks were able to replenish their

(Continued on page 202.)

GOVERNMENT RETURNS

For the week ended July 29, 1944, total ordinary revenue was £74,323,000, against ordinary expenditure of £123,692,000 and issues to sinking funds of £320,000. Thus, including sinking fund allocations £3,180,239, the deficit accrued since April 1st is £1,057,035,000 against £1,102,994,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Esti- mate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to July 31, 1943	April 1 to July 31, 1944	Week ended July 31, 1943	Week ended July 29, 1944
ORDINARY REVENUE					
Income Tax.....	130,000	235,986	253,692	16,575	21,513
Sur-tax.....	80,000	9,380	8,134	260	300
Estate, etc., Duties.....	100,000	33,188	38,007	1,820	2,677
Stamps.....	19,000	5,250	3,702	910	640
N.D.C.....	500,000	135,804	146,476	7,340	8,477
E.P.T.....	1,000	163	100	13	20
Other Inld. Rev.					
Total Inld. Rev.	200,000	427,607	459,031	26,918	33,627
Customs.....	564,900	174,103	185,198	11,525	7,408
Excise.....	472,900	155,900	165,812	24,900	29,812
Total Customs & Excise.....	1,037,800	330,003	351,010	36,425	37,220
Motor Duties P.O. (Net Re- ceipts).....	27,000	2,705	2,862	241	187
Wireless Licences Crown Lands.....	4,850	1,040	1,090	210	240
Receipts from Sundry Loans Miscell. Receipts	7,350	1,742	2,183	40	80
Total.....	24,000	24,795	23,265	1,547	2,969
Total Ord. Rev.	310,180	788,272	839,791	67,571	74,323
SELF-BALANCING P.O. & Brdcastg.	112,370	35,400	37,450	950	3,200
Total.....	321,410	823,672	877,241	68,521	77,523

Expenditure	Esti- mate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to July 31, 1943	April 1 to July 31, 1944	Week ended July 31, 1943	Week ended July 29, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	420,000	118,736	128,634	951	2,787
Payments to N. Ireland.....	9,000	2,324	2,495	...	503
Other Cons. Fund Services.....	7,000	3,226	3,233	7	8
Total.....	436,000	124,287	134,362	958	3,298
Supply Services.....	550,139	176,394	175,928	108,892	120,394
Total.....	593,739	188,821	189,366	109,850	123,692
SELF-BALANCING P.O. & Brdcastg.	112,370	35,400	37,450	950	3,200
Total.....	604,979	192,362	193,106	110,800	126,892

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £193,571 to £2,826,313, the other operations for the week (no longer shown separately) raised the gross National Debt by £48,800,596 to £20,639 million.

NET RECEIPTS (£ thousands)	
War Damage Act.....	926
Overseas Trade Guarantees.....	19
Total.....	945
NET ISSUES (£ thousands)	
P.O. and Telegraph.....	250

MONTH'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
	(£ 000)		(£ 000)
Treasury Bills.....	33,459	5% Conv. Loan, 1944.....	700
Nat. Sav. Certs.....	23,050	3% Term. Annuities	1,458
3% Def. Bonds.....	8,835	" Other Debt ".....	988
2½% Nat. War Bds., 1952-54.....	35,360	External.....	988
3% Savings Bonds, 1960-70.....	28,390		
" Other Debt ".....	2,522		
Internal.....	17,850		
Ways and Means Advances.....	67,000		
Treasury Deps. by Banks.....	13,517		
Tax Reserve Certs.....	229,983		
			3,146

FLOATING DEBT

(£ millions)							
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt	
	Tender	Tap	Public Depts.	Bank of England			
1943							
July 31	1170.0	1899.1	309.0	973.5	4351.6		
1944							
April 28	1200.0	2018.3	410.4	1431.0	5059.7		
May 5	1220.0		Not available				
" 12	1240.0		" "				
" 19	1260.0		" "				
" 26	1280.0	2184.9	374.9	1419.5	5259.3		
June 2	1300.0		Not available				
" 9	1320.0		" "				
" 16	1340.0		" "				
" 23	1360.0		" "				
" 30		3536.0	437.8	1351.0	5354.2		
July 7	1400.0		Not available				
" 14	1420.0		" "				
" 21	1430.0		" "				
" 28	1430.0	1719.2	394.5	1389.5	4933.1		

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s	July 23, 1943	July 30, 1944	July 7, 1944	July 14, 1944	July 21, 1944
12 U.S. BANK RESOURCES	23,111	18,528	18,453	18,399	18,399
Gold certifs. on hand and due from Treasury	20,519	19,225	19,164	19,115	19,115
Total reserves	355	276	287	290	290
Total cash reserves	7,951	14,816	14,556	14,802	14,802
Total U.S. Govt. sec.	7,976	14,872	14,606	14,850	14,850
Total loans and sec.	30,222	36,096	35,827	35,775	35,775
LIABILITIES					
F.R. notes in circ.	14,228	18,959	18,931	18,995	18,995
Excess m. bank res.	1,020	1,600	1,500	1,500	1,500
Mr. bank res. d.p.	12,369	15,225	12,754	12,792	12,792
Govt. deposits	559	517	360	403	403
Total deposits	14,440	15,229	14,911	14,968	14,968
Total liabilities	30,222	36,096	35,827	35,775	35,775
Reserve ratio	71.6%	56.2%	56.5%	56.5%	56.5%

Million £'s	July 23, 1943	July 30, 1944	July 7, 1944	July 14, 1944	July 21, 1944
Monetary gold stock	22,374	21,114	21,047	20,996	20,996
Treasury & bank currency	4,090	4,107	4,109	4,111	4,111
LIABILITIES					
Money in circulation	17,799	22,561	22,531	22,584	22,584
Treasury cash and dep.	2,831	2,820	2,708	2,716	2,716

CENTRAL BANK OF IRELAND

Million £'s	July 1, 1944	July 8, 1944	July 15, 1944	July 22, 1944	July 29, 1944
ASSETS					
Gold	1,944	1,944	1,944	1,944	1,944
British Govt. sec.	24.13	24.13	24.13	23.88	23.88
Sterling balances	1.18	1.15	1.14	1.29	1.29
LIABILITIES					
Notes in circulation	28.16	28.16	28.16	28.16	28.16

RESERVE BANK OF INDIA

Million rupees

ASSETS	July 23, 1943	June 30, 1944	July 7, 1944	July 14, 1944	July 21, 1944
Gold coin & bullion	444	444	444	444	444
Rupee coin	148	131	128	129	164
Balances abroad	920	1,737	1,745	1,830	1,964
Sterling securities	5,777	8,283	8,283	8,283	8,283
Ind. Govt. rup. sec.	1,115	578	578	578	578
Investments	93	111	111	111	111
LIABILITIES					
Notes in circ.: India	7,389	9,314	9,319	9,322	9,262
Burma					
Deposits: Govt.	3,500	828	754	873	1,002
Banks	654	944	984	921	985
Reserve ratio	83.1%	92.5%	92.5%	92.5%	92.5%

CENTRAL BANK OF TURKEY

Million Turkish pounds

ASSETS	June 5, 1943	May 6, 1944	May 27, 1944	June 3, 1944
Gold	198.0	238.7	238.6	263.6
Clearing and other exch.	68.0	104.5	105.2	80.0
Treasury bonds	132.4	129.1	129.0	129.0
Commercial bills	397.9	483.8	499.8	564.8
Securities	61.1	65.9	65.9	52.1
Advances	257.3	251.5	255.1	250.0
LIABILITIES				
Notes in circulation	743.6	885.3	900.6	923.6
Deposits	193.0	205.2	209.2	245.5
Clearing and other exch.	25.9	18.5	20.1	21.5

CENTRAL BANK OF ARGENTINA

Million paper pesos

ASSETS	May 31, 1943	April 30, 1944	May 15, 1944	May 31, 1944
Gold at home	1,074	1,157	1,150	1,173
Other gold and for. exch.	1,508	2,311	2,351	2,317
Non-int. Govt. bonds	112	99	99	99
Treasury bonds	392	780	780	780
LIABILITIES				
Notes in circulation	1,648	2,038	2,007	2,032
Deposits: Government	456	628	651	642
Banks	844	1,281	1,263	1,263
Certs. of participation	14	221	246	235
Reserve ratio	82.5%	83.4%	84.1%	83.3%

REICHSBANK

Million reichsmarks

ASSETS	June 30, 1943	April 29, 1944	May 31, 1944	June 30, 1944
Gold and foreign currencies	77	77	77	77
Bills and cheques	30,890	40,909	42,159	42,150
Rentbank notes	207	590	595	594
Advances	29	38	28	26
Securities: for note cover	1	1	1	1
Other assets	1,926	1,900	1,468	1,765
LIABILITIES				
Notes in circulation	26,650	34,569	35,229	35,920
Daily maturing liabilities	4,881	7,179	7,240	6,754
Other liabilities	726	724	809	894

(Continued from page 200.)

depleted bill portfolios and the discount houses, with a reduced amount of bills to take up, found conditions distinctly easy. The Treasury, however, repaid the bulk of the loan from the Bank outstanding from the half-year and total market resources were slightly reduced. The only other changes of importance in the weekly bank return reflect the £50 million increase in the fiduciary issue.

MONEY RATES, LONDON.—The following rates remained unchanged between July 27th and August 3rd:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 12 months, 1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ½%.

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

United States. \$ (4.86) 4.024-034; mail transfers 4.024-034. Canada. \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.23) 17.30-40. French Empire. Francs 1971-2004. Syria. p. 8.81-85. Sweden. Krona (18.159) T.T. 16.85-95. Dutch West Indies. Florin (12.71) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. 100.00-04; mail transfers 4.02-04. Brazil. 83.64 cr. (buying); mail transfers 83.56 cr. Uruguay. 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. L. 128-130.

Market Rates.—The following rates remained unchanged between July 27th and August 3rd.

Egypt. Piastres (974) 971. India. Rupee (184 p. per rupee) 17½-18½. Belgian Congo. Francs 1764. China. National 33.34. Iran. R. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.28 pesos.

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

NEW YORK EXCHANGE RATES

New York on	July 26	July 27	July 28	July 29	July 31	Aug. 1	Aug. 2
Cables:							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90.250	90.150	90.250	90.310	90.180	90.180	90.180
Zurich	23.50	23.50	23.50	23.50	23.50	23.50	23.50
Buenos Aires	24.73	24.71	24.68	24.68	24.65	24.65	24.65
Rio de Janeiro	5.16	5.16	5.16	5.16	5.16	5.16	5.16
Lisbon	4.09	4.09	4.09	4.09	4.09	4.09	4.09
Barcelona	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Stockholm	24.86	24.85	24.86	24.86	24.85	24.85	24.85

* Official Buying Rate 29.78. † Free Rate. ‡ Bid.

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to date (July 29th), and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

Total ordinary expenditure . . .	£ 1,893,646	Total ordinary revenue	£ 839,791
New Sinking Funds	3,180	Loans raised :—	
Loans repaid :—		3% Def. Bonds (net)	63,223
3% Conversion Loan, 1944 . . .	313,198	3% Savings Bonds, 1960-70 . .	187,243
5% Conversion Loan, 1944 . . .	3,500	2½% Nat. War Bds., 1952-54 . .	259,363
Other debt :—		Nat. Sav. Certs. (net)	120,550
External (net)	5,937	Tax Reserve Certs. (net)	76,523
Increase in balances	335	Other debt:—	
		Internal (net)	6,752
		3% Temp. Annuity (net)	117,062
		Floating debt (net) :—	
		Treasury Bills	420,161
		Public Dept. Adv.	89,400
		Bank of England Adv.	1,250
		Treasury Deposits	28,500
		Miscellaneous Receipts	8,876
	£ 2,218,534		£ 2,218,534

INDUSTRY AND TRADE

Trade Disputes.—There was a large drop in the number of working days lost as a result of trade disputes between April and May from 719,000 to 46,000. The figure for June is even lower, at 44,000. The number of disputes in progress fell from 160 in May to 120 in June, and the number of workpeople involved from 28,100 to 24,300, which compares with 42,500 in June, 1943, when 116,000 working days were lost. An analysis for the first six months of the year shows that there were 1,182 stoppages, involving 601,100 people for 2,918,000 days. The comparative figures for the same period of 1943 are 832,222.800 and 584,000. The industries mainly responsible for the increase were coalmining, engineering and shipbuilding.

"The Economist" Sensitive Index.—There was no change in the index during the week ended August 2nd. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

Cost of Living.—The Ministry of Labour's cost of living index (1914=100) stood at 201 on June 1st. This is higher than it has been for over 20 years, except in December, 1941, and August, 1942, when it reached 201. The reason for the figure on June 1st is the partial replacement of old potatoes by the new crop at higher prices. This was sufficient to raise the index by one point from the level of 200 which has been maintained since last February.

COST OF LIVING INDEX

(July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	½	12½
Sept., 1939	138	162	208	182	179	155
1940	166	164	295	212	219	187
1941	166	164	380-385	228	230	199
1942	160	164	395-400	240	265	200
1943	166	164	345	244	291	198
May, 1943	165	164	350-55	244	286	199
June, 1943	165	164	350	244	286	198
July, 1943	163	164	345-350	244	286	200
May, 1944	168	164	345	252	291	200
June, 1944	168	164	345	253	291	200
July, 1944	169	164	345	253	291	201

Source: Ministry of Labour Gazette.

COMPANY RESULTS (July 19, 1944, to July 28, 1944)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries, &c.													
Booth's Distilleries	Mar. 31	129,916	...	83,631	122,794	26,381	24,000	8	25,000	+ 8,250	178,313	60,562	...
Nuttall's Breweries	June 30	267,171	1,500	70,321	111,324	42,000	15,000	74	...	+ 13,321	236,285	66,436	...
Truman, Hanbury, Buxton & Co.	April 1	331,027	...	239,939	429,455	39,440	145,800	24½	50,525	+ 4,174	315,673	224,585	22½
Vaux & Associated Breweries	June 30	76,431	...	60,002	144,853	24,655	34,353	7½	...	+ 994	75,279	59,358	...
Coal, Iron and Steel													
Allied Ironfounders	Mar. 31	230,367	...	224,748	439,270	35,246	105,960	12½	75,000	+ 8,542	330,183	322,130	12½
Baird (William) & Co.	May 31	335,502	...	161,763	255,499	...	139,322	15	...	+ 22,441	325,303	156,293	15
Briton Ferry Steel	April 1	280,869	50,000	58,157	109,385	30,000	29,015	10	...	+ 888	253,453	55,197	10
Consett Iron Co.	Mar. 31	992,855	125,000	123,456	322,241	20,000	105,000	7½	...	+ 1,544	867,786	131,072	7½
Darwins Limited	Mar. 31	125,317	14,476	45,879	57,574	5,317	15,275	6	25,000	+ 287	153,505	27,360	...
Financial, Land, &c.													
Aboukir Co.	Mar. 31	76,170	...	20,460	37,452	...	15,000	5½	...	+ 5,460	72,043	21,987	...
Beecham Maclean Holdings	Mar. 31	503,829	...	248,954	251,409	47,133	107,950	25½	93,490	+ 381	395,860	195,283	21½
Bieckert's Brewery Investment Co.	May 31	46,518	...	21,594	33,160	...	15,519	5	5,000	+ 1,075	48,890	20,397	...
Central Commercial Properties	June 30	98,581	...	22,035	44,205	11,410	...	...	10,500	+ 125	97,406	15,769	...
Hampstead Garden Suburb Trust	Mar. 31	26,336	...	2,796	5,613	...	2,750	5	...	+ 46	26,206	5,591	...
Hudson's Bay Co.	Jan. 31	210,066	154,843	351,474	466,420	26,000	205,608	5½	74,395	+ 45,471	1,653,078	195,228	...
London Cnty. Freehold &c. Properties	Mar. 31	404,369	...	155,604	412,980	16,203	92,962	7½	45,000	+ 1,439	390,794	61,021	...
Oregon Mortgage Co.	May 31	53,570	...	14,710	34,900	6,750	4,000	4	10,000	+ 6,040	47,786	11,865	...
Scottish American Mortgage Co.	May 31	131,458	...	55,172	169,866	27,996	14,195	9	10,000	+ 2,981	124,871	51,185	...
Scottish Tea & Rubber Trust	May 31	5,980	...	5,066	13,144	...	4,683	4½	...	+ 383	4,148	2,855	...
Waddon Investments	Mar. 25	30,969	...	14,306	15,046	6,000	8,000	8	...	+ 306	30,145	7,778	...
Hotels, Restaurants, &c.													
Oddenino's Hotel, &c.	Dec. 31	62,479	866	2,569	7,581	1,375	1,250	5	...	+ 56	53,190	7,844	...
Motor, Aviation, &c.													
Humber Limited	July 31	195,513	61,984	114,592	274,180	54,985	12,596	15	40,000	+ 7,011	203,437	107,742	...
Oil													
New Brunswick Gas & Oil	Dec. 31	36,363	...	3,531	14,771	3,660	...	...	...	+ 129	33,614	3,306	...
Phoenix Oil Products	Dec. 31	5,049	...	24,000	28,116	24,000	...	...	...	...	5,202	24,000	...
Rubber													
Banir Rubber Estates	Mar. 31	254	...	1,511	4,390	...	...	...	...	+ 1,511	287	724	...
Bradwall (F.M.S.) Rubber	Dec. 31	748	...	56	4,442	...	...	...	...	+ 56	746	72	...
Bukit Sembawang Rubber	Mar. 31	1,234	...	Dr. 10	6,841	...	...	...	...	+ 10	1,120	606	...
Chersonese (F.M.S.) Estates	Dec. 31	1,954	...	267	14,808	...	...	...	...	+ 267	1,997	309	...
Gula-Kalumpung Rubber	Dec. 31	5,501	...	4,593	72,416	...	...	...	...	+ 4,593	5,951	2,640	...
Highlands & Lowlands Para Rubber	Dec. 31	3,230	...	956	52,191	...	...	...	...	+ 956	5,374	2,619	...
Ingalkande Rubber & Tea	Dec. 31	3,858	...	1,695	6,778	...	1,752	6	...	+ 57	3,889	2,452	...
Junun Rubber	Dec. 31	57	...	Dr. 600	2,652	...	...	...	...	+ 690	82	Dr. 1,157	...
Lambak Rubber	Mar. 31	1,050	...	220	20,400	...	...	...	...	+ 220	655	55	...
Langkat Sumatra Rubber	Dec. 31	334	...	Dr. 263	Dr. 6,831	...	...	...	...	+ 263	154	Dr. 1,671	...
Laras (Sumatra) Rubber	Mar. 31	1,489	...	Dr. 457	3,273	...	...	...	...	+ 457	756	Dr. 1,539	...
Matule Ceylon Rubber	Dec. 31	4,028	...	3,254	4,552	...	1,206	5	...	+ 2,048	4,480	1,170	...
Medini Rubber	Dec. 31	375	...	Dr. 280	Dr. 586	...	...	...	...	+ 280	425	Dr. 306	...
Port Dickson Lukut (F.M.S.) Rubber	Mar. 31	894	...	141	14,329	...	...	...	...	+ 141	835	365	...
Remfield Rubber	Dec. 31	196	...	Dr. 3,937	Dr. 23,334	...	...	...	...	+ 3,937	237	Dr. 1,408	...
Rini (Java) Rubber	Mar. 31	366	...	Dr. 1,074	7,334	...	...	...	...	+ 1,074	356	Dr. 1,304	...
St. George Rubber	Dec. 31	44,394	...	8,209	11,029	...	6,605	7	2,000	+ 396	40,500	9,077	...
Selangor United Rubber	Mar. 31	392	...	Dr. 592	10,778	...	...	...	...	+ 592	Dr. 942	Dr. 942	...
Sungei Siput Rubber	Mar. 31	1,136	...	Dr. 3,806	18,528	...	...	...	...	+ 3,806	1,174	Dr. 4,029	...
Tanah Datar Rubber	Dec. 31	256	...	7,635	8,772	...	...	...	...	+ 7,635	261	Dr. 4,888	...
United Patani (Malaya) Rubber	Dec. 31	3,038	...	Dr. 2,672	34,883	...	...	...	...	+ 2,672	2,192	Dr. 5,387	...
Shops and Stores													
Barratt (W.) & Co.	June 30	225,693	18,728	93,005	123,006	35,000	48,000	12	10,000	+ 5	226,862	90,501	...
Boots' Pure Drug Co.	Mar. 31	1,377,581	154,931	275,242	498,966	46,375	240,000	30	...	+ 13,133	1,077,911	227,454	...
Thomas & Evans	Feb. 26	124,918	22,601	44,543	74,715	9,324	15,000	10	20,000	+ 219	128,990	45,307	...
Tea													
Alliance Tea Co. of Ceylon	Dec. 31	21,113	6,779	8,110	13,849	...	6,037	6	...	+ 73	32,547	7,203	...
Amalgamated Tea Estates	Nov. 30	169,089	23,363	69,726	194,096	21,000	66,969	7	...	+ 1,757	228,794	91,438	...
Anglo-American Direct Tea	Nov. 30	228,633	34,357	113,044	201,188	30,000	49,678	7½	...	+ 33,366	364,143	79,530	...
Consolidated Tea & Lands	Nov. 30	431,578	46,148	215,430	362,066	78,000	120,000	10	...	+ 17,430	648,839	203,042	...
Kanan Devan Hills Produce	Nov. 30	374,219	57,866	131,353	217,461	33,000	112,500	15	...	+ 14,147	557,060	141,677	...
Pjwangie Tea Estates	Mar. 31	2,496	...	1,842	5,129	...	...	...	...	+ 1,842	2,359	1,665	...
Vellikelle Tea Co. of Ceylon	Dec. 31	3,746	...	2,139	3,040	190	1,887	8	...	+ 62	7,632	2,165	...
Telegraphs, &c.													
Anglo-Portuguese Telephone	Dec. 31	84,167	...	52,126	91,212	...	51,975	8	...	+ 151	81,519	52,627	...
Trusts													
Globe Telegraph & Trust	June 30	196,942	...	182,442	311,831	59,319	117,700	5½	...	+ 5,423	196,026	180,437	...
McDougalls Trust	June 30	205,123	...	100,721	145,917	25,000	74,934	10	...	+ 787	205,095	101,212	...
Second Gt. Northern Invest. Trust	June 1	60,164	...	22,158	43,653	11,719	5,208	2	...	+ 5,231	56,239	20,196	...
Other Companies													
Amalgamated Press	Feb. 29	1,004,130	...	333,903	555,119	157,500	72,000	12	100,000	+ 4,403	973,141	325,788	...
Amalgamated Dental Co.	Dec. 31	333,809	...	91,621	134,414	81,879	10,000	5	...	+ 258	301,344	71,584	...
Banister, Walton & Co.	Mar. 31	50,239	...	23,971	36,161	...	12,264	20	10,000	+ 1,707	49,895	21,056	...
Barry & Staines Linoleum	Jan. 31	95,917	...	83,269	163,009	11,605	70,273	7½	...	+ 1,391	84,184	70,287	...
Beautyful Furniture	Mar. 31	26,769	...	25,769	55,206	...	9,735	15	10,000	+ 6,394	24,688	23,188	...
Betts & Co.	Dec. 31	20,150	6,753	Dr. 23,677	Dr. 12,221	...	...	...	Dr. 23,677	...	62,022	20,270	...
De La Rue (Thomas) & Co.	April 1	336,470	8,759	126,629	194,787	...	69,400	40	50,000	+ 7,229	357,486	177,914	...
Ebonite Container Co.	Feb. 29	15,559	...	14,560	30,950	...	14,450	17	...	+ 110	18,653	17,653	...
Evans (William) & Co. (Manchester)	April 30	38,749	5,230	12,001	30,013	2,477	7,500	10	...	+ 2,024	31,362	10,401	...
Finlay (James) & Co.	Dec. 31	812,793	...	220,097	570,658	30,000	187,500	12½	...	+ 2,587	662,770	238,017	...
Friedlands Limited	Mar. 31	26,096	...	10,566	20,298	...	6,300	12	4,500	+ 4,342	28,460	9,703	...
Glacier Metal Co.	Feb. 29	107,816	18,553	13,467	20,729	2,750	6,375	7½	...	+ 3,342	82,628	8,414	...
Glamorgan Wagon Co.	Nov. 30	4,587	...	3,719	30,782	...	1,216	5	...	+ 2,503	4,499	3,694	...
Gossage (William) & Sons	Dec. 31	300,816	...	317,277	405,569	71,250	245,000	35	...	+ 1,027	296,801	293,191	...
Harland & Wolff	Dec. 31	1,250,816	400,000	216,974	304,040	...	209,883	6	...	+ 7,091	1,006,026	222,680	...
Hills (F.) & Sons	Mar. 31	80,700	11,894	15,975	18,810	...	12,500	12½	...	+ 3,475	89,346	9,718	...
Kelly's Directories	Mar. 31	318,109	...	122,879	207,926	24,750	43,697	20	50,000	+ 4,432	268,767	84,173	...
Knight (John) Limited	Dec. 31	284,789	17,385	240,292	374,047	125,000	105,000	35	...	+ 10,292	281,975	245,725	...
Lovell & Christmas	June 3	179,381	...	102,621	182,386	45,000	45,000	6	10,000	+ 2,621	181,654	82,979	...
Lovering China Clays	Mar. 31	17,338	...	129	Dr. 25,562	...	...	...	...	+ 129	17,338	112	...
Mackintosh (John) & Sons	Dec. 31	156,362	...	82,269	231,824	60,000	20,000	10	...	+ 2,269	151,120	87,374	...
McColl (R. S.)	April 21	33,226	...	9,866	12,110	6,000	3,750	5	...	+ 116	29,636	7,805	...
McDougalls Limited	Mar. 31	281,494	12,619	102,801	156,379	16,000	85,000	...	...	+ 1,801	273,184	124,308	...
Metal Box Co. Limited	Mar. 31	604,522	...	215,819	356,741	34,622	130,265	17½	...	+ 50,932	590,175	118,881	...
Millars' Timber & Trading	Dec. 31	74,430	8,000	64,729	149,715	55,250	11,333	5	...	+ 1,854	77,658	67,758	...
Murries, Bickerton & Day	Mar. 31	30,094	...	30,432	40,910	4,952	21,349	...	...	+ 7,131	26,186	8,809	...
Morgan Crucible Co.	Mar. 31	880,127	...	207,119	208,178	54,475	107,900	10	42,283	+ 461	807,741	163,168	...
Morrison's (Gowans)	Dec. 31	32,209	...	5,319	12,610	1,750	1,800	15	2,000	+ 261	12,221	6,011	...
Newman & Watson Limited	Mar. 31	7,134	915	2,141	8,264	2,250	...	...	...	+ 109	17,113	4,984	...
North Glamorgan Wagon Co.	Nov. 30	3,948	...	3,165	29,854	...	911	5	...	+ 2,254	3,794	3,069	...
Pritchard & Constance	Mar. 31	36,269	...	13,622	19,565	4,000	9,500	38	...	+ 122	42,		

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EDWARD POPE, Manager.

47, Threadneedle Street, E.C.3. 1st August, 1944.

UNIVERSITY OF CAMBRIDGE

The Appointments Committee of the Faculty of Economics and
Politics give notice that they intend to appoint in the course of
the Michaelmas Term, 1944, two University Lecturers in Eco-
nomics. Full particulars can be obtained from the Secretary
of the Faculty Board (Mr. M. H. Dobb), at the Marshall Library,
Downing Street, Cambridge, and candidates should communicate
with him before October 15th next. If either of the candidates
appointed is prevented by national service or by the special
circumstances of the present time from discharging the duties
of the office, dispensation from the statutory obligations of the
office will be granted, subject to such conditions, financial or
other, as may be approved.

27th July, 1944.

APPLICATIONS are invited for posts as Temporary Assistant
Commissioners with the National Savings Committee. Uni-
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and organisation of meetings desirable. Salary range, £350-£600
for men and £280-£480 for women—plus War Bonus, the entry
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under the National Service Acts or more than 55 years of age.
Service in any part of England or Wales may be required.Applications in writing (no interviews), stating date of birth,
full details of qualifications and experience (including a list in
chronological order of posts held) and quoting Reference No.
P.P.333, should be addressed to the Ministry of Labour and
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Kingsway, London, W.C.2.APPOINTMENT. Robson, Morrow and Co. are seeking an
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concentrating everything on disarmament, would stand a chance of securing the full and, if need be, armed support of the Western peoples even after twenty years of peace. If the German campaign for revision has to begin with a naked demand for bombers and tanks, it stands a good chance of being resisted by even the crassest isolationist or the blindest idealist. But if there is a whole series of earlier demands, which appear just, or at least not worth fighting about, if the sapping and mining at the treaty is encouraged by the fact that it has too many indefensible outer works, then eventually the citadel will be surrendered, as in the 1930s, without a shot being fired. To plead for a "moderate" peace is not to plead for leniency for the Germans, but for the direct opposite, for a peace that will be enforced upon them.

Such, incidentally, was the settlement outlined by Mr Churchill and Mr Roosevelt in 1941, when they signed the Atlantic Charter. Since that time, Russian diplomacy, clumsily mismanaging the Polish issue, has introduced the fatal principle of territorial compensation. Since that time, the Nazis have by their abominable massacres and uprootings created precedents which can now be used against them. Defeated themselves, they may yet leave behind victory for their ideas. Yet the kind of peace proposed in 1941 was wiser and saner than the proposals made in 1944. It was a peace that carried within it the promise of further peace, whereas, of the settlement that is being proposed today, this unhappy prophecy must, with all solemnity, be made. Not only will it fail to preserve the peace. Inevitable war is being built into its very foundations.

The Monetary Agreements

AN apology may perhaps be needed for returning once again to the agreements reached at the Monetary and Financial Conference at Bretton Woods. If so, the apology is due from the authors of the misleading official summary of the agreements rather than from those who were misled by it into false conclusions. Some comment is made in a Note on page 213 on the general subject of the reporting of conferences. In this article some amendments are made to the judgment expressed on the agreements in *The Economist* of two weeks ago.

The proposed International Monetary Fund should be judged from two angles. There is the main issue whether, in the post-war world, any universal, multilateral, stable-exchange currency system will be possible and desirable. And there is the detailed question whether the particular system now proposed is technically the best that can be obtained. All through the discussion, it is the second and minor question that has been most widely canvassed while the major question has been either taken for granted or else discussed in terms of desires rather than of realistic probabilities.

Nevertheless, the details of the arrangements can conveniently be disposed of first. Without rehearsing once again the main outlines of the Fund, the following would seem to be the chief points of interest:

1. *Scarce Currencies.*—The official summary mentioned only that, when a currency became scarce, the Fund should make a report upon the circumstances, and it was assumed that this was all that was left of the "scarce currency" proposals of the Joint Experts' Plan of last April. This is not so; the provisions for rationing supplies of a scarce currency, and permitting members to impose restrictions on payments in that currency, are retained. They are even strengthened by a clause providing that no previous agreements (such as

commercial treaties, etc.) shall be valid against these new provisions. This is satisfactory; but at the same time the importance of this Article is reduced by a provision that a member threatened with the application of these scarce currency provisions can either lend its currency to the Fund or even use it to buy capital assets (the nature of which is unspecified) from other members, although the Fund is not normally to be used for capital transactions. To point this out is not to argue that it is wrong for a surplus country to lend its currency or to export capital. But these provisions do make it considerably less likely that the "scarce currency" provisions could ever be used.

2. *Rates of Exchange.*—The provisions for varying rates of exchange, once fixed, are as satisfactory as could reasonably be expected. Changes up to 10 per cent can be made without permission; a further 10 per cent with permission to be given within 72 hours; and further changes with the permission of the Fund, which must concur "if it is satisfied that the change is necessary to correct a fundamental disequilibrium." Moreover, the Fund is to take no account of "domestic social or political policies." On the other hand, the initial parties are, in most cases, to be those "prevailing on the sixtieth day before the entry into force of this Agreement"—that is, at latest, on November 1, 1945. After the last war, the parity of sterling was not fixed until 64 years after the Armistice, and even then proved to be widely incorrect. Is it reasonable to suppose that it will be possible to determine proper parities in 1945, which will correspond to 1919?

3. *Sterling Area.*—The currencies of metropolitan countries and their dependent colonies are treated, for all practical purposes, as a unit. But the sterling area is, of course, much larger than the British Colonial Empire, and for the wider purposes the only relevant section is that forbidding "any discriminatory currency arrangements or multiple currency practices." These terms are not defined, and it is clear

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that they could be interpreted in a way that would obstruct the working of the sterling area. For example, members of the Fund are to be allowed to impose restrictions on capital movements; would it be considered a "discriminating currency arrangement" if the United Kingdom freed capital movements within the sterling area, while retaining restrictions on capital movements to other countries? The assurances which the Chancellor of the Exchequer told the House of Commons had been given by the Americans are not embodied in the Agreement, and all questions of interpretation are to be decided (presumably by a majority) by the Executive Directors, who would not be bound by any outside undertakings.

4. *Debtor-Creditor Relationships.*—It is under this head that the most significant changes have been made since the Joint Experts' Plan. A system of charges, payable in gold, is to be levied against members who make use of the Fund. It should be realised that the Fund does not make loans. If Britain, for example, is short of dollars, the Fund does not lend them, but sells them in return for pounds. A non-recurring service charge of $\frac{1}{2}$ per cent is to be levied, and in addition a system of recurring charges, analogous to interest, varying both with the amount and with the duration of the accommodation provided. These charges rise gradually from $\frac{1}{4}$ per cent to 5 per cent, after which they can be made penal. In the case of the United Kingdom, accommodation of up to £81½ million would attract penal rates after 10 years, up to £162½ million after 5 years, and up to £243½ million after a little more than three years. These charges go into the general income of the Fund, and if any distribution is made the first slice is to pay 2 per cent per annum to the surplus countries on the amounts of their currencies provided to the deficit countries. Thus, although the deficit countries are paying full value in their own currencies for the accommodation they receive, they are to pay interest as if they were borrowing. In addition, on some crucial issues, voting power is to be taken away from deficit countries and given to surplus countries. These provisions give the Fund a heavy pro-creditor and anti-debtor bias which was missing from the earlier proposals. Whether or not it is right to penalise countries with a chronic adverse balance of payments, it is surely quite wrong to reward countries with a persistent excess of exports over imports.

5. *Exchange Restrictions.*—It is made clear that the Fund is not to be used for the liquidation of indebtedness arising out of the war. Members are also to be free to "exercise such controls as are necessary to regulate international capital movements," but it is added that "no member may exercise these controls in a manner which will restrict payments for current transactions." In another clause "current transactions" are defined (in part) as including "without limitation, all payments due in connection with foreign trade." It needs to be enquired whether a control of capital transactions will be possible if the proceeds of exports may never be restricted.

6. *Transitional Period.*—The Fund will come into being before the end of 1945 and the transitional period will last for five years from then—that is to say, after five years the Fund may require a member, without its consent being necessary, to abandon such restrictions on current transactions as are allowed in the interim. Last time, the "transitional period" between the Armistice and the British return to the gold standard was about 6½ years; it may be rather shorter this time.

No particular comment seems to be called for on the details of the Agreement relating to the International Bank for Reconstruction and Development, save to point to the

scrupulous care that has been taken to ensure that funds raised in any country can be spent in any country.

Each of these points is doubtless small, but taken together they add up to quite a significant change in the nature of the document since last April, and a change that cannot be regarded as being for the better. There would obviously be the very greatest unwillingness to reject an Agreement of this kind on technicalities, irrespective of the major issues involved. Drafting is a matter of bargaining, and concessions must doubtless be made. But it looks rather as if the British Delegation at Bretton Woods had conceded several fresh points and won none.

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The deciding issue, however, must be the wider question whether any system of this kind, technically perfect or imperfect, can be expected to be appropriate to the conditions of the post-war world. It is quite inevitable, not least in this country, that the question should be answered in the light of history, for the dilemma with which the country is now faced is very similar indeed to that from which an escape was sought by the return to gold in 1925. It is not quite right to say, as some are saying, that the Fund is only a subtler version of the gold standard. But it is true that the gold standard and the Fund are different species of the same genus. In the gold standard, the links between the currencies are entirely rigid. In the Fund they have some elasticity—both in the provisions for alterations in rates and in the provision of (limited and temporary) accommodation for countries with adverse balances of payments—but the object is the same as that of the gold standard, to secure universal convertibility and the maximum stability of currencies.

Different individuals' judgments on the desirability and workability of the Fund are therefore likely to vary with their opinion, considered in the light of subsequent events, on the return to gold in 1925. Of the theoretical desirability of a universal system, few will have any doubt. But equally few will deny that the gold standard system failed rather disastrously after the last war. If this new system is to work, one of two conditions must be met. Either the new system must be such an improvement, in its internal arrangements, over the rigid gold standard that it would have worked in the years of the Great Depression, or else there must be sound reason for believing that another Great Depression is entirely impossible. On the first point, it is difficult to believe that the elasticities in the new scheme, welcome though they are, would have been nearly enough to save it when the hurricane blew. And on the second point, the only sound judgment is that it is far too soon to tell—and that it will remain so for quite a long time.

Two anxieties of equal strength appear to be in opposition to each other. On the one hand, no opportunity must be missed to build a free and co-operative system of world trade. On the other hand, the mistake of 1925 must not be made again. The first anxiety would counsel an acceptance of the Bretton Woods Agreements. The second, unless there are very great achievements in other departments of economic policy, would counsel their rejection. The only possible course is, for as long as possible, neither to accept nor to reject.

The Administration of Policy

WHEN the Beveridge Report on Social Insurance and Allied Services came out, the group of Tory reformers made it a test of the Government's good will that the suggestion of a Ministry of Social Security should be accepted. Until very recently it seemed probable that the Government would continue to resist this demand; and that its own White Paper on these subjects, which is to appear shortly, would contain instead a proposal for the establishment of a Social Security Board. Now it seems, however, that there have been second thoughts. Apparently the resistance of established Ministers with responsibilities

in neighbouring fields of administration (especially in labour matters) has been overcome, in part at least; and, at any rate according to report, there is to be a Ministry after all.

This decision, if it has been made, is not unimportant. It represents the very sensible recognition, no doubt, that social insurance and the rest cannot after all be taken "out of politics"; Board or Ministry, there must be responsibility, through a Minister, to Parliament; as a protective device, the non-Ministerial Board (except in purely technical matters) is both erroneous and unwork-

able. As an administrative device, however, in certain fields, there is much to be said for the Board (with Ministerial responsibility).

This is an instance of the problem that has arisen with every extension of public responsibility since at least the Elizabethan Poor Law. What kind of agencies, central and local, can best combine efficient administration with popular control? Broadly speaking, after many trials and errors, two conclusions seemed, until lately, to have emerged from past experience, and are embodied in present practice. The first is that, in the system of Cabinet and Parliamentary government, some Minister of the Crown (and, in most cases, some Ministry or Civil Service department) must be responsible, and be held responsible, for any central or national administrative activity which involves the receipt or expenditure of public funds. The second conclusion is that, similarly, local administration involving expenditure from rates must be the responsibility of committees of locally elected councillors acting through appointed officers.

The old question that arises sharply again at the present time is whether this machinery, despite the unexceptionable principles upon which it rests, is sufficiently flexible to permit the efficient performance of all the increasing number of complicated technical tasks that have to be carried out by public authorities. There have been periodic doubts about this during the past hundred years.

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Repeatedly, the suggestion has been made that certain tasks would be best performed, centrally or locally, by bodies of experts, sufficiently secure in office to ensure continuity of policy. Repeatedly, notably in public health and the administration of the poor law, "boards" of experts have been set up. Always, as Bagehot once pointed out, "the experiment of conducting the administration of a public department by an independent unsheltered authority" has failed: "Parliament always poked at it, till it made it impossible." Only in the case of public utilities, which, in addition to the technical nature of their operation, are also self-financing, and mostly non-controversial, has it been possible (as PEP pointed out in their recent broadsheet on the Health Services*) to set up public corporations "as an alternative to direct Ministerial control."

There can be no doubt that this stubborn resistance to government by experts has sprung from the soundest of instincts. It would be a grave matter if authority over persons and property or access to the public purse were to pass from the responsibility of Ministers or to escape the surveillance of Parliament. But many main branches of public policy are becoming as highly technical in their operation as the public utilities themselves. In a sense matters such as public health and social security are public utilities. What was once, for the most part, a problem of constitutional and political practice has become a serious technical dilemma. Except in special cases, such as the Treasury, the established administrative agencies of the Civil Service lack the personnel and expertness to do this technical work; and the programme of reconstruction that the Government is now producing stage by stage has brought these issues to a head.

The problem has arisen in the case of the proposed National Health Service. Rightly, the demand of the British Medical Association that this Service should be conducted by a corporate body of doctors is rejected. But need the responsible department be "of the traditional type"? The Government's answer in the White Paper, it will be remembered, is Yes and No. That is to say, the Ministry of Health will still exercise responsibility over the whole field of the health services, but between the Ministry and the public service of general practitioners there will be a Central Medical Board. This Board will be made up mainly of practising doctors, though it will also include some full-time and lay members. It will be appointed by the Minister after consultation with the medical profession, and will be subject to the Minister's

* Medical Care for Citizens. Planning No. 222. 16, Queen Anne's Gate, London, S.W.1.

general instructions. But the Government's intention is that the Board should have considerable latitude in its administrative work and even, within limits set by the Minister, in the spending of public money.

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It may therefore be asked what future there may be for "semi-detached" administrative organs of this kind? It should be noted that a Central Medical Board, if it is set up, will not be the first instance of this development. There already exists the Assistance Board. The members of the Assistance Board are public servants, but do not belong to the regular Civil Service. They are drawn from persons with experience and knowledge of unemployment, pensions, allowances and social payments of all kinds. They work, as the CMB will, under Ministerial direction, mainly that of the Minister of Labour—though several other Government departments are concerned. But from day to day they work on lines which they themselves lay down, and they have undoubtedly carried out their functions efficiently—though, it should be admitted, they have not worked without collisions with the officials of the departments (chiefly the Ministry of Labour) to which they are half-attached. The forthcoming White Paper on Social Insurance and kindred topics, then, is likely to carry an important discussion a stage further. The statement of reasons why the Government has after all preferred a Ministry to a Board—if this is so—should be illuminating.

This problem is not really one of principle, because, as experience proves, government can never be taken "out of politics." Is it a problem of practice calling no doubt for different empirical solutions in different instances. Present trends suggest that two possible complementary solutions may be emerging. One is the increasing attachment to Ministries, at one stage removed and with a considerable degree of autonomy, of bodies of experts. The other, which is even more essential, is the recruitment for the Government departments themselves of men and women with knowledge and experience of technical affairs.

These two tendencies really amount to the same thing. They illustrate the obvious need for an extension of the Public Service to include what, in the broadest sense, may be called "technicians." Whether these men and women with training in technical matters can best be used as Civil Servants proper or as the staffs of "semi-detached" bodies, and whether they should be full-time officers or part-time *ad hoc* appointments—these are matters to be decided according to the requirements of each particular case. The point is that the democratic administration of technical tasks cannot be carried out without their recruitment and assistance.

There are already a number of instances of this need in the reconstruction programme. The Board of Trade will be unable to carry out its functions under the proposed Employment Policy unless it is provided, not only with the assistance of the Central Statistical Office to collate and interpret the figures of industrial activity, but also with officers—or attached Boards—capable of, say, understanding and advising the course of industrial production and location. This is true whatever division of functions may be made between the Board of Trade, the Ministry of Labour, and a possible new Ministry of Industry. One obvious example of a requirement which will almost certainly arise in the maintenance of employment is that of a National Investment Board, capable by its terms of reference and by its staffing, not simply of passing investment projects through a sieve—which might well be detrimental and delaying—but of helping to set on foot fresh activity when economic prospects require it. A Ministry or Ministerial department would hardly do here.

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Another example is that of land policy. Here it is not simply necessary to staff the Ministry of Town and Country Planning with "technicians" capable of seeing the problems of land development in a positive and expert light. There is also to be a National Land Commission—another "semi-detached" board—which will be centrally concerned with the balancing of compensation expenditure

and betterment receipts, and therefore with the pace of land development; it will plainly need its experts—and, at some stage removed, its responsible Minister.

These instances will no doubt be multiplied as the Four Year Plan unfolds. They have their local parallel. Much of the difficulty of finding local authorities suitable to carry out each of the added tasks of reconstruction arises, admittedly, from the wide divergences among local authorities in size and wealth. But, even if these differences can be remedied by regrouping, and even if the undue burden to be laid upon the rates were remedied by the transfer of some services to central funds, there would still be an acute administrative problem. Already this problem has arisen in the case of the Health Services. Here it has been found necessary to propose joint regional authorities for those hospital and specialist services which must cover a wide area to be efficient and economical. It is important that such bodies should be equipped with competent personnel; and that the existing local authori-

ties themselves should be provided in their committees; as well as in their local offices, with competent men and women in specialised matters. There is a case, while not abating in any way democratic control by elected councillors, for the co-option of many more "technicians" to many more local committees, as well as for their appointment to local departments.

There may be fears in face of these arguments that the trend is, in effect, towards technocratic control; that these suggestions are intended to bring in government by experts by the side door. But the reverse is the case. There is a choice before us between democratic and technocratic control. The need is that the former, to survive, should be rendered efficient in all the complicated aspects of modern administration. It is to secure this efficiency, without abating democratic responsibility, that proposals of the kind outlined above must be made. If they cannot be applied, and if efficiency cannot be secured, then popular government may indeed give way to the experts' rule.

East Prussian Bastion

THE Russians' advance towards East Prussia has brought them for the first time into direct contact with German territory. Reports from East Prussia suggest that the Nazis are preparing to make a grim effort to hold the province. Reserves have been brought up from Germany, and for some weeks now the local authorities have been making feverish attempts to build up a defence line. The Gauleiter has mobilised thousands of men and women to work on trenches and strong points; and, in a belt of 18 to 25 miles running from the east of Tilsit through Rastenburg and Allenstein, reports speak of the evacuation of the entire civil population and the transformation of the area into a strongly mined and fortified line. These reports suggest a hard fight to the finish.

The military reason for preparing a long defence is inherent in the Germans' whole position on their Eastern front. East Prussia and Warsaw are two pivots of an indivisible line. If the one falls, the other must fall as well. To lose at a blow East Prussia and Central Poland would be an incalculable military setback. Neither point will be abandoned without grim and determined resistance.

The Germans have other reasons for attempting the defence of the province. None is so compelling as the strategic reason, yet each reinforces the military decision. East Prussia stands for much in the "myth" of Germanism and the Reich. As one of the factors in the building of the Prussian state, it was a forebear of the Reich itself. As one of the homes of the Junker class, the landowning backbone first of the Prussian and then of the German army, its history is woven into every page of Germany's expansion. It was the first province to revolt against Napoleon, and this act gave it the moral leadership of Prussia and hence, for a time, of the United Germany created by Prussia. In the last war so strong was East Prussia's weight in the counsels of the General Staff that troops were withdrawn from the Western Front to defend the province against the advancing Russians—a defence which culminated in the victory of Tannenberg but which may, however, have been achieved at the cost of defeat on the Marne. In 1920, the province won a new place in German esteem when the southern and western districts voted by an overwhelming majority to remain with Germany. Only the Soldau district opted for Poland.

The coming of Nazism has made no difference to East Prussia's political reliability or to its place in the "myth." The agricultural ruin which faced the large landowners in the 1930s and the attempt to reform, in the teeth of their opposition, the whole basis of land ownership and of the Reich's agrarian policy was one of the most influential factors in hastening the downfall of Dr Brüning and of the Weimar Republic and in securing Hindenburg's support for the advent of Hitler. Between 1928 and 1933, East Prussia became something of a Nazi

stronghold. The Nazi vote sprang from 0.8 per cent. of the votes cast in 1928 to 47.1 per cent. in 1932. In 1933, after the Reichstag fire, the Nazis received 56.5 of the East Prussian vote, the highest percentage of any district in Germany.

Since that time, at the price of preserving intact their social position as great landowners, the Junkers have had to abandon all control over their economic policy. They have sown and grown and marketed to the orders of the Nazi administration. But it would be a great mistake to assume from this that the war has seriously undermined the political conservatism and fervent nationalism of East Prussia. In the latest military crisis, no single East Prussian conspirator has so far been named among the senior officers.

A total withdrawal from East Prussia would cause the Nazis some economic embarrassment. Hitherto the province has produced a surplus of rye, potatoes, livestock and dairy products. Central Poland has also been transformed, by means of starving the Poles, into an export area. The loss of both would create a serious deficit. Under the Nazis, East Prussia has been steadily industrialised. To give a significant index, the generation of electric power increased by 70 per cent between 1932 and 1939. Since the beginning of the war, the general policy of dispersing armament production has brought many new undertakings to East Prussia. Elbing, for instance, has motor car works and aircraft factories. The province's timber has been the basis of an expanded output of chemicals and cellulose. The Nazis probably hoped to make Königsberg a big commercial and industrial centre for the Baltic States. The annual Fair has been held on a very much larger scale during the war. There can be little doubt that to abandon the province would lead to a real measure of economic dislocation.

Finally, evacuation would entail the return of a certain number of people to Germany. Hitherto, East Prussia has been a reception area for the blitzed cities of the Reich. The effect of sending a new stream of refugees back into Germany might, at this critical moment, have a disastrous effect on morale. "The Russians have broken in." This would be the tale, reported by hundreds of eye witnesses, that might create a wave of panic in the already shaken Reich. This may, after the strategic reasons, be the most compelling argument for a policy of resistance at all costs.

Its chances of success seem very doubtful. The Russians may possibly be compelled to pause and reorganise before they return to the advance. This pause may enable the Germans to stabilise some sort of line. Yet nothing in the Russian advance and the German retreat so far suggests that such an outcome is likely. Like Normandy, like Southern Poland, like Tuscany, East Prussia is one of the crumbling bastions of the Reich.

NOTES OF THE WEEK

The Battle of France

The last week has seen a significant change on the battlefields of Europe. The sweeping Russian advances to the Vistula, to East Prussia and towards Upper Silesia have temporarily halted, while the stationary fighting in Normandy has been superseded by mobile warfare that matches all the precedents of blitzkrieg. The lightning American thrust from Normandy across the neck of the Peninsula of Brittany was an operational masterpiece similar to the German drive to the Channel in 1940. This stroke not only gave the Allied Command room for sweeping manoeuvre; it also made it possible to strike at once at an open and vulnerable flank of the German defences, and so to upset all the enemy's operational plans. Within a few days American columns have covered half the distance between Rennes and Paris; approaching the Loire Valley at Angers they now head towards Paris through lightly held and ideal tank country. The German reaction to the threat was an attempt to cut Normandy from Brittany at the vulnerable joint of the two fronts in the area of Avranches. The German blow, heavy though it was, was too weak to achieve its purpose, and it was strong enough to bring about a further dispersal of the German forces in Normandy. The concentration of four Panzer divisions in the Avranches area weakened the German defences on the Caen and Orne sectors sufficiently to allow the Canadians to break out in strength towards Falaise. If this advance from Normandy gains speed and momentum, then the next phase may well be a drive towards the Seine valley parallel to the American advance in the south. If this happens, the transition from stationary to mobile warfare will have been summated; and the whole strategical outlook in Western Europe will be radically changed. The Battle of France is speedily mounting towards a climax at the moment when a new climax in the Battle of Poland cannot be delayed for long. On all fronts the Germans are still fighting stubborn delaying battles, among which the Battle of the Baltic Lands has been the biggest so far. But everywhere these delaying actions now seem to have only tactical significance; they no longer fall into any coherent strategical pattern.

Plot and Purge

A People's Court has already condemned eight German officers to death by hanging and five more await trial. Its procedure was remarkable, for not only is this the first trial of German officers by a civilian court in the first trial of German officers by a civilian court in wartime, but it seemed to repeat with nightmare precision the methods, language and atmosphere of the trials in other totalitarian purges. The trial itself and the various proclamations and speeches made since the discovery of the conspiracy throw some light on the extent of the crisis through which Germany is passing. It is clear that the plot itself was very widespread among the old commanders and their staff officers. The presence of von Rundstedt and Keitel on the Army Court of Honour which expelled the guilty officers from the Army, and handed them over to the People's Court, should not be taken as a conclusive proof of their own innocence. To compel men under suspicion to condemn those with whom they may have conspired is a well-known way of breaking down the solidarity of a rebellious class and of ensuring against a forming of new coalitions. Of wider ramifications, beyond the influential officer corps, there are some unsubstantiated reports, but they do not make much sense. Hellendorf, head of the Criminal Police of Berlin, has had connections elsewhere in the Reich, and this is the nearest report comes to suggesting widespread disloyalty among civilian officials. The only sign of connivance among the old industrialist interests is the mention of Goerdeler, who apparently had connections with Krupp—and possibly with Schacht—and is said to have been sacked by the Nazis in 1936 for criticising the economics of autarky and total war. It must be concluded that only the officers were really involved in the plot and were alone ready to give it leadership.

The very striking fact which emerges from all the varying and contradictory reports of the plot is that it was to a very large extent non-political. The leaders of the conspiracy seem to have concentrated on the fact that under Hitler's leadership the Army was being destroyed and that to save the Army the Fuehrer would have to be eliminated. This idea has already appeared from time to time in the propaganda made by the generals in Russia, and it suggests a surprisingly innocent ignorance among the officers of the strength and organisation of the Nazi Party. Only once in their plotting is there any evidence of embryonic political ideas. Among the orders which the Nazis accused them of preparing was an instruction to local commanders to occupy the concentration camps, free the prisoners and intern their guards. Apart from this, there was apparently no attempt to appeal to the masses, no attempt to forecast a new and better social system, not even an absolutely unequivocal call for peace. Thus the officers set out with the rather small lever of their own personal influence to shift the massive apathy of the weary, frightened and dragooned German people. The Nazis' method of liquidating the plot is to consummate the Party's control over the Army, but no amount of artificial plastering can mend the breach that has appeared in the Army's leadership, and in the next few weeks of desperate fighting it is on the Army that the Nazis will have to rely. With new defeats, new fissures will appear. This is in reality the beginning not the end of the German plot.

The Pace of Parliament

The present session of Parliament, like the war, has reached a late and critical stage. The two are closely connected for, if the best happens in Normandy and on the Eastern Front, the end of fighting in Europe will find the country still unprepared for the rush of new and urgent tasks. This is not because of any lack of preparations. White Papers on Employment Policy, Monetary Policy and National Health (to be followed very soon by one on Social Insurance) have given proofs of hard labour in the departments and the Cabinet—and a chance for Parliament to show its paces, with mixed results, in deliberation. It is legislation, however, that counts and it is legislation that is still perilously lacking. This is not due to shortage of Parliamentary time, as was feared, but to the scarcity of Bills. The war is moving faster than the Coalition Cabinet, whose infinite capacity for taking pains—so much to be welcomed and praised—is not accompanied by a corresponding capacity for reaching final decisions. There are preparations, in abundance, but still insufficient preparedness. Only four Bills of major importance for the outbreak of peace have come forward during the session. Two—Mr Butler's Education Bill, which has been a triumph for all parties and sects, and the Housing (Temporary Provisions) Bill, to speed up the building of permanent houses—have become Acts.

Government and Opposition

Responsibility for the scantiness of post-war legislation cannot be put entirely upon the Government. The two major Bills which are still held up are the Town and Country Planning Bill and the Housing (Temporary Accommodation) Bill, to provide emergency factory-made dwellings in the first two peace-time years. In each case there are faults of detail in the Government's proposals which require putting right. The failure in the former Bill to allow for changes in the value of money for the compulsory purchase of land at "1939 values" may be cited. So, too, can the failure in the latter Bill to settle satisfactorily crucial questions of design, cost, contracting and siting. In both much wider problems of planning policy are involved and require solutions. But these and other larger, and less relevant, issues—such as that of nationalisation—have been much magnified by a cantankerous opposition, in which neither the associations of local authorities nor the Labour Party have shown up well. This kind of wrecking, which comes mainly from groups who call most loudly for the utmost speed in reconstruction, illuminates

the difficulties confronting the most conscientious Coalition in making progress, even in matters where there is general agreement—especially when, as at present, the various parties are casting an interested eye towards an early General Election. Such opposition would probably be the reason given by the Government—with not a little disingenuousness, no doubt, for some of its firmest supporters, too, are jockeying for electoral position—to account for its cautious and tentative advance. But the nation's requirements remain unaltered by any of these political considerations; and the possibility that, for instance, the war may end without the vital housing programme having been put properly in train may prove a discredit to all concerned.

Planning Bill

The Planning Bill has gone into a tunnel, in which criticisms are being worked out which will emerge into the light—and heat—of day when the committee stage is taken in the autumn. The Bill's critics come under two heads: those who question the fairness of its financial proposals, and will be satisfied with adjustments of these details, and those who threaten to wreck the whole Bill because it does not go far enough in principle. In the first category are the Tory Reform Committee who have tabled a number of amendments relating to 1939 land values. In the first place, they do not see why only the small house-owner and farmer should be compensated for the expense of obtaining alternative accommodation, and urge that this concession should be extended to all owner-occupiers. They also urge that owners of agricultural land should be able to recoup all capital expenditure upon their land made since 1939, much of which has been laid out at the request of War Agricultural Executive Committees. In the second place, the Tory reformers wish to deprive speculators of gains they would otherwise make out of the purchase of land at less than 1939 values—a laudable aim but one difficult to achieve in administrative practice.

The National Setting

The second body of the Planning Bill's critics, who include a large section of the Labour party, object on principle to a measure which starts with local and not national planning. They do not necessarily want a close and rigid national plan, which would be politically impracticable and probably undesirable. But they point to the inadequate basis it provides for local decisions. Since good planning creates betterment not only locally but in outside areas, local authorities cannot bear the cost of spacious redevelopment until they are positively assured that they will be able to recoup some part of their outlay from a common fund. Further, if the Government's principle of loosening up overcrowded areas is to be satisfactorily worked out, many "overspill" areas will need to be placed at a good distance away and within the districts of other local authorities. This means a transfer of rateable values and requires, in addition to some compensatory device to balance one area's loss and another's gain, better machinery for central guidance, and regional consultation—a point which applies equally to the selection of emergency housing sites under the Temporary Housing Bills. Since, finally, any local programme of redevelopment or decentralisation needs to march in the closest step with the movement of industry, local authorities cannot begin to plan properly without receiving some central guidance on industrial location. The moral to be drawn from these various objections is not that the Government should shelve the Planning Bill and start again. It is rather that the Government should give assurances about—and hasten on—its other planning measures which should provide the national setting against which local authorities can rebuild with confidence and boldness.

Story of a Rising

On August 1st an armed insurrection broke out in Warsaw; and on August 10th the insurgents were still heroically fighting in the streets and squares of Poland's capital. They captured several districts and a number of important key-points; but the latest reports from Warsaw suggest that the position of the insurgents may now have become untenable in the face of overwhelming German armour and aircraft thrown into the battle. When the rising started the Polish insurgents could hear the sound of Russian guns in Warsaw's suburbs. But as the struggle reached its critical climax an uncanny silence settled on the Russian front, only a few miles distant from the scene

of the fighting. Directed by people who take their orders from the Polish Government in London, the rising was clearly not fitted in with the moves of the Soviet Command. When it started General Rokossovsky apparently decided to outflank Warsaw after a tentative and unsuccessful attempt to storm the city in a frontal attack. It may well be that his armies, engaged in outflanking manœuvres, were not in a position to take advantage of the "windfall" in Warsaw and to switch over to a new frontal attack. The tragic lack of co-ordination between the Polish insurgents and the Soviet armies has been a direct result of the political rift between Russia and Poland; and, in this sense, the Polish Government may perhaps be partly to blame for the avoidable tribulations of its Underground army. But the matter does not rest here. The Poles, recalling the pledges of 1939, have asked their western Allies for help. There again it is difficult to say whether effective British help could have been given to Warsaw under the present circumstances, when the fronts in France and Italy must have an obvious priority in demands on Allied resources. But there are in this country Polish squadrons in the RAF and units of Polish parachutists which have been trained precisely for such tasks as assisting risings inside Poland. Those forces are now serving under Allied operational command. Why then have Polish airmen and parachutists not been detailed to help the insurgents in Warsaw? True, Warsaw has now come within the sphere of the Russian Supreme Command. But that surely does not mean that the Polish Government, recognised by Great Britain and the United States, ought to be denied the chance of sending Polish forces to aid their fighting countrymen. Or are the Poles perhaps to lose the right to struggle on their own soil for their own liberation?

Provincial Elections in Canada

This week's two Provincial elections, in Quebec and Alberta, were chiefly interesting to the outside world for the light they shed on the Federal election, which must be held within the next nine months. In Alberta, the question was whether the Co-operative Commonwealth Federation would carry another prairie province. The answer appears to be No, though the Federal Liberals cannot derive much comfort from the fact that the election was won by Alberta's own indigenous Social Credit Party, which might well co-operate with the CCF at Ottawa. In Quebec the question was whether or not the Liberals can count, in the Federal election, on the traditional support of French Canada, which has played perhaps the chief part in keeping them in power, and Mr Mackenzie King in the office of Prime Minister, for 18 out of the last 25 years. If not, then they will almost certainly be put out. But if they can carry Quebec, they still have a chance, with scattered support from the Maritime Provinces and elsewhere, to emerge as the largest party in the next House of Commons. No very clear answer was given on Tuesday. Mr Godbout, the Liberal Premier of the Province, was defeated, but not by a large margin, since he won 38 out of 91 seats, with two results still in doubt. The victors were Mr Duplessis, Union Nationale, which will have from 45 to 47 of the seats. Mr Duplessis has some links with the Federal Conservatives, but they are not very close, and it is quite possible that the Liberals will carry Quebec in the Federal election. They will certainly win quite a number of seats there. Thus, though omens are certainly not favourable to Mr Mackenzie King, they are by no means so decisively unfavourable, particularly when taken with the splitting of the Opposition between the CCF and the Progressive-Conservatives, to make the result a foregone conclusion. On the Provincial stage, the result of the Quebec election can only be deplored. Mr Godbout's administration was able and progressive; Mr Duplessis, to judge by his past record, will be narrow and sectarian.

The Doctors' Verdict

The doctors' replies to the British Medical Association's questionnaire on the Government proposals for a National Health Service have dispelled the fears, raised by a voluble and reactionary minority, that professional opinion would prove mainly obstructionist. While the results of the inquiry (conducted for the Association by the British Institute of Public Opinion) are inconclusive and often contradictory, it is quite clear that the doctors are in sympathy with the aims of the White Paper and

will support most of its programme of reform in general terms. A very important discovery is that 60 per cent of all doctors accept the proposal that medical services and hospital facilities should be available to all citizens without exception or means test. This decision automatically revokes the one taken at a representative meeting of the BMA last September in favour of the exclusion from the scheme of 10 per cent of the population (an "unsubmerged" tenth) in the higher-income group. The replies show further that a majority of doctors support the White Paper proposals concerning health centres, the purchase and sale of general practices and the Central Medical Board's control over the location of new practices. Two out of every three doctors approve of the principle of the health centres—the most constructive and perhaps the most radical proposal in the White Paper. Moreover, the majority favour the form of health centre suggested by the Government—

a centre where both preventive and curative work is done, including, for example, maternity and child welfare and school medical treatment.

But there is another side to the picture. In spite of so much common agreement the question, "... do you consider that the quality of the country's medical service (on the lines proposed) will be enhanced or will suffer," elicits pessimistic replies from every appointment-group other than Service doctors and salaried doctors. The general reaction of the medical profession to the White Paper is unfavourable in the proportion of four to three. A majority of doctors regard the future of the profession as "unattractive." A majority—57 per cent—do not think that it will be possible for a general practitioner to continue in private practice under a national health service.

The root cause of professional dissatisfaction with the Government's scheme, apart from uncertainty about the remuneration to be paid, is distrust of the proposed administrative machinery. There is decisive opposition to the exclusion from the regional joint boards of doctors and representatives of voluntary hospitals and university medical faculties—though the principle of joint board planning and administration is widely approved. In other words, the profession would abhor any proposal for the control of medical services by local authorities "as at present constituted," and feels that such a proposal is contained in the White Paper. The doctors find the proposed central administrative structure equally objectionable, and suggest a more direct representation of medical opinion. The doctors cannot now be accused of apathy (25,435 out of 53,728 replied to the detailed questionnaire) or a lack of social consciousness, and the layman will be ready to support any reasonable modifications and concessions. In the planning and administration of the nation's health services professional experience and wisdom should be used to the full, and medical representation on central and local bodies should be sufficient for this technical purpose. But responsibility must rest firmly and unexceptionally with Whitehall—and, finally, with Westminster.

Conference Reporting

A letter to the Editor from Lord Keynes, which appears on page 215, reveals that his press conference at Bretton Woods was badly misreported in the British press, upon which, of course, *The Economist's* comment was based. It is a serious matter when the head of the British delegation is at an important international conference is represented as saying the opposite of what he actually did say. Nor was this the only defect in the reporting of Bretton Woods. The British papers could not, in present circumstances, find room for very much; but they might have tried to make their brief accounts relevant and intelligible. Anyone in London who tried to inform himself about what was happening by following the daily summary of the American press was in no better state, for the American reporters, with their constant search for the melodramatic and their love for surface details such as personalities, and for external forms such as votes and quotas, gave a wholly distorted picture of the conference, not untainted by their proprietors' political views. It might have been thought that

the official summary of the Agreements, prepared by the United States Office of War Information, and distributed by the United Nations Information Office, would be accurate. But it proved to be so full of ambiguities and omissions as to be of less than no use at all to those who wished to discover how far the draft plans had been modified. It led opinion in this country to believe that the "scarce currency" clause had been dropped, which is not so; and it was entirely silent about some important changes that have been made, and are discussed in an article on page 207. In short, the whole business of informing public opinion in this country of what was afoot was bungled about as badly as it could be.

On whom the blame for this state of affairs should fall—on Reuter's, on individual newspapers, or on the Government—is not easy to determine. It would be grossly unfair to blame the British correspondents in the United States, who are understaffed in any case, and quite unable to cover a technical conference in an inaccessible place hundreds of miles away from their normal locations. But it is to be hoped that the lesson will be learned for the future—that is, if there are to be any more conferences in American health resorts. It is no good relying, in these matters, on the American journalists, whose telegrams read, to an Englishman, more like crime reports than serious accounts of what is going on. It is apparently no good relying on the official information agencies of any one Government, which will, perhaps, naturally, omit from their summaries the parts that do not strike them as important—but which may be vital to other countries. Nor is it any use relying on the general-purpose reporter. What should have been done at Bretton Woods was to see that at least one competent British financial journalist was present who, without being given any special facilities, would at least have known the difference between an exchange rate and a balance of payments. If neither the agencies nor the newspapers will make such an arrangement on their own initiative, it is to the Government's interest to stimulate them into doing so.

*The merry
monarch
had a bright
idea...*



He made good the deficiencies in his budget by personal borrowing from those early bankers, the City goldsmiths, on terms which were highly satisfactory—to His Majesty! No wonder the limits of the Royal Prerogative took so much thrashing out in Charles II's days. Subsequent and more enlightened Governments have deemed it wise to encourage the Banker, with the result that today the advantages of a complete banking service are available to every citizen. The Westminster Bank with its network of branches offers you the security and convenience of a Current or Deposit Account, while its Trustee Department offers the testator the advantages of corporate executorship. Call and discuss these and other services with your local Manager.

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American and British War Efforts

After a long delay, copies of the April issue of the *Survey of Current Business* containing the annual article by Mr Milton Gilbert and Mr George Jaszi on the National Income of the United States, have become available. The salient figures are as follows:—

	(In \$ billion)	
	Net National Income	Gross National Product*
	Current	Current
	Dollars	Dollars
1939	70.8	88.6
1940	77.6	97.1
1941	96.9	119.6
1942	121.6	152.1
1943	147.9†	186.5‡

* Gross National Product = Net National Income + indirect taxes + allowances for depreciation, etc. † Net National Income in the 4th quarter of 1943 was running at the annual rate of \$153.5 billions. ‡ Gross National Product was running, in the four quarters of 1943, at the annual rate of \$179.8, \$185.0, \$189.3 and \$191.7 billion respectively; the rate of increase was thus slowing down.

For the United Kingdom, Net National Income in 1943 was £8.17 billion and Gross National Product £9.80 billion, both figures at current prices; the latter figure was estimated by *The Economist* to be the equivalent of £6.79 billion at 1938 prices, compared with an actual GNP in 1938 of £5.57 billion. It is tempting to try to compare the absolute magnitudes of the two national outputs by converting dollars into pounds. Unfortunately, there is no reason to suppose that the official rate of \$4=£1 is an accurate reflection of economic realities. All that can be said is that, if the official rate did chance to be a correct conversion factor, then the American net national income in 1943 would be £37 billion. This would be 4.7 times the British figure in absolute amount and 1.65 times on a *per capita* basis.

What can be done with rather greater accuracy is to compare the wartime growth of output in the two countries. The Gross National Product of the United States is esti-

mated to have increased between 1939 and 1943 by no less than 75 per cent in real terms—that is, after allowance for the fall in the value of money. *The Economist's* estimate of the increase in the British GNP between 1938 and 1943 (i.e., over five years, not four) was 22½ per cent (May 6, 1944, page 607). The reasons for the discrepancy are obvious enough—they lie in the disabilities imposed on Britain by blockade, blackout and bombing and by more intensive call-up of labour, and they are also to be found, in part, in the larger margins of unemployed resources that existed before the war in the United States. But the magnitude of the American increase is nevertheless one of the economic miracles of the age. It has enabled the American people to meet the whole of their gigantic war output without curtailing consumption, which has in fact risen every year. The following figures, all of which are reduced to the basis of pre-war prices, point the contrast:—

	United States		United Kingdom	
	1939	1943	1938	1943
	\$ bn.	\$ bn.	£ bn.	£ bn.
Government expenditure ..	16.0	82.7	0.84	3.84
Consumption	61.7	70.8	4.14	3.27
Private net investment	10.9	1.8	0.59	-0.33
Gross National Product ...	88.6	155.3	5.57	6.78

(The U.K. figures are, in part, estimated by *The Economist*.)

It is possible from these figures to derive an interesting comparison of the way in which real resources have been found in the two countries for the war effort (defined as the increase since the pre-war year in Government expenditure):—

	United States		United Kingdom	
	(\$ bn.)	%	(£ bn.)	%
Resources derived from:—				
Increased production	66.7	100.0	1.21	40.3
Reduced consumption	-9.1	-13.6	0.87	29.0
Reduced provision for, and drafts on, capital	9.1	13.6	0.92	30.7
Cost of War	66.7	100.0	3.00	100.0

It will be noticed that the increase in the American Gross National Product exactly equals the increase in government expenditure; provision for capital has had to be reduced only because consumption has increased. In Britain, on the other hand, higher total output, reduced consumption and drafts on capital have been called upon in roughly equal proportions to contribute to the war effort. On this very different experience will hang many post-war tales.

Target for Tomorrow

An article in the May issue of the *Federal Reserve Bulletin* by Dr E. A. Goldenweiser and Mr E. E. Hagen, tries to give precise form to one of these post-war tales. How large must the American national income be after the war to achieve full employment? Gross national income in 1940, valued at the 1943 price-level, was \$119 billion; but in that year, out of 54 million persons seeking work, less than 46 millions found it. At present, gross national product is approaching the \$200 billion mark. In the post-war year "V plus 2," identified as 1947, it will not need to be quite as large as at the peak of the war, but it will have to be as much larger than the pre-war figure as is necessary to provide for (a) the increase in population, (b) the absorption of the unemployed (save for an irreducible minimum estimated at 2,000,000), and, (c) the growth in output per man-hour, moderately estimated at 10 per cent. The answer, according to the authors' calculations, is \$170 billion. In other words, in order to secure full employment, a volume of demand will have to be created 43 per cent greater than in 1940, when the volume of production was already higher than it had ever been before. Put in another way, if the total volume of demand falls after the war to the 1940 level, there will be about 17½ million unemployed. This figure of a 43 per cent needed increase in total demand to secure full employment is the key to the whole of economic policy in the United States. (A comparable figure in the United Kingdom, after allowance for the loss of overseas income, would probably not be more than one-third as large). The authors calculate that, on the basis of probable individual incomes, consumption demand might amount to \$113 billion. Government demand they put at \$30 billion, leaving the very large sum of \$27 billion to be made up in demand for private capital goods.

It is worthy of note that, in estimating how this \$27 billion might be composed, they allow \$ billion for a favourable balance of trade. This may be a realistic estimate, but it will not help other countries to solve their employment problem. Two billions out of 170 may not sound very much, but it is quite enough to point the moral that other countries are concerned not only with the results but also with the methods of American employment policy.

Inquest on Irish Exports

For some time now sporadic doubts have been cast on the effectiveness of Ministry of Food policy in obtaining the maximum supplies of food from Eire. The general contention has been that the prices paid to Irish producers have been so low as to choke Irish exports to a mere trickle. The whole matter was raised a year ago by Lord Strabolgi in the House of Lords. The official view, stated by Lord Templemore, was that the undisputed decline in Anglo-Irish trade was due to factors outside the control of the British Government. The Government itself had "placed no obstacle in the way of the importation of food-stuffs from Ireland." The Battle of the Atlantic had forced Ireland to depend almost entirely on home-produced food; pastures had been ploughed up to produce food, and livestock, which normally supplied the bulk of exports, were drastically cut down. The situation had been made worse by shortage of fertilisers, machinery and fuel. "We have no evidence," said Lord Templemore, "that prices paid for Eire produce have had any limiting effect on the imports from that country." This declaration might almost have been interpreted as a challenge, since the attack was renewed this spring, when the case against the Ministry was re-stated by Captain Henry Harrison in a pamphlet published by the Commonwealth Irish Association. Statistics were given to show that prices offered by the British Ministry were not only below the controlled prices for comparable commodities in the United Kingdom (which is only a reflection of the normal peacetime relationship of prices), but below both pre-war and current prices in the local Irish markets. Placed side by side with the decline in exports, the implication of cause and effect was strongly emphasised. The Ministry's reply to this latest allegation was a complete denial of price discrimination. The Government price policy, on the contrary, had been to maintain a relationship between Irish prices and Dominion prices comparable to that which had existed before the war. The Ministry further disagreed with Captain Harrison that the diversion of a small shipment of foodstuffs to Ireland might have averted the decline in exports. The inquest has now reached the point of deadlock where, each side having stated its case, neither has been proved wrong, and suspicions raised have not been satisfactorily allayed.

The primary suspicion, clearly, is that the British consumer's rations have been placed second in importance to the satisfaction of national prejudice and the habits of an out-dated economic warfare. If this were true, the complaint must rest squarely on the grounds that rations have been lower than they need have been, not on the possible effects of policy on political and economic relations after the war. The criterion of the Ministry of Food's actions must be its efficiency in obtaining and distributing food; it cannot in the circumstances adapt its policy to the expansion of post-war trade or to the economic bribery of a frigid neighbour. On this basis alone the rights and wrongs of the case must be decided. As far as the conflicting arguments themselves are concerned, some comment on the Ministry's defence can be made. The principle of maintaining the pre-war relationship between Irish and Dominion prices, as paid to producers, appears to be somewhat artificial. The real cost to Britain of food obtained from across the Irish Channel is clearly very much less than that of food conveyed across thousands of miles of ocean. Not even the excuse that an alternative policy would have favoured Irish farmers over Dominion farmers can hold good, since the Dominions have already had to control domestic demand in order to divert supplies to Britain. The conclusion is unavoidable that, whatever the difficulties in obtaining an increase, or even a maintenance, of the volume of imports from Ireland, the Ministry of Food have not assisted the situation by their price policy. It is conceivable that, in the circumstances, a policy of higher prices would not have resulted in a very much larger volume of exports, but this has not yet been satisfactorily proved. The

fact remains that the Irish Exchequer has been obliged to subsidise sales to the British Government in order to maintain even the present low level of exports. It is to be hoped that some more detailed account might be published of the prices paid and their relation to market prices, with other factors which influenced British policy. As it is, rightly or wrongly, the impression remains that Government policy may have suffered from a mixture of motives. From the point of view of both the British public and the Irish farmers the impression is a dangerous one.

Shorter Note

THE report of the Mental Nurses Sub-committee of the Nurses Salaries Committee under Lord Rushcliffe has now been published (Cmd. 6542). It recommends a national scale of salaries and emoluments for nurses in mental institutions on the same lines as the full committee recommended for nurses as a whole. For the less senior posts, the scale is somewhat higher for this type of nursing, since it is "less popular and perhaps less congenial than other branches of the profession. . . ." For instance, a female staff nurse would have a salary of £120, exclusive of emoluments, rising by annual increments of £5 to £160, whereas a staff nurse in a general hospital obtains under the Rushcliffe scales a salary rising from £100 to £140.

Letter to the Editor

Bretton Woods

TO THE EDITOR OF THE ECONOMIST.

SIR,—In your issue of July 15th, which has just come to my notice, you report me as having said in a press conference at Bretton Woods that "the real purpose of the Monetary Fund is to bring back gold as a fundamental reserve money." In fact I said nothing of the kind.

In case the matter is of any interest, the following is an extract from the report of the press conference in question, published in *The New York Times*:—

Lord Keynes said the modified form of gold standard being considered here was not inconsistent with his denunciation of the old gold standard in 1933 as "a barbarous relic." The old standard was so "rigid," he explained, that it could not stand the strain of crisis, and finally broke. Under the proposed standard, all currencies would have a "link" with gold, but it would be "flexible" enough to permit orderly changes in exchange rates when necessary to avert the breakdown of monetary systems, competitive currency depreciation and similar measures of economic warfare.

British sentiment is strongly opposed to a return to the "rigid" gold standard, he went on, adding that the present "scheme," as he called it, was "quite different" in its flexibility. "It retains the link with gold, but it can be adapted to changing circumstances from time to time," said Lord Keynes. "It provides the machinery of consultation and agreement by which orderly changes can be made. I have never argued that gold was 'a barbarous relic' in this sense. When I was criticising the old gold standard, I made various proposals for retaining the link with gold. I proposed that gold be made a 'constitutional monarch,' so to speak, which would be subject to the constitution of the people and not able to exercise tyrannical power over the nations of the world."

He said it would be very "foolish" to propose "departure from the gold link." With the United States and certain Western European countries holding large quantities of gold, and with the British Commonwealth and Russia producing large quantities of the precious metal every year, he went on, "no one in his senses would want to make the gold resources of the world useless or throw the gold miners of the world out of employment."

Yours, etc.,

KEYNES.

Ottawa.

Books Received

- Co-operative Organisations and Post-War Relief* (Montreal). International Labour Office. 171 pages. \$1.00.
The International Secretariat of the Future. (London) Royal Institute of International Affairs. 64 pages. 2s. 6d. net.
The Boulder Canyon Project. By P. L. Kleinsorge. (London) H. Milford. 330 pages. 21s. 6d. net.
Maiksky. By G. Bilainkin. (London) Allen and Unwin. 400 pages. 15s. net.

MILK CHOCOLATE & the Nation's Milk Supply

THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

Before the war this industry was using 40 million gallons of milk a year. Cadburys took more than half of this vast quantity. It came from the counties of Hereford, Gloucester, Salop, Stafford, Flint and Denbigh where Cadburys have consistently encouraged dairy farming over a number of years. In these areas they have established four Milk Factories which have greatly assisted in developing milk production. Today these four factories alone collect and distribute sufficient fresh milk for well over a million people.

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AMERICAN SURVEY

Post-War Rubber Supplies

(By an Industrial Correspondent)

Akron, Ohio, July

IF natural rubber were to be made available in large quantity this year the American rubber industry would without question revert to it for most purposes. But the industry actually expects to be using synthetic rubber for a number of years after the end of the war with Japan. By that time, some technicians say, the arts of its manufacture and use will have so improved that it will compete in price with tree rubber from the Far East. At any rate, the United States will come out of the war with plants capable of making 1,075,000 tons of synthetic rubber a year; this rubber will have a number of special uses, mostly new ones; and it will in effect place a ceiling on the price of natural rubber no higher than 20 to 25 cents a pound.

The industry purchased additional tyre-making equipment when it was found impossible to build tyres from synthetic rubber anything like as fast as from the natural product. Even if the companies should return to the use of plantation rubber for the bulk of their tyres, they expect to need the new machinery because of the very large orders they anticipate both from the makers of automobiles and the present owners of tyres. "Original equipment" is expected to be required by Michigan's automobile manufacturers for 6,000,000 cars and trucks annually for three or four years after reconversion.

The new set-up for the tyre industry, made necessary in part by the demands of war transport, in part by the problems of working with synthetic, and in part by labour shortage, required an outlay of \$75 million. It will not be entirely completed until next year. Except for the greater length of time required, difficulties in working up synthetic rubber appear to have been solved completely in tyres of eight plies and under, those used for passenger cars. In casings of larger size the troubles result from the tendency of the synthetic material to heat up in use at high speeds. The greatest care in manufacture has not achieved a complete solution of the difficulty on the largest sizes. The losses of time in manufacture, running up to 20 per cent, occur in both the compounding and curing operations.

The belief that synthetic, in the course of time, will completely take the place of natural rubber is based upon three assumptions: that technical improvements will continue; that they will be paralleled by developments of enough new uses to keep the largest plants operating; and that the price of petroleum, the raw material, will remain level.

Before the war synthetic rubber was costing 70 cents a pound and up. As the tonnage produced mounted, the price came down, and is to-day averaging between 40 and 50 cents a pound. Government-owned plants using the petroleum process, however, are delivering GRS (Government Rubber, Styrene) at just under 20 cents a pound. Dr R. P. Dinsmore, vice-president of the Goodyear Tire and Rubber Company, estimates that with plant values adjusted to post-war replacement costs it could be produced for 15½ cents. This is an all-in figure—one or two estimates have been made of 12½ cents, but these do not include depreciation, inasmuch as the plants are Government-owned.

Two of Akron's larger companies, Goodyear and Firestone Tire and Rubber, are themselves important owners of rubber plantations, Goodyear in Sumatra, the Philippines and Costa Rica, Firestone in Liberia. Dr Dinsmore recently said that the efficient large estate with high-yielding trees could lay down rubber in New York before the war for about 11 cents a pound and make a profit of 1 cent a pound, but that there were many estates which could not do so well. Small native estates, on the other hand, had little fixed investment and small labour costs. He believed labour rates would probably increase by 50 per cent or more on the estates after the war, and that prices of natural rubber would have to increase accordingly, by 2 to 4 cents a pound. This would bring the cost of natural rubber on the bulk of the

acreage in the Far East to a parity with the figure for which many in the industry believe synthetic can be manufactured.

John L. Collyer, formerly president of Dunlop and now president of the B. F. Goodrich Company in Akron, is one of those who hold that some production of synthetic rubber should be carried on permanently after the war, regardless of economic factors. He recommends a minimum of 200,000 or more tons of the general-purpose product as a measure of national protection against another severance of supply. A few have proposed that the entire investment in synthetic rubber be preserved, but apparently without response from the rubber-using industries.

All manufacturers appear to assume a permanently much larger use of rubber after the war than before. Mr Collyer thinks the American requirement may be 900,000 tons a year, or nearly 50 per cent more than the 1940 consumption. Dr Dinsmore thinks the US will need 1,010,000 tons a year after military demands have ceased. The latter figure is based on the supposition that civilian automobiles and lorries will be taking upward of 90 million tyres a year and that civilian requirements for "mechanical" goods will be greatly increased by new developments in the use of rubber for cushioning, both for furniture and machinery. The use of rubber tyres on farm machinery is also likely to develop rapidly.

As for the rest of the world, Collyer and Dinsmore both estimate it will require 500,000 tons a year from three to six years after the war's end, Dinsmore on the nearer side. They arrive at a total of 1,600,000 tons a year as the prospective world consumption in the same period. Potential supply by that time will be very large. American synthetic capacity, as stated, will be 1,075,000 tons or thereabouts. Plantation capacity at one time was 1,600,000 tons, but the estates became accustomed to approximately 1,000,000 tons. They are not now expected to ship over 400,000 tons in the year following the end of the war (including the assumed "float" of 200,000 tons), nor over 700,000 tons in the second year.

The statistical picture becomes pretty involved with assumptions as the years stretch out beyond the end of the war, but Dinsmore concludes that a small world surplus of 148,000 tons might be piled up at the end of the first full year of plantation shipments with two more years required to bring it to 300,000 tons. The world, he says, may be facing a tight rubber situation for nearly four years after the war.

American Notes

The Philadelphia Story

The Army's announcement of extreme penalties has brought an early end to the Philadelphia Transport strike. The men were warned that if they did not return to work, they would be dismissed, their places taken by soldiers, and that, as long as the war might last, the Manpower Commission would see that they did not obtain jobs elsewhere. Over and above all this, they would have become ineligible for unemployment compensation, and might have been drafted for military service. This was the big stick with a vengeance. Certainly the situation called for drastic measures. Philadelphia is the second war production centre of the country, and when 6,000 transport workers struck early this week, two million persons were left entirely without transportation, including among them 900,000 war workers. Many of these were unable to get to their jobs, and there was substantial damage to war production. In addition, although lurid accounts of race riots may be discounted, there was tension over the race issue involved. The course of events leading up to the strike was as follows: in December, 1943, the Fair Employment

Practices Committee, an executive agency, ordered the Philadelphia Transportation Company to cease discriminating against Negroes in regard to employment and promotion. On July 1, 1944, the War Manpower Commission announced that under its priority scheme for labour no men would be sent to employers guilty of racial discrimination. On July 8th, the company announced that it would accept applications from Negroes to act as operators of cars and buses on the same terms as white men, although previously they had been employed only in the company's shops, and a training programme for Negroes was organised. By August 1st, eight Negroes were ready for trial runs. At the time the Negroes were due to take out their cars, the white operators struck. According to the War Labour Board, the ringleaders were insurgents not identified with the Transport Workers Union (CIO); and as there was no quarrel between the union and the company, the War Labour Board felt it had no jurisdiction, and therefore passed the matter on to the President. Both local and national union figures, including Mr Philip Murray, President of the CIO, appealed to the strikers without success. Appeals from the War Labour Board, the Army, the Navy, and the War Production Board also fell on deaf ears. The confusion created by the strike was an open invitation to hooliganism, but special police were called in to deal with it, and damage to life and property does not appear to have been great, nor were there many cases of race violence. Under President Roosevelt's orders, 5,000 soldiers were moved in the city to restore order and keep transport moving.

The Race Issue

Philadelphia, which was founded by William Penn, is traditionally described as the "City of Brotherly Love." Why it should have departed so far from its historic description is not entirely clear. As a great war production centre it may be that large numbers of southern whites have been drawn into the war plants, although this should hardly affect the staff of an established transportation company to any great degree. What is more likely is that the men's fears for their post-war jobs were suddenly stimulated by the new and unwelcome prospect of coloured competition. The Fair Employment Practices Committee was created by the President, in the interests of the war effort, to end employment discrimination on account of race, colour or creed. The question of principle involved was intentionally soft-pedalled. On the moral issue of equal rights, there can be no debate. But in war-time there may be some honest doubt as to the expediency of forcing Negroes into jobs where the feeling is so bitter against them. It will be remembered that the Southern railways, when ordered to promote Negroes, refused on the grounds that their white employees would not stand for it, and that war transport would be irreparably held up. The revelation that the Manpower Commission forced the hiring of Negroes, on pain of withholding labour from the company, may raise a storm among those who are convinced that the President persistently uses the war effort as an excuse for attaining social changes otherwise impossible. The Fair Employment Practices Committee has no standing except as a product of the Presidents' war-time powers. Congress may well resent the use of such sanctions; and it is difficult to believe that either Congress or the public would condone to believe that either Congress or the public would condone a strike on such an issue. The firmness with which the strike was taken in hand no doubt will impress the Negro voter, and will provide a not unwelcome offset to the equally drastic ejection of Mr Sewell Avery, the Montgomery Ward chairman, from his office several months ago, though these are minor considerations. What is more important is the proof afforded by Philadelphia that hostility to Negro competition is by no means confined to the South. It may, indeed, be even more violent in the North, because in the Southern states the Negro in fact provides little real competition for the white man, whatever the law may say. It is only too clear that the industrial advances made by the Negro during the war may receive heavy set-backs when peace returns.

Peace President

Mr Dewey has as yet done little campaigning, but he has made it even clearer than he did at Chicago that he regards himself as a candidate for a peace presidency.

Thus the Conference of twenty-six Republican Governors at St. Louis was a war council only so far as the election is concerned. In musical terms, the conference was a cantata for tenor voice and male chorus, with Mr Dewey sustaining the solo part. The interesting thing is that the singing throughout seems to have been not merely dulcet, but pianissimo. The series of policy statements in which (to quote a delightful phrase) the Governors "achieved unity of thought" with their brother from New York are mild indeed. They virtually concede the social advances of the past twelve years; while deploring, for example, "Federal usurpation," they recognised, at the same time, the need for changes in the Federal Social Security Act which will give protection to more citizens, instead of fewer. So in agriculture the responsibility of the Government is fully accepted, although a finger of rebuke is lifted at "whimsical restraints." Those who expected the Governors to emit a choral blast in favour of states' rights were sadly disappointed. The Governors reached the sensible conclusion that in this age the well-being of the American people can only be achieved by the exercise of Federal power in partnership with progressively-minded state governments. If the twenty-two Democratic Governors met together next week they would probably accept the same broad principles. The somewhat jejune efforts made to entice the Republicans into raising the tattered banner of States' Rights seemed to have failed almost as completely as the Southern Democratic revolt in the same direction. There is a growing consciousness in America, more often tacit than expressed, that modern economic problems are forcing a strengthening of the powers of the central Government. A nostalgia for a happier past and a loyalty to old traditions will often make Americans reluctant to put this in words, but the course of action plotted by both parties shows a keener awareness of how the world has changed than do their manifestoes. In both parties it is the defenders of vested interests and old privileges who most frequently take refuge in a devotion to states' rights. Neither Mr Dewey nor most of his fellow-Governors fall into this category. Indeed, many of the Republican Governors are conspicuous in the party for their progressiveness. Mr Dewey has a particularly strong interest in seeing that the authority of the Federal Government is not too wantonly attacked. He is reliably reported to believe that, whoever is elected, the next four years will prove one of the most difficult faced by any President. Mr Dewey may have drawn the picture on too small a scale in arguing that the principal issue is that of reconversion; but there is no doubt that this will be the major domestic problem, and one which for its solution will require the utmost in skill and authority from the central planning machine.

The Last Round-up

A last round-up of manpower for the war factories has been announced by Mr Byrnes, the Director of War Mobilisation. This closer and more effective control over manpower is primarily designed to direct labour into crucial areas of the war effort, where production is lagging; but it is also felt that it will be useful in providing means for rapid transfers of labour to civilian jobs at the appropriate time.

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Mr Byrnes made it emphatically clear that he does not consider the present an appropriate moment for increased civilian production, and bore down heavily against the War Production Board's hope for immediate limited reconversion. Some war plants are still badly short of manpower. He mentioned those making heavy guns and ammunition, trucks, tyres, tanks, bombs, radar and construction equipment and tentage fabric. In the main these are materials needed for the rapid land advances in Europe. The problem, however, is not only one of stepping up labour in the war plants; it is equally that of halting the flow out. Mr Nelson is reported to have said last week that men were leaving the war plants at the rate of 100,000 a month for jobs promising post-war security. The main new technique of recruitment proposed by Mr Byrnes is the imposition of "labour ceilings" on the less essential civilian industries. The idea of labour ceilings is not new. It has already been applied to war plants to prevent excessive hoarding of manpower. It is now to be used to pry loose men from civilian employment. This is an extension of the 1943 "Baruch" plan to solve the tight labour situation on the Pacific Coast. Committees within local labour areas will determine priorities for manpower; set employment ceilings in both war and civilian industries; and direct transfers of labour. The present regulations are directed toward employers, and the sanctions set up may include the withholding of materials, of fuel, power, or transportation, and any other lawful method of forcing compliance. The other end of the net—that is, the guarantee that the men released will go into the desired war jobs—presumably is covered by the War Manpower Commission's order of this spring requiring that no man may change his job without permission from the US Employment Service. The responsibility for the new controls is local, rather than the scheme of the Draft Boards, and probably, like the Draft Boards, the Area Committees will vary in their interpretation of the national urgency and of local hardship. Mr Byrnes threatened, however, that if the communities did not discharge this responsibility, there was no chance of finishing the war without a universal service law. Bluntly, this is nonsense. The chances of national service legislation are rather worse than those of a snowman in Africa. But the needs

of the war factories are, though critical, so small relative to the American manpower pool that the new regulations, if enforced with reasonable firmness, may do the trick.

They Want to be Shown

The Junior Senator from Missouri, Mr Truman, has become Mr Roosevelt's running-mate. The Senior Senator from Missouri, Mr Bennett Champ Clark, has just been eliminated in one of the most surprising primary results in a season filled with primary surprises. In Missouri Champ Clark has been a name of power for over half a century. The Senator's father was the redoubtable Speaker of the House who was Wilson's most formidable competitor for the Democratic nomination in 1912. Bennett Clark has been a dominant figure in the state and in Washington for some years. A man of considerable force, he represented both the disillusioned generation that served in France in the last war, and the suspicion of European entanglements which has marked the traditionally suspicious state of Missouri. "I'm from Missouri, and I want to be shown," is the catch-phrase that sums up this habit of mind. Senator Clark was defeated by Mr Roy McKittrick, the State Attorney General, who based his campaign on loyalty to Mr Roosevelt and attacked his rival's isolationist record. It is significant that toward the end of the campaign Senator Clark belatedly disavowed his own earlier anti-Rooseveltism. He now ascribes his defeat to "war hysteria" and to the activities of the "Communist-controlled CIO." There is no doubt that the CIO's Political Action Committee was in part responsible for getting out the vote that defeated Mr Clark, who was supported by Mr Truman, and Mr Hannegan, the Democratic national chairman. New fuel has been provided for the bitter campaign being waged against the PAC by the Hearst and McCormick newspapers and Dies Committee, which has demanded that Attorney-General Biddle investigate what it calls the "political arm of the New Deal." Some observers are inclined to see in Senator Clark's elimination a change of heart which the war has brought about in the Middle West and South West. The desire of the American people to play a part in outlawing aggression and establishing the rule of law is being manifested in a remarkable way in states that were the very citadels of isolation between the wars. It looks as if the realists of Missouri, having been "shown" the fruits of isolation and "little Americanism," have decided to be done with it. But the Missouri result, like those in other states, also suggests that the President's personal hold over his party has never been so strong, despite the southern defections.

Wartime Migration

The latest figures on wartime population movements show a heavy exodus from the North East, and North Central States, and very large gains in the South and West. While the North-Eastern states lost over a million inhabitants from 1940 to 1943, and the North Central states almost as many, the South and West gained more than 4 millions. During this period the population of the United States as a whole increased by more than 2½ millions. Four states, Arizona, California, Florida, and Nevada, and the district of Columbia, raised their population by more than 20 per cent. California had the largest numerical increase, with 1.6 million newcomers. This new migration makes the days of the old adoration, "Go West, young man, go west" look like very small beer.

THE INDEX TO VOLUME CLXVI OF "THE ECONOMIST"

(January to June, 1944) is now ready. The Index has been compiled on a more comprehensive basis than hitherto.

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PREFERRED ORDINARY	20%	
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	Year ending	Year ending
	31st July, 1942	31st July, 1943
Gross Trading Profit	£2,342,792	£2,164,530
Add Amount brought forward	311,595	378,964
	£2,654,387	£2,543,494
Less Maintenance and Depreciation	1,169,805	1,188,809
Leaving a Credit Balance of	£1,484,582	£1,354,685
From this amount there has been appropriated:—		
Debt Service and		
Dividends	£235,618	£235,618
Special Depreciation of Plant and Equipment	100,000	100,000
Reserve for Deferred Repairs	200,000	200,000
Provision for Income Tax	570,000	500,000
	1,105,618	1,035,618
Balance carried forward	£378,964	£319,067

As in past years, provision has been made for the estimated liability for all taxation on Profits earned up to the date of the Balance Sheet. Up to the 31st July, 1941, the Company's Profits were less than its E.P.T. Standard. The increased trading profits for the two years have absorbed past deficiencies and the Company becomes liable to E.P.T. for the first time in the year to 31st July, 1943. As a result the net Profits of that year show some contraction and the Profits of future War Years will be subject to the limitations imposed by E.P.T.

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JOHN STUART MILL

On Liberty

"Every function super added to those already exercised by the government causes its influence over hopes and fears to be more widely diffused, and converts, more and more, the active and ambitious part of the public into hangers-on of the government, or of some party which aims at becoming the government. If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employees of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name. And the evil would be greater, the more efficiently and scientifically the administrative machinery was constructed—the more skilful the arrangements for obtaining the best qualified hands and heads with which to work it."

Extract from John Stuart Mill's "On Liberty"



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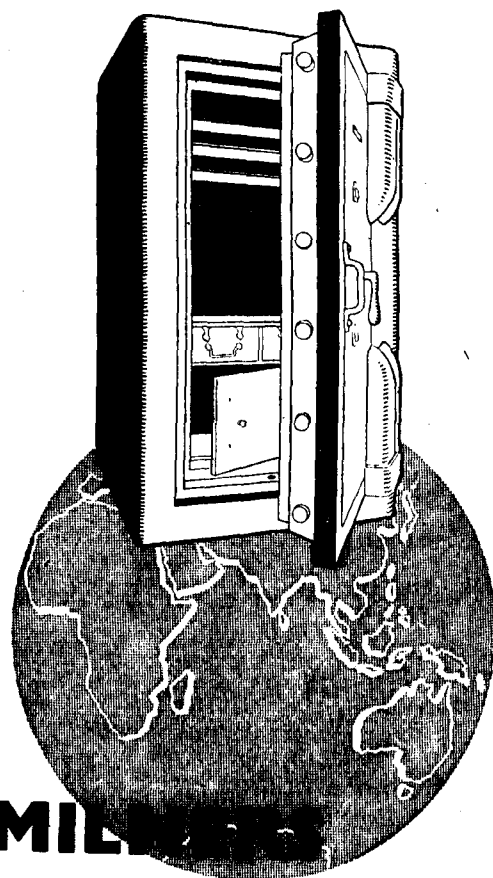
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THE BUSINESS WORLD

Freedom of the Screen

THOUGH film production is by no means the only one, it is certainly one of the most important of the twentieth century industries that has not yet struck deep roots in Great Britain. A large and flourishing British film industry is desirable not merely for the economic benefits it confers—its highly skilled personnel commands incomes among the highest in the whole field of industry—but also perhaps even more because of the cultural and political influence of the film over the minds of the people; its propaganda value, reported the Moyne Committee in 1936, "is rivalled only by that of broadcasting and the press."

Unfortunately, in spite of protection, film production in Great Britain is not only small in scale and of precarious existence—it supplies barely a fifth of the footage of feature films exhibited on British screens and only manages to sell an occasional film abroad—but the whole industry is over-laid by monopolistic growths and strongly "tainted" by foreign influence. Public anxiety, brought to a head last year mainly by the spectacular growth of the Rank film empire, prompted the President of the Board of Trade to call a halt to the process of absorption. It also encouraged him to invite the Cinematograph Films Council to submit his advice on what further practical measures, if any, are necessary to check the development of monopoly in the film industry." The report prepared by a small committee of the Council—including Mr A. Palache (chairman), Sir Walter Citrine and Professor A. Plant—fully confirms the public's anxiety. The trend towards monopoly is reflected in:—

- (i) The rapid growth of vertically integrated combines and the control that they are able to exercise at the various stages, from production to exhibition; and
- (ii) The introduction and extension of undesirable practices in restraint of trade, partly by producers, partly by distributors, partly by exhibitors.

The Committee found, in fact, that the conditions of healthy growth do not exist. To begin with, studio space is inadequate and there is ample evidence that would-be producers are unable to secure accommodation. Less than half of the space that existed at the outbreak of war is at present available for the commercial production of British films; the other half is used for war purposes, including the production of Government films. Moreover, of the thirty stages now in operation, thirteen are controlled by Mr J. Arthur Rank's companies, two by Two City Films, Ltd.—a company over whose production activities Mr Rank also has control—and five by the Warner-Associated British Picture Corporation group. Some two-thirds of the available stages are in fact controlled by the two big vertical combines. Independent British producing units, as well as some American concerns desirous of producing films in this country to satisfy the quota provisions, have had no alternative but to make application to Mr Rank's organisation for studio space and to accept the terms that might be imposed, such as distribution through General Film Distributors, Ltd., and release to one or other of the Rank controlled circuits.

Peace is unlikely to bring immediate relief. In the view of the Committee, the studios suitable for the production of "feature" films that are now used for other purposes are not likely to be vacated quickly; in any case, their re-equipment would take considerable time. Moreover, if and when all existing studios are eventually restored to the work of producing "feature" films—and if there is no further change in the balance of control—the Rank organisation would control about 40 per cent of the available stages and the two combines together about 60 per cent. The Committee suggests that it would be unwise to place too many hopes on new construction in the near future because of the many competing claims for labour and materials that are likely to arise immediately after the war.

Would-be producers, the Committee finds, do not possess adequate access to finance. At present the mainstays of

finance are the renting branches of the combines, supported by the revenue flowing back from their exhibition organisations. Outside the vertically integrated groups, finance is available only in the form of guarantees by rich individual backers for specific films, or in an even less desirable form linked with distribution. The Committee holds that a state of affairs whereby independently produced films have to be financed and distributed through renting organisations, which may be concerned with competing producers, gives too much power to the interests controlling those organisations and places the small producer in too weak a bargaining position.

Nor has the independent producer any freedom of access to the screen. At present two alternative methods of distribution are open to him. He can either make a contract with one of the established renters to handle his film or, if he contemplates producing a series of pictures, he can set up his own distributing organisation.

At present both alternatives suffer from serious disadvantages. The Committee has found that the established renter may, indeed, welcome the business of distributing an occasionally good feature from an independent producer, but he is almost invariably associated with a competing producing company, or he may have a standing arrangement to distribute features for an American producer. The independent producer will tend to assume that the renter will be inclined to give preferential treatment to the pictures made by associated producers or by other regular clients, and that he will try to secure for them the best dates in the best located cinemas. He may fear that, if his picture is especially attractive, it will be used as a "sweetener" to assist in the distribution of less successful films. Again, the charges made by renters to producers—these may vary from 20 per cent to 30 per cent—are high in relation to those made for comparable services by house agents, brokers or the like. Hence, producers of a series of films generally prefer to incur the high annual expense of establishing their own distributing organisation.

The independent producer, moreover, does not have free access to the three major circuits—Gaumont-British, Odeon and Associated British Picture Corporation—which, save in exceptional cases, is held to be indispensable for the successful exploitation of a feature film in this country. If the two combines controlling the three circuits chose not to book a film, or if in booking it they decided to allot to it the least remunerative playing dates and houses in their circuits, the picture may well be a failure and the producer ruined.

Independent exhibitors, on their side, are handicapped by the monopolistic powers of renters. The Committee is particularly critical of a practice known as conditional booking. It is not suggested that the exhibitor who is prepared, for a suitable concession, to take the rough with the smooth should be prevented from doing so. But it is quite another thing for a distributor to require an exhibitor to book particular films as a necessary condition for securing the right to exhibit the picture that he desires to rent.

The monopolistic practices, in the detail in which they are disclosed in the Committee's report, are disquieting. Clearly, things cannot be left as they are if there is to be an opportunity for the growth of a healthy and independent film-producing industry in this country. Any approach to the problem must be guided by two considerations. First, it will be necessary to remove the obstacles to healthy growth; secondly, it is desirable, if possible, to assist growth by suitable Government action.

Under the first heading, the Committee made these suggestions:

- (i) There should be some form of control over the allocation of studio space until such time as the release of studios

from other uses or the construction of additional studios can afford adequate relief. First place should be given to the production of a large volume of medium cost feature pictures that are in demand throughout this country rather than to a small number of highly speculative luxury products.

(ii) The existing undertaking between the President of the Board of Trade and the controllers of the three existing major circuits, putting a ceiling on the number of cinemas that they may own or control, should be confirmed by legislation.

(iii) In order to prevent the physical control of the existing combines from being transferred either into foreign hands or those of "undesirable" groups of persons, they might be invited to consider the introduction of a domestic arrangement, on lines comparable to those of the *Times* or *The Economist*.

(iv) A booking of a feature film to a circuit for any region, and in particular for the London release area, should be divorced from all obligations on the producer or renter to book the picture to the same circuit in any other region of the country.

(v) In order to prevent the building-up of additional circuits, legislation should be introduced instituting a strict control over changes in the ownership of cinemas.

(vi) Consideration should be given by the Board of Trade to the possibility of securing for independent exhibitors, either by agreement with the integrated producers and distributors, or by legislation, a reasonable share of the feature pictures that they handle.

(vii) A tribunal might be set up to arbitrate in case of differences between members of the trade.

Under the second heading—the provision of positive assistance to the industry—the Committee's chief proposal is for

the establishment of a film Finance Corporation, to be "financed by the Government and run as a commercial corporation under a mixed board." Its functions would be to provide finance on reasonable terms to qualified producers, to establish a renting organisation and, eventually, to extend its activities into the field of overseas marketing. Moreover, the proposed Arbitration Tribunal is to be constituted from a limited number of its members.

*

There is, of course, everything to be said for the elimination of undesirable monopolistic practices, if need be by legislation. Would-be producers must have access to studio space, to finance and to the screen. The ideal solution would be to restore effective competition at each stage from production to distribution—that is to prohibit horizontal

combinations—as well as between the various stages—which would involve splitting up the two existing vertical combines. In practice, however, the restoration of perfect competition is hardly a practicable proposition. The Committee's own suggestions amount to a compromise. Horizontal combinations in restraint of trade are to be prohibited by legislation and the vertical combines are to have their wings clipped.

If independent producers can be given access to studio space—this might be ensured by the Government by making stages available to independent producers in conjunction with its own production activities in educational and propaganda films—and if, by legislation or agreement, they can be given ready access to the screen on reasonable terms, many of their difficulties will be solved. On the other hand, the merit of the suggestion that during the period of studio shortage preference should be given through the operation of an allocation system to medium cost rather than expensive films is highly questionable. What is required are good films, not discrimination between cheap and expensive ones; every unsuccessful film is expensive, whether it has been produced cheaply or at high cost. Perhaps equally questionable is the proposal that the Arbitration Tribunal should be constituted from the members of the proposed Film Finance Corporation.

The Committee is alive to the difference between removing restrictive practices and a policy of Government assistance designed to promote the growth of the industry. The achievement of the former is difficult enough; but to legislate a film industry into existence is much more so. If, as the Committee seems to believe, it could be done by a Government-financed film corporation, there would be a strong case for its establishment. But this, the most controversial proposal in the Report, is likely to meet serious criticism, since it would involve direct competition between the Government and private enterprise and would require the use of the taxpayer's money in a variety of enterprise that is usually regarded as highly speculative. There is a strong case for Government assistance in the promotion of exports. This might be achieved by way of reciprocal trade agreements; but their success, as that of the growth of the industry, will ultimately depend on the quality of its films. A good film needs no special ambassador.

When all is said and done, the future of the British film industry rests with the industry. The Government can do much in clearing away obstacles to healthy growth; but beyond that it can do very little.

The Future of Fish

SINCE the time when Queen Elizabeth instituted a "secular Lent" to safeguard the interests of the fishing industry by providing a guaranteed market, the Government has found occasion to make the industry its concern. The problem has always been the same fundamentally strategic one of preserving intact in times of peace a body of men whose seamanship and experience can be of value to the Royal Navy and the Mercantile Marine in times of war. In these days, so great is the part played by the "little ships," particularly in mine-sweeping and patrolling, that the fishing vessels, as well as the men, can be regarded and are used with great effect as a vital naval reserve.

In the years before this war, the fishing industry fell into an unhealthy state. Despite attempts at voluntary control, both in the herring fishing and the white fish branches of the industry, ships were being scrapped or sold abroad. The size of the fishing fleet declined from 348,106 tons in 1913 to 261,868 in 1937, while the estimated number of fishermen, both regular and occasional, declined over the same period from 98,900 to 51,550.

On the one hand, fishing methods had gone ahead of the market, and on the other the market was itself diminishing. The effect was felt most keenly in the herring fisheries (and, therefore, particularly in Scotland), and the quantity taken declined from 12,183,366 cwts. in 1913 to 5,563,327 cwts. in 1937. The herring industry depended mainly on its export trade, and it fell victim to the policy of self-sufficiency pursued in Russia and Germany. The German fishing fleet was encouraged to expand, and the following figures

show how it prospered, while the British herring industry declined.

	HERRING CATCH ('000 kilos)					
	1930	1931	1932	1933	1934	1935
United Kingdom	380,601	291,973	268,720	243,409	245,182	291,643
Germany	92,401	114,310	129,617	162,890	170,601	192,428

In an attempt to arrest the decay, the Herring Industry Acts of 1935 and 1938 were passed, but the war intervened before their full effect was felt. The work of the Herring Industry Board, which was set up in 1935, virtually ceased on the outbreak of the war.

The high prices paid for fish in the early days of the war before control was established illustrate, as also do the present-day queues, how readily people turn to fish as a substitute for meat. There is no reason to suppose that the supply of meat will quickly return to the level of the prospective post-war demand. There is, in addition, the problem of feeding a starving Europe, which may well find a partial solution in increased supplies of fish. It may, therefore, be anticipated that in the immediate post-war years the strong demand for fish will continue.

In considering the supply aspect, there are two separate problems, short and long term. In the short term, post-war fish supplies must depend to a great extent on the speed at which personnel and ships at present serving with the Royal Navy can be demobilised. In this regard it is not

without point to refer to the history of the industry in the years immediately after the last war. Demobilisation and re-equipment were speedy, and in 1919 trawler tonnage occupied in fishing rose steadily, reaching a peak in 1920.

This time demobilisation may be delayed, or take place in two stages, if it becomes necessary to send men and ships to the Far East when the European war is over.

A further short-term consideration is the effect on fish stocks of the great diminution of fishing during the war years. Again referring to the parallel period after the last war, the figures of landings per day's absence by British trawlers in the North Seas show a very striking rise from the comparable pre-1914 figures. In the short run, therefore (if 1919-1920 conditions are reproduced at the end of this war) fish will be in good supply. It should find a ready market, and consequently a return of prosperity to the fishing industry can be expected. The necessity for feeding Europe makes it desirable that all possible speed should be made to get the fish.

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In the long run, however, the prospect is by no means so encouraging. While, on the one hand, the introduction of more modern methods of refrigeration, canning and curing may do much to stabilise the supply side of the market, there is no guarantee that the return of a normal supply of meat may not lead to a very sharp diminution in the demand for fish. It is easy to understand that unless a change in people's basic eating habits takes place or is induced to take place, the pleasures of fish eating will be quickly forgotten. If fish is to compete with meat as the *pièce de résistance* of a meal in the ordinary home, the fish industry will have to invent methods of processing which make it easier to prepare. It is the greater difficulty of preparation compared with meat which makes so many of housewives reject fish, apart from considerations of its perishability. In addition, the eating habits of the ordinary household have tended to place fish in the category of "something tasty for your tea," an occasional breakfast dish, or something which precedes meat or poultry on the occasion of a dinner party. The eating habits of this country have undergone a series of changes, not merely in the hours of meals, but also in their content. It is perhaps not too much to expect that further changes might remove a prevailing impression that fish is not an adequate main course for a main meal.

An important deterrent to the widespread consumption of fish has been the doubt in the mind of so many housewives of the freshness of the fish on the fishmonger's slab. Even down to the smallest village fishmonger, the fish trades must endeavour to set up and impose certain standards of freshness below which fish may not be sold. Only a widespread development of refrigeration, in the fishing vessels, in transport and in shops, can make it possible for the highest standard to be maintained so that fish can be purchased with as little hesitation as milk.

The fishing industry should remember that its decline after the 1920 level of prosperity proceeded surely and steadily, and great efforts will have to be made after the initial post-war boom if it is to keep its markets, both at home and abroad. If the housewife were educated in the proper selection of fish, in its preparation for the table, and in how to recognise its freshness, the market might well expand.

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The great advances in fishing technique which were made at the end of the last and in the early years of the present century led to a steady depletion of the nearer fishing grounds and forced fishermen to go further for their catches. So marked was this depletion that in 1933 the Government abandoned free fishing and introduced mesh regulations and size limits to reduce the destruction of small fish. The 1933 regulations were extended in application by an international convention signed in 1937 by most of the European countries concerned in the Atlantic and North Sea fisheries. The war began before all the countries concerned had ratified the convention, which prevented the regulation from getting a fair trial. It is, nonetheless, necessary in the short-term period of boom that the long-term considerations of adequately safeguarding future stocks be not forgotten.

The Government has already given thought to the post-war problems of the fishing industry. The Herring Industry Act, based on the recommendations of the Elliott Committee (which reported in January, 1944, Cmd. 6503), was given the Royal Assent on August 3rd. It was in the herring

branch of fishing that the decline was most strongly marked. It is no doubt with this in mind that the Government is concentrating on its resuscitation. The Act, with its provisions for grants to enable fishermen to set up, received a warm welcome from the House.

In addition to making grants of money the Board has been empowered to participate in the industry more fully than before. It will be able to purchase boats and equipment for charter and to arrange for the refrigeration and processing of herrings. Conditions and standards of refrigeration may be regulated, and lastly, schemes may be operated by which levies on the first sales of herrings would be used to obviate as far as possible undue differences in earnings. These differences arise because the first arrivals at the ports get what is known as the "cream of the market" prices. Sometimes enormous differences occur. Mr Johnston, in introducing the Bill, quoted an example from Fraserburgh, where the first boats to arrive with their catch were able to get 46s. a cran, and the last only 26s. Various voluntary attempts have been made from time to time to form a pool by levy, so that returns could be more even. But it is obvious that any such measures, to be effective and equitable, must be compulsory.

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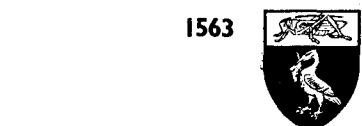
The white fish branch of the fishing industry suffered during the interwar years, but unlike the herring branch, it was not because of the loss of foreign markets. The main trouble arose in the late twenties and early thirties, when large shoals of fish, mainly cod, were discovered in the more distant northern waters. These were fished in a somewhat greedy fashion, which resulted in the flooding of the home market with fish which was not always in its prime. The results were two-fold. The price fell sharply, and dragged down with it prices of fresher fish from the nearer grounds. And, confronted by so much inferior fish, demand tended to diminish.

The White Fish Commission was set up to administer assistance to the fishing industry, but as in the case of the Herring Industry Board, it ceased to function on the outbreak of war. The Government is considering the problems of this branch of the industry, but, whether it will be re-established in its previous form or whether it will require additional powers in order to get white fishing off to a good start after the war, must depend very largely on the state of the industry at that time.

The Government's plans for the future of the fishing industry must not be based on the sentimental conception of—to quote Mr Johnston—

... a splendid and hardy population asking neither for charity nor for the dole, but only an opportunity to pursue their avocation and their calling on the seas in return for nothing but a modest and honourable recompense. (*Hansard*, July 5, 1944, col. 1173.)

Instead, any plan for the rehabilitation of the fishing industry must have its foundation in a complete understanding of its place in the national economy and in national strategy.



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Business Notes

No Policy for Civil Aviation

On August 3rd Members of the House of Commons once again pressed the Government for a statement of policy on the domestic aspect of post-war civil aviation. In particular, they demanded answers to four main questions: Which Government department is to be responsible for civil aviation? Who is to run the services? Is the design of civilian aircraft being pushed ahead as quickly as possible? How are Britain's airports to be organised and operated? Mr Tree, taking as his brief the proposals published by the Tory Reform Committee—these were discussed in *The Economist* of August 5th—stressed the need for quick decisions and active preparation; otherwise, he remarked—in an effort to drive home his point—peace “will catch us not with our trousers down, but with no trousers at all.” Captain H. Balfour, Joint Under-secretary of State for Air, was not frightened by this prospect on a hot summer day. He replied calmly that the Government had not made up its mind. It has reached no decision, either on the subject of departmental responsibility or on the conditions of participation in air transport. Preparations for the manufacture of suitable aircraft were going ahead, but not as rapidly as he would like. Perhaps Mr Tree will be able to use his metaphor to greater effect in the autumn.

British Airfields

Group-Captain Wright was particularly concerned with airports. How can anyone plan air routes, he said, unless they know there are going to be some airports on which they can land and from which they can operate? Group-Captain Wright can hardly be accused of not seeing the wood for the trees. Military airports are one thing; civilian ones are another. They have to be suitably located and organised, and this requires time, even at the pace set by the Americans. He suggested three types of airport. There will have to be the large airport—Captain Balfour suggested one or two—for dealing with trans-oceanic services; these should be the responsibility of the Government. Next, airports will be needed for the British Isles-Continental and internal main services; these, Group-Captain Wright suggested, might be the responsibility of the municipal authorities. Finally, small airports will be required to deal with feeder services, charter services and with private flying; in principle these, too, might be the responsibility of municipal authorities, but where municipalities are not prepared to provide them, private enterprise might be permitted to do so. Group-Captain Wright's approach to the problem of domestic airport policy seems sensible. Captain Balfour went so far as to voice agreement. But he had nothing to say about preparations.

Markets and Normandy

Holidays notwithstanding, the Stock Exchange responded vigorously to the excellent news from Normandy and Brittany. Bargains marked on Tuesday and Wednesday numbered 7,279 and 5,808 respectively, high totals for August Bank Holiday week. The most specific reaction to the news was the obvious one—a marked rise in French Railway sterling bonds. Nord 6's and Midi and Orleans 4's all rose by about 5 points, and there was a similar jump in the 4½ per cent bonds of the Seine Department, whose liberation looks to lie so close ahead. A roughly equal rise in Chinese Government loans echoes Mr Churchill's growing confidence that the interval between the ends of the western and eastern wars will be short. German and Japanese bonds responded less than they sometimes do to United Nation's victories, but Polish 4½ per cent put on 3 points, and Austrian, Hungarian, and Greek bonds made lesser gains. Amongst British securities there was general firmness, but with few outstanding features. Following the reduction of the minimum permissible dealing price in the 3 per cent Savings Bonds 1960-70 issue, just withdrawn, a free and firm market developed in these bonds at about 99½. A last-minute rush for the bonds before the turning off of the “tap” brought in subscriptions of over £10,000,000,

raising the total of this series in issue to £976,000,000. The demand for these bonds infused a certain firmness into the whole gilt-edged market. Among industrials, textile shares have been a bright market, on export trade hopes, Listers being prominent with a gain of 2s. to 22s. 3d. Oil shares responded with modest gains to the news of the Anglo-American Oil Agreement. The biggest movement in this market, that of Attock Oil, now at the record price of 72½, was independent of this factor, and was due to repatriation buying from India, stimulated by promising reports of impending developments on the company's Punjab fields.

Unit Trust Code

There is an inconsequent touch in the appearance at the Bank Holiday week-end of the Board of Trade's requirements which must be satisfied before they grant authorisation to a unit trust. Five years of war have passed since the Sharepushing Act became law; for most of this time unit trusts have been prohibited, by a rather dubious extension of the capital issues ban, from constituting new units, and when they resume sales to the public, market conditions will hardly be more favourable than those of the last two years. Meanwhile, the trusts will need to supplement their existing trust deeds to cover the board's requirements under six heads. These cover three outstanding points; control of adventitious profits; restriction on undesirable publicity; and publication of managers' profit and loss accounts. Perfect solutions may not have been reached in all these questions, but the new requirements will rule out the possibility that the worst excesses of pre-war days will be repeated. Selling prices of units will be determined by a formula containing the principal provision that underlying securities of the trust must be valued on the lowest market dealing offered price on a recognised Stock Exchange “at the time of the quotation or sale.” “Rounding off”—the process by which the selling price of a unit was blandly raised to the nearest multiple of sixpence or three pence—is to be limited to the latter amount, or alternatively one per cent of the price—evidently to cover the case of the 5s. unit. Control of pricing, incidentally, extends only to selling prices, for the Schedule to the Act does not refer to the regulation of bid prices—the Act, it has been well said, covers sharepushing, but not the reverse process of “share-pulling.” Publicity is in future to be subject to the trustee's veto, if, as is usual, it refers to prices or yields. Further, it is required that yields must be calculated after deducting the periodical service charge from income, even if the charge may, in fact, be levied on the capital of the trust. Some of the grosser forms of “milking” capital to provide income—such as the sale of rights or capital bonuses—must be excluded from yield calculations, though other forms such as “cum” and “ex” dividend dealings, and the judicious admixture of wasting assets without provision for amortisation, are not frowned upon, and will be revealed, if at all, only indirectly in the accounts. Again, the polite fiction by which yields were sometimes calculated by reference to the opening price of the unit when the trust was formed is to give place to a percentage based on the current price.

Much argument has been heard on the form which managers' accounts should take. The Board of Trade seems to have decided that there is virtue in both schools of thought. It requires as a minimum a financial statement, in the nature of a units trading account, and also a net revenue account, showing the gross and net profits derived from the management of the trust. The first of these accounts incorporates a number of scarcely comparable items from which it would be difficult to derive accurate information on the three main sources of profit; from the sale of new units, from sales from the revolving fund, and from the unwinding of liquidated units. The Board have, very wisely, required that the amounts and percentages of these gross profits shall be separately stated and certified, before any deductions. For the unit holder's purpose, the ac-

counts and statement should be quite adequate. Doubtless, more refined percentage calculations could be devised, but a rate of profit requires checking against the amount of profit involved. Conversely, a figure of total profit might look modest and yet conceal an extortionate rate of return on one or more of the sources described above. Adequate publicity will certainly be guaranteed by these accounts, provided that they are passed to the Board of Trade and also to the press, as well as to unit holders. The Board has traditionally shown a marked reluctance to assume control over trading activities, and the unit trust rules represent its first experiment in detailed administration in this sphere. In their supervision of the movement, the Board will be assisted by all responsible unit trust managements, by trustees, and by those sections of the press which, in criticising some undesirable features of its youth, have recognised in it much that is good—in particular, the important rediscovery of the unit principle.

Banking Policy and EPT

In a survey, last month, of the impact of war upon the banking position, the conclusion was reached that, in the course of this year or next, the expansion of the banks' gross earnings may so far outstrip the increase in costs and special charges as to bring some, at least, of the big banks to the point at which they will begin to pay EPT. This, of course, was a tentative and necessarily uncertain conclusion, not only because the “true” or taxable earnings of the banks have never been disclosed, but also because the relationship between current earnings and those of the EPT standard period may vary substantially from bank to bank. But if the hypothesis is sound, some quite unexpected results may follow. It is well known that before the war the equilibrium point between the need for absolute security of the banking structure, on the one hand, and the desire for additional earnings on the other, was determined by so conventionalised a set of rules that banking policy was unlikely to be significantly or rapidly responsive to short-term changes in profit opportunities. Since the war, however, as *The Economist's* analysis of the end-June balance-sheets demonstrated afresh, the traditional disposition of bank assets has been distorted out of all recognition. When established rules become inoperative, policy can hardly fail to become more elastic, and, because it must be moulded to changing circumstances, it may also become more opportunist—if such a term can ever be used in the context of anything so steady and conservative as the principles which emerge from the board-rooms of British banks. It would not be surprising, therefore, if, once the EPT point has been reached, the banks were to put liquidity considerations well above considerations of additional profit. Some bank chairmen, with perhaps an undue respect for the precedent of post-1920 deflation, have indeed referred to their additional wartime deposits as a temporary growth; to those who argue thus, exceptional liquidity may become a positive objective. But, in any case, the gilt-edged market cannot be free from uncertainties, and the banks' stake in it is larger than ever before. It is certainly no accident that the past year is the first since the war in which bank investment portfolios have shown no more than a fractional increase, despite the effects of the local savings weeks. The EPT factor, if indeed it is not making itself felt already, is likely to accentuate this change in emphasis.

Repercussions on Short Loan Market

Another, and less obvious, direction in which comparable tendencies may develop is the short-loan market. If EPT begins to scoop up additional earnings, there will be no real incentive to take pains to ensure that floating balances are always fully employed in call loans. In the absence of a “directive” or informal hint from on high, the “money” men at the banks will no doubt continue to do their job with their customary efficiency, profit or no profit. But is it certain that no such hint would be given? To go easy on the employment of marginal surpluses would be one way of raising cash ratios. As yet, despite some suggestions in the market that the banks, already, have at times seemed to be less keen lenders than usual, the trend of bank call money (which has been upwards) does not suggest that any such policy has been followed, while published cash ratios in May and June were fractionally

below their comparable 1943 levels. If, however, the banks were eventually to keep the short loan market on short rations, one curious result would follow. The presumption would be that the discount houses would have recourse to the special buyer, whose dealing profits, presumably, accrue to the Banking Department of the Bank and not to the Issue Department, which works for account of the Treasury. That would mean that the banks' action in depriving the Exchequer of EPT (by refraining from making as much extra profit as could have been made) would have the effect of putting extra earnings in the coffers of the Bank of England. The point is, perhaps, an academic one, but it is at least an intriguing consequence of the anomalies of the legal framework of monetary control.

Oil Agreement

On the basis of cabled Press reports, the interim oil agreement signed in Washington between the US and British Governments is, as might have been expected, couched in the most general and non-committal terms, and until more detailed information is available, comment would be ill-judged. The agreement lays down certain unexceptionable principles governing the international trade in petroleum: assuring the extension to all peaceable countries of adequate petroleum supplies at fair prices and on a non-discriminatory basis; the development of petroleum resources with a view to the sound economic advancement of producing countries; recognition of the principle of equal opportunity in the acquisition of concessions; respect for valid concession contracts, and the freeing of production and distribution from unnecessary restrictions. More concretely, the agreement provides for the setting up of an International Petroleum Commission, representing the two Governments, which would make recommendations about meeting the estimated world demand for petroleum, and about the efficient and orderly operation of the international petroleum trade. The functions of the Commission would thus be purely advisory, and the agreement is terminable on three months' notice by either Government. The agreement, it is pointed out, is preliminary to the negotiation of a multilateral petroleum agreement by all producing and consuming countries, and steps are being taken to convene a world petroleum conference. It is obviously desirable that countries such as Russia and the Netherlands, which are intimately concerned, should be drawn into the discussions at the earliest opportunity.

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West African Gold Mines EPT

After four years of negotiation the West African gold producers have obtained an important Excess Profits Tax concession in the decision of the Board of Referees that the statutory percentage under Section 13 of the Finance (No. 2) Act, 1940, shall be increased by 4 per cent in respect of the mining of gold from quartz lode and crush zone deposits in the Gold Coast Colony. For the companies concerned this will be a welcome piece of news, especially as the award will be retrospective to the beginning of the EPT period. Nevertheless, its scope is limited and would not seem to justify the indiscriminate rise in West African gold shares that followed the announcement. In the first place, the increase in the statutory percentage is, of course, of interest only to those companies which are in a position to claim it, that is, companies which started production after July 1, 1936; for these it means the liberty to retain profits up to 12 per cent instead of 8 per cent on the capital employed. (For established companies like Ashanti the concession will be of small importance, since it will merely apply to any increases in capital employed.) Secondly it will not affect the companies whose production is shut down for the duration of the war—which is the majority. Thirdly, it does not apply to the blanket producers, which so far apparently have made no application; most of these are, however, closed down under the concentration scheme.

Austin Motor Accounts

The Austin Motor Company has now issued its accounts for the two years ended July 31, 1942 and 1943. Increased trading profits in these two years absorbed past deficiencies as calculable for EPT purposes and the company became liable to this tax for the first time in the latter of the two years. The effect of this was a fall of some £178,000 in gross profit. However, the gross profit of £2,342,792 for the year to July, 1942, stands as a record in the history of the company. Full figures for three years are given on page 229. In both 1942 and 1943 £100,000 was set aside for special depreciation of plant and £200,000 for deferred repairs. The chairman, Mr Payton, nevertheless, evidently feels that the company's resources are not adequate for the big task of changing back from wartime to peacetime work, for he makes pointed reference in his statement to shareholders to "the exceptionally heavy taxation which depletes our cash position" and to the "exceptional wear and tear" suffered by the plant and equipment in the five years of war. In this complaint he is, of course, only one amongst many chairmen of companies engaged on munitions work. Meanwhile for Austin the problem of post-war financing has been somewhat eased by the replacement this year of £944,280 of 5 per cent First Mortgage Debenture Stock by a corresponding amount of 4½ per cent Redeemable Preference Stock and the consequent freeing of the assets charged to secure the former.

Reprieve for Primitiva

The news that the Argentine Federal Court has reversed its own previous decision to take possession of the property of the Primitiva Gas Company, on the Government's original terms, welcome as it is, is in some respects surprising. It is certain that the Argentine Government has not changed its intention, announced in April, of taking over the gas supply of Buenos Aires, and the Argentine Expropriation Law allows this to be done, as the Court originally decided, immediately, but without prejudice to compensation claims. The real issue at stake was, and remains, the amount of compensation to be paid. The Government's offer of £230,000 was calculated on the basis of the value of the property less the cost of removing installations, which they put at 80 per cent of the price offered. The absurdity of this method of calculation lay in the fact that the installations, far from needing to be removed, are essential to the continuance of the city's gas supply. That the Federal Court should now change its mind because of the unreasonable nature of the compensation offered, seems to indicate that the Government may now suggest a more

UNIVERSITY OF LONDON

The Senate invite applications for the University Chair of Statistics tenable at the London School of Economics (salary not less than £1,250 a year). Applications must be received, not later than first post on 4th September, 1944, by the Academic Registrar, University of London, S.W. 7, from whom further particulars should be obtained.

satisfactory basis of valuation. It is to be hoped that, in the absence of private agreement, compensation will be settled by the Supreme Court, according to Argentine law, which provides for the appointment of experts by both parties to decide the valuation.

Protection by Price Control

Cotton spinning employers in Lancashire and adjacent counties have decided to adopt price management after the war, as recommended in the report of the Special Committee of the Cotton Board, issued earlier this year. Before the war, voluntary yarn price agreements were in operation; in 1940 the system was taken over by the Government, and has since remained in force. On August 16th there will be a mass meeting in Manchester of spinners producing Egyptian type yarns, attended by representatives of 100 firms, owning 150 mills, containing about 15,000,000 spindles. Arrangements are now being made for special meetings of the three yarn price agreement committees in the American yarn section. It is expected that after further conferences a special committee will be appointed, consisting of representatives of all the old yarn price-fixing committees. This organisation would deal not only with price control, but also with commercial and trade policies. It is estimated that when the full programme is announced, this movement will have the support of virtually all the firms concerned. In the years immediately before the war there was severe competition amongst spinners for orders, yarn prices were cut, and in many instances orders accepted at a loss. There is determination throughout the industry to prevent this state of affairs in the future. The belief is held that if a united policy can be adopted the industry will be fully protected should unfavourable conditions arise. It is difficult to see how price control—which, to be effective, requires Government support—can protect the industry from a fall in export sales. Efficiency in production and marketing are the best and, ultimately, the only effective methods of protection.

Expenditure on Food

For the first time, details of the expenditure during the war on different classes of food have been given. Total expenditure on food has been shown in the White Papers entitled "An analysis of the sources of war finance and estimates of the national income," which have been published every April since 1941. The accompanying table is a breakdown of the figures in the latest White Paper (Cmd. 6520). Household expenditure is based on retail prices, and

(£ million)					
Commodity Group	1938	1940	1941	1942	1943
Household Expenditure:					
Bread and cereals, etc.	165	220	244	246	225
Meat, bacon, etc.	275	256	241	275	273
Fish, fresh and canned	43	39	46	36	36
Oils and fats	98	65	59	57	57
Sugar, preserves, confectionery	108	128	112	110	105
Dairy products	189	183	194	213	203
Fruit, fresh, canned and dried	79	62	32	41	35
Potatoes and vegetables	84	85	119	125	126
Beverages	54	52	51	50	46
Other manufactured foods	33	57	51	44	37
Total	1,128	1,147	1,149	1,197	1,142
PERSONAL EXPENDITURE ON FOOD OTHER THAN HOUSEHOLD EXPENDITURE	70	88	111	123	122
Totals, as in Cmd. 6520	1,198	1,235	1,260	1,320	1,264

Source: Hansard, August 3, 1944.

non-household expenditure on prices at which food is purchased by canteens, restaurants and hotels, so the two are not strictly comparable. All the figures are estimates, and may be subject to a margin of error, particularly in the case of fruit and vegetables. The figures for 1938 and 1940 are not so reliable as the later ones, because many of the statistical series were not then available. The increase in household expenditure in 1942 is due largely to lend-lease foods, such as "spam" and dried eggs, which became available in that year. Another contributory factor was the excellence of the fruit crop. The drop in expenditure in bread between 1942 and 1943 is due to the fact that supplies of biscuits and cake were reduced. The fall in the amount

spent in dairy products is surprising in view of the parallel rise in milk consumption, but it is explained by the reduced cheese ration. The large rise in expenditure in potatoes and vegetables between 1940 and 1943 is due to two factors: the increase in the consumption of potatoes, and the rise in prices of vegetables. Catering establishments have increased in number during the war: more factory canteens have been opened, and British restaurants set up. Although more money was spent in 1943 than in 1938, the volume of food purchased was considerably smaller.

Food in Occupied Countries

The League of Nations has continued its study of rationing and supply in its recently published *Food Rationing and Supply 1943/44*. Food rationing in Europe is treated in considerable detail, with tables on comparative rationing, and there is a section on production and supply. In general the food situation in Europe improved in 1943. In German-occupied Europe grain harvest reached, according to estimates, 90 per cent of the pre-war average. This tendency cannot, however, be maintained in face of shortages of fertilisers and manpower and the inevitable deterioration of machines. Nevertheless, the 1943 improvement is borne out by declines in some countries in death rates—although they increased in Germany itself. One of the many tables compares "normal consumer" rations in calories in the autumn of 1943, in countries where all foods are rationed. The order in which the countries are placed is interesting. Bulgaria heads the list with just over 2,000 calories a day. Germany, Finland, Bohemia and Moravia, the Netherlands and Belgium follow, with between 1,500 and 2,000 calories, and the countries receiving between 1,000 and 1,500 calories are Norway, the Baltic States, Slovakia, Poland, France and Italy. On the whole, the theoretical calories intake appears to be up to pre-war levels in Denmark, Germany, Bulgaria, and Roumania. In Bohemia and Moravia, Belgium, Finland, the Netherlands and Norway, although it is not high enough, the calorie intake is not, on the whole, seriously short. The average rations in the Baltic States, Slovakia, France and Italy are too low for full working efficiency. In Poland, Greece, parts of Yugoslavia and occupied Russia, famine

has been a frequent occurrence. By contrast, Great Britain is adequately served in respect of calories. The report says of Great Britain that "average intake is at or above the standard of 3,000 calories per consumption unit a day." In drawing comparisons between Great Britain and German-occupied countries it should be remembered, however, that differential rationing is highly developed on the continent. For example, although the "normal consumer" in Germany has a calorie intake of 1,930, the "very heavy worker's" intake is 3,435 calories a day. Calories cannot provide an entirely satisfactory means of comparing average consumption in different countries, since they do not indicate the nutritional value of the diet except as a source of energy, but they do provide the most convenient yardstick.

Women Engineers' Wage Increase

Agreement has been reached between the engineering employers and the three unions catering for women engineers to adopt the recommendations of the National Arbitration Tribunal. As from August 1st, women paid according to the National Women's Schedule—that is, engaged on work normally performed by women—will get increases ranging from 6s to 7s 11d a week. Women of 21 and over will get a new time-rate, including bonuses, of 56s a week, in place of the existing 50s, and the rates for younger women will be correspondingly increased. This change is brought about by transferring 12s from the present national bonus (22s) to the basic rate, bringing it up to 37s instead of the present 25s, and by adding 4s to the remaining bonus of 10s. The time-worker's bonus is fixed at 5s for all ages, instead of the present 3s for a woman of 21 and over. For piece-workers, who are in the majority, the rates will be improved. Piece rates are to be such as to yield at least 27½ per cent over the new basic rate instead of the former 25 per cent over the old basic rate. Thus a woman of 21 and over should now have a minimum of 61s 2d—an increase of 7s 11d over the previous minimum—made up of 37s base rate plus 10s 2d plus 14s national bonus. These increases are not as much as the unions asked for, but it is

(Continued on page 229)

ISSUE OF 3% SAVINGS BONDS, 1965-1975.

Interest payable half-yearly on the 15th February and 15th August. A first interest payment will be made on the 15th February, 1945.

PRICE OF ISSUE £100 PER CENT.
PAYABLE IN FULL ON SUBSCRIPTION.

Bonds of this issue are an investment authorised by The Trustee Act, 1925, and The Trusts (Scotland) Act, 1921.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND, by authority of the Lords Commissioners of His Majesty's Treasury, offer the above Bonds for subscription. Subscriptions will be received on Tuesday, 8th August, 1944, and thereafter until further notice in the "London Gazette." Subscriptions may be lodged at any office of the Banks hereafter mentioned.

Subscriptions will be accepted in any amount not being less than £50. Subscriptions must be accompanied by the full amount payable in respect thereof. The Principal of and Interest on the Bonds will be a charge on the Consolidated Fund of the United Kingdom.

If not previously redeemed, the Bonds will be repaid at par on the 15th August, 1975, but His Majesty's Treasury reserve to themselves the right to redeem the Bonds in whole or in part, by drawings or otherwise, at par on, or at any time after, the 15th August, 1965, on giving three calendar months' notice in the *London Gazette*.

The Bonds will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable by instrument in writing in any usual or common form in accordance with the provisions of the Government Stock Regulations, 1943.

Bonds will be transferable in sums which are multiples of one penny. Transfers will be free of Stamp Duty.

A first interest payment, calculated from the date on which the subscription accompanied by payment is lodged to the 15th February, 1945, will be made on the 15th February, 1945; thereafter interest will be payable half-yearly on the 15th February and 15th August. Interest will be paid by warrants transmitted by post and Income Tax will be deducted from payments of more than £5 per annum. The first interest payment will in all cases be payable to the original subscribers or to their nominees.

The Bonds and the interest payable from time to time in respect thereof will be exempt from all United Kingdom Taxation, present or future, so long as it is shown in the manner directed by the Treasury that they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland. Further the interest payable from time to time will be exempt from United Kingdom Income Tax present or future, so long as it is shown in the manner directed by the Treasury that the Bonds are in the beneficial ownership of persons not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

These exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident, or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from Income Tax where, under any such provision, it falls to be treated for the

purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Subscriptions, which must be accompanied by payment for the full amount of Bonds subscribed, may be lodged at the Bank of England Loans Office, E.C.2, or at any office of the following Banks:—

IN GREAT BRITAIN:
Bank of England, Lloyds Bank, Ltd.
Bank of Scotland, Martins Bank, Ltd.
Barclays Bank, Ltd., Midland Bank, Ltd.
British Linen Bank, National Bank, Ltd.
Clydesdale Bank, Ltd., National Bank of Scotland, Ltd.
Commercial Bank of Scotland, Ltd., National Provincial Bank, Ltd.
Co-operative Wholesale Society, Ltd., North of Scotland Bank, Ltd.
Coutts & Co., Provincial Bank of Ireland, Ltd.
District Bank, Ltd., Royal Bank of Scotland.
Glyn Mills & Co., Union Bank of Scotland, Ltd.
Grindlay & Co., Ltd., Westminster Bank, Ltd.
C. Hoare & Co., Williams Deacon's Bank, Ltd.
Isle of Man Bank, Ltd., Yorkshire Penny Bank, Ltd.

IN NORTHERN IRELAND:
Bank of Ireland, National Bank, Ltd.
Belfast Banking Co., Ltd., Northern Bank, Ltd.
Hibernian Bank, Ltd., Provincial Bank of Ireland, Ltd.
Munster & Leinster Bank, Ltd., Ulster Bank, Ltd.

A commission at the rate of 2s. 6d. per £100 nominal subscription will be paid to Bankers or Stockbrokers on subscriptions bearing their stamp.

Subscriptions must be made on the printed forms which may be obtained, together with copies of this Prospectus, at the Bank of England Loans Office, London, E.C.2, or at any of the Branches of the Bank; at the Bank of Ireland, Belfast; of Messrs. Mullens & Co., 13, George Street, Mansion House, E.C.4; or at any Bank or Stock Exchange in the United Kingdom.

BANK OF ENGLAND, LONDON.
5th August, 1944.

N.B.—Separate Prospectuses relating to 3% Savings Bonds, 1965-1975, to be held on the Post Office Register will be issued by His Majesty's Postmaster-General (and may be obtained at any Savings Bank Post Office or Bank), and by the National Debt Commissioners on behalf of Trustee Savings Banks. The amount subscribed by any person under the Prospectuses issued by His Majesty's Postmaster-General and by the National Debt Commissioners must not exceed £1,000.

W. J. BUSH AND COMPANY, LIMITED

SATISFACTORY RESULTS DESPITE DIFFICULTIES

DR P. C. C. ISHERWOOD'S STATEMENT

The forty-seventh annual general meeting of W. J. Bush and Company, Limited, was held, on the 10th instant, at the Great Eastern Hotel, Liverpool Street, London, E.C., Dr P. C. C. Isherwood, O.B.E., Ph.D. F.R.I.C. (chairman and managing director), presiding.

The report of the directors submitted to the meeting was as follows:—

Your directors beg to submit their report and statement of accounts for the year ended December 31, 1943.

After charging excess profits tax, the accounts show a net profit of £128,887. Adding to this the sum of £190,767, being the amount brought forward from the previous year, and deducting the amount required for dividends on the preference shares and provision for income-tax there remains a balance of £258,829.

Your directors recommend that this balance be dealt with as follows:—

By the payment of a final dividend of 6 per cent. on the ordinary shares, making (with the interim dividend already paid) 10 per cent. for the year	25,000
By allocation to pension fund.....	20,000
By carrying forward the balance	213,829
	£258,829

The buildings and plant at Hackney, Mitcham, Widnes, Melbourne and elsewhere have been maintained.

CHAIRMAN'S STATEMENT

The statement by the chairman issued with the report and accounts was as follows:—

My address to the shareholders accompanying the directors' report and statement of accounts for the year under review must under present circumstances be in general terms.

In spite of the world-wide nature of the conflict with its adverse effects on our export trade and supply of many important raw materials, and also the many difficulties inherent in war conditions the company has in the opinion of your directors again been able to achieve satisfactory results.

The whole of the company's equipment is working practically continuously, and although maintained to the fullest possible extent within the limits of available material and labour, its life under such circumstances is reduced. Your directors have therefore deemed it prudent to increase the provision for depreciation of plant, etc. and also to make a further addition to the reserve against buildings, to both of which effect has been given in the accounts.

ALLOCATION OF £20,000 TO PENSION FUND

Although the company, since its incorporation in 1897 and even before, has paid and still is paying pensions to its retired employees, your directors have under consideration schemes for the payment of pensions on a more modern basis. With this object in view, as indicated in the directors' report, we propose, with your approval, to allocate a sum of £20,000 to a pension fund.

I am pleased to report that our branches and subsidiaries throughout the world have, in spite of many difficulties, maintained a satisfactory position.

The results which have been achieved have only been possible by reason of the progressive policy which has been pursued for many years. Our products are many and varied, and, in addition to our flourishing business in food flavours and aromatics, we are important chemical manufacturers producing a wide range of pharmaceuticals, synthetic drugs and technical chemicals, including dye-stuff intermediates.

IMPORTANCE OF RESEARCH

Much has been written lately on the importance of research and a layman might be pardoned for thinking that research with a big "R" is a new invention. As a matter of fact, your company, in common with all other progressive concerns, has for very many years devoted much time to this side of the business, and much of our success has been due to this activity. I can assure you that we have always got this important matter very much in mind.

I am strongly of the opinion that, if our country is to raise or even maintain its pre-war standard of living, export trade is of paramount importance and in this connection private enterprise must be given full scope and encouragement with a minimum of Government interference. While control is a necessary evil in war and is being in the main sympathetically and efficiently administered, in my view as a long-term policy all the Government needs to do is "to hold the ring" so as to ensure fair trading conditions. Given these, individual effort will provide continued and increasing prosperity, and the earlier that war-time control is relaxed and ultimately withdrawn, so much the sooner will general trading prosperity be achieved.

Trade associations, in the work of which your company has always taken an active part, are of inestimable benefit in preserving contact between manufacturers for discussion of matters of common interest for the good of all.

TRIBUTE TO STAFF

I cannot close these few remarks without paying a tribute to our staff for their efforts under increasingly difficult conditions. This applies not only to those at home in all three of our works, but also to the managers and staff of our many affiliated companies and branches overseas. Owing to travel difficulties, they have had to rely to an increasing extent on their own initiative, and the results they have obtained speak volumes for their hard work and efficiency.

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

The retiring directors, Mr C. F. Bush, Mr A. J. McIntyre, Mr M. St. Alphonse, were re-elected; and the auditors, Messrs Furquand, Youngs, McAuliffe and Co., having been reappointed, the proceedings terminated.

MCDUGALLS TRUST, LIMITED

SERVICE TO THE COMMUNITY

The eleventh annual general meeting of McDougalls Trust, Limited, was held, on the 4th instant, in London.

Mr Kenneth A. E. Moore, the chairman, presided.

The following is the statement by the chairman circulated with the report and accounts:—

You will see from the annexed accounts that the operating company—McDougalls, Limited—has again had a successful year, and that, after providing for excess profits tax and contingencies and adding £20,000 to the advertising reserve, the same dividends have been paid to the holding company—McDougalls Trust, Limited—so enabling it to maintain, for the eighth year in succession, a distribution of 10 per cent.

This laconic summary of the financial results shows how the business has done, but not what it has done. It seems, therefore, not inappropriate, particularly at this stage of the war, to interpret the accounts in terms of service to the community and from the human angle.

RECORD SALES OF MCDUGALLS FLOUR

From the fact that the business has earned profits substantially in excess of its pre-war standard you will be correct in inferring that it has produced, packed, sold, and distributed more McDougalls self-raising flour than ever, but since dividends are limited to the pre-war level by the incidence of taxation and Government control, these increased services to the community have brought no financial reward to the proprietors. In other words, the profit on the extra work done by the mills, plant, and organisation provided by the shareholders has been or will be handed over to the community in the shape of E.P.T. or by way of adjustment of remuneration under Government control agreements.

On the human side the managers, staff, and workpeople, whose ranks have been much thinned by the calls of the Services, have had to cope not only with all the usual war-time production difficulties, accentuated by much increased output, but also, both in their private and business lives, with the blitz and more recently the flying bomb, you will, I am sure, wish to join with the directors in expressing our most sincere thanks to them for duty well done.

To return to financial matters, you will see that the accounts of McDougalls, Limited, are still subject to adjustment by reference to the terms of the remuneration agreements concluded or to be concluded with HM Government in relation to the control of flour milling activities as from September 3, 1939.

DIVIDEND MAINTAINED AT PRE-WAR LEVEL

In the meantime our policy, after making modest additions to trading reserves, is to maintain dividends at the pre-war level of £202,000 per annum and to transfer the remaining profits to "excess profits tax and contingencies" account. The balance on this account, after meeting the computed liability to excess profits tax down to March 31, 1943, amounts to £280,000, and this figure should amply cover any adjustment referred to in the preceding paragraph. The financial position remains strong and liquid, and the general and advertising reserves, aggregating £250,000, are invested outside the business in British Government securities.

In addition, there are our human reserves in the shape of many trained and experienced employees serving with the forces to whom suitable allowances are being made in augmentation of their Service pay. Some have, unfortunately, fallen in action and will never return. To the others we send our best wishes and look forward to their return in the not far distant future.

The report and accounts were adopted.

HUDSON'S BAY COMPANY

RECORD TRADING PROFIT

The two hundred and seventy-fifth annual general court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held, on the 8th instant, in London, Sir Patrick Ashley Cooper, the governor, presiding.

The following is the governor's statement circulated with the report and accounts: The company's accounts again disclose a record trading profit, the bulk of which is absorbed by taxation.

Receipts of the land department, both on account of revenue and capital, are the best since 1929.

Record sales and profits were achieved by the retail stores, but to do this the management had to overcome many difficulties, including those arising from a depleted staff. In the North Land we continue to do everything possible to look after our fur trade. Fur business in the United Kingdom is still restricted to small proportions. In New York, Lampson, Fraser and Huth, Incorporated, are selling substantial quantities of furs both for the Hudson's Bay Company and for many other customers. In Montreal our fur sales department disposed of steadily increasing quantities.

At the close of the year there were 15 producing wells on the Hudson's Bay Oil and Gas Company's holdings. The sixteenth well was abandoned after completion and the seventeenth is being drilled. All these wells are situated in the Turner Valley Field, which is still the only major proven Canadian field on which the Hudson's Bay Company has mineral rights. I ought, therefore, to stress that the production of the Turner Valley Field shows signs of reduction.

Resolutions were passed approving the payment of a dividend of 5 per cent. on the ordinary shares and a distribution from land sales receipts of 5 per cent., and also the repayment of the whole of the preference share capital totalling £600,000.

(Continued from page 227)

satisfactory that they should have been agreed without further reference to arbitration, and they represent a considerable improvement in the very low level of women's engineering wages, especially necessary in the case of younger women. It now rests with the unions to frame a more permanent long-term structure of wages in the industry, which will fix rates according to the job and not according to sex.

Retail Food Shops

The accompanying table shows the changes which have taken place in the number of retail food shops operated by multiple stores and by co-operative societies. The figures provide a useful guide to the extent to which the industry has changed since 1939.

	Multiple	Co-op. Societies	Total
1. SHOPS OPENED:			
(a) Total	857	692	1,549
(b) No. of cases included in (a) in which the business has been purchased from, or opened in premises last occupied by, an independent food retailer	581	495	1,076
2. SHOPS CLOSED:			
(a) Total	1,322	380	1,702
(b) No. of cases included in (a) in which the business has been sold to, or was carried on in premises next occupied by, an independent food retailer	69	4	73
3. NET CHANGE:			
(a) Total (1(a)—2(a))	—465	+312	—153
(b) Net nos. of independent businesses "displaced" (1(b)—2(b))	512	491	1,003
4. Total nos. of shops operated on May 15, 1944	22,630	18,055	38,685

Source: Hansard, August 1, 1944.

* Firms with ten or more branches in the United Kingdom.

pendent trader is being displaced by multiples and co-operatives. In a period of four years and nine months the total number displaced is only 1,003, and this figure

OHLSSON'S CAPE BREWERIES, LIMITED

INCREASED TRADING PROFIT

The annual general meeting of Ohlsson's Cape Breweries, Limited, was held, on the 10th instant, in London.

Mr Geoffrey Dent (the chairman) said that once again the profit on trading and rentals, after providing for depreciations, showed a substantial increase of £78,959 over the previous year. The demand for their beers had again exceeded their capacity to supply, and rationing had been necessary over a considerable period of the year. Supplies to Rhodesia from the Union, in particular, had been limited to the quota agreed upon between the authorities of the Dominion and the Colony, and many of their customers, particularly in Northern Rhodesia, had consequently been short of their usual supplies of the company's products. With regard to brewing materials, the cost of all ingredients used had increased, but the South African authorities had been most helpful in procuring the import of essential supplies of malt and hops from the United States, Canada and South America, and the present position might be regarded as satisfactory.

The profit on trading and rentals for the year, after making adequate provision for depreciation of all plant, machinery, motor vehicles, hotel furniture and fittings, amounted to £767,682. It was proposed to pay a final dividend of 10 per cent. on the ordinary shares, making a total distribution of 15 per cent. for the year. This year it had been necessary to provide £565,000 to cover the total estimated tax liabilities on the year's profits. That was £70,000 more than was required last year. It might interest shareholders to know that the company's contribution, by way of taxes, to the Government of South Africa and this country in respect of trading for the year 1943-44 totalled £1,243,689. The report was adopted.

OZALID COMPANY, LIMITED

DIVIDEND MAINTAINED

The annual general meeting of the Ozalid Company, Limited, was held in London on the 9th instant.

Mr. C. A. G. Hewson, F.S.A.A., presided.

The following is a summary of the chairman's statement:—

It is with pleasure that your directors recommend the payment of a final dividend of 15 per cent., less income-tax, on the "A" and "B" ordinary shares, thus providing a total dividend of 25 per cent. for the year. The main product manufactured by the company is a dry developed sensitized paper known as "Ozalid," which is used for plan reproduction and photo-printing. The process furnishes dark lines on a white ground, as distinct from the blue-printing process which provides white lines on a blue background. I should like to mention the valuable services afforded to the company during the past year by the technical director, Mr H. D. Murray, M.A., F.I.C.

The turnover for the past year has been influenced by the increasing demand for the company's products, occasioned by the present emergency. As I mentioned last year, this company, in common with others in the drawing office trade, should be fully occupied for some years in the post-war period and, provided reasonable profit margins are maintained, the immediate post-war prospects are satisfactory. The industry should also be able to increase its export trade, which in the past has been limited.

Again, the company's executive staff and labour have shown their willingness to co-operate in a period of increasing difficulties, and I should not discharge my duty were I not to mention their loyalty and work.

The report and accounts were adopted and the auditors, Messrs Peat, Marwick, Mitchell and Co., re-elected.

includes, as well as businesses sold, those whose premises next occupied by multiples or co-operatives. Probably war-time conditions have tended to accelerate the rate at which the small man is displaced, but the acquisition of about 200 a year cannot be considered serious. The figures bring out clearly the extent to which the co-operative societies are expanding, compared with multiple stores. The net increase in co-operative food shops was 312, but the multiple stores decreased by 465. On the other hand, both types acquired independent business in almost the same numbers.

Company Result

Austin Motor Company.

	1941	1942	1943
Profit, including dividends and interest receivable	1,766,993	1,242,792	1,216,530
Maintenance	712,171	975,606	1,009,393
Depreciation	211,987	192,699	179,139
Special depreciation allocation	50,000	100,000	100,000
Deferred repairs reserve	—	200,000	200,000
Income tax	494,200	570,000	590,000
Debt interest	49,739	48,674	47,557
Debt sinking fund	21,761	22,826	23,943
Directors' fees	500	1,500	277
Preference dividends	57,719	56,750	56,750
Preferred ordinary dividends	75,000	75,000	75,000
Ordinary and "A" Ordinary stock:—			
Earned	87,916	99,737	Dr. 27,529
Paid	32,368	32,368	32,368
Earned	27-2	30-8	Nil
Paid %	10	10	10
Contingencies reserve	100,000	—	—
Carry forward	311,595	378,964	319,067
Net fixed assets*	3,191,539	2,785,619	2,391,190
Net inter-company items	Dr. 9,830	Dr. 9,870	Dr. 9,104
Net liquid assets	2,115,938	2,115,675	2,356,793
Gross liquid assets	4,246,886	5,339,441	5,668,668
Stock and tools	1,780,005	1,912,425	2,263,608

* After providing for N.D.C. and special contingencies.

† After providing for E.P.T. and special contingencies.

‡ Including £69,200 war damage contributions.

* After deducting reserve for deferred repairs of £200,000 in 1942 and £400,000 in 1943.

The 5s. units of "A" ordinary stock standing at 33s. ex dividend, yield £1 10s. 4d. per cent.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
August 3...	5,125	5,022	116.6	134.1	3.15	3.60
" 4...	5,789	5,044	116.8	134.1	3.14	3.60
" 7...	(a)	7,060	(a)	(a)	(a)	(a)
" 8...	7,279	5,892	116.8	134.3	3.14	3.60
" 9...	5,803	5,641	116.9	134.3	3.14	3.60

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). *20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3). (a) Bank Holiday.

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		July 19, 1944	July 26, 1944	Aug. 2, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	106.6	104.3	104.6
32 Rails	88.9 (a)	106.8	106.4	103.8	104.0
40 Utilities	85.0	92.2 (c)	91.0	90.5	91.3
419 Stocks	93.6 (a)	105.7	104.1	102.2	102.5
Av. yield %*	4.84 (b)	4.43	4.45	4.62	4.65

* Common Stocks. (a) Feb. 9. (b) May 3. (c) July 5.

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
July 28...	126.2	563,000	August 1...	125.2	746,000
" 29...	125.4	231,000*	" 2...	125.9	797,000
" 31...	125.3	579,000	" 3...	126.2	804,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending August 12, 1944	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 232.			
Year†	Including Conversions	Excluding Conversions	
1944	1,026,539,340	1,012,813,293	
1943	1,131,590,204	1,114,204,546	
Destination*	Nature of Borrowing*		
Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1944	1,012,087,868	430,721	254,934
1943	1,110,980,026	2,585,843	638,677
			1,007,730,115
			1,003,939,102
			2,332,789
			2,710,389

* Conversions excluded. † Includes Government issues to August 9, 1944, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

"The Economist" Sensitive Index.—There was no change in the index during the week ended August 9th. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

THE "ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Aug. 3, 1943	July 18, 1944	Aug. 1, 1944
Cereals and Meat	93.0	66.9	110.0	108.7	108.6
Other Foods	70.4	61.1	107.5	107.3	107.3
Textiles	74.2	64.3	92.9	104.0	104.0
Minerals	113.2	95.4	135.9	139.7	143.6
Miscellaneous	87.0	77.6	126.8	128.8	128.8
Complete Index	87.2	70.3	114.4	117.5	118.1
1913=100	119.9	90.8	187.4	181.7	182.6

Paper Salvage.—During the past twelve months, 675,000 tons of paper salvage have been collected, out of which eleven million books have been provided for the Services and damaged libraries, and 575,000 tons of paper-making and board-making material obtained.

Herring Industry Board.—Mr Frederick A. Bell, who was a member of the Departmental Committee on the Herring Industry, has been appointed chairman of the Herring Industry Board. The other members are Sir Evan Gibbs and Sir T. George Wilson.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	June 1, 1944	July 1, 1944	
Beef, British—	s. d.	s. d.	s. d.	
Ribs	1 2½	1 3½	1 3½	11
Thin Flank	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs	0 9½	1 1	1 1	35
Thin Flank	0 4½	0 6	0 6	23
Mutton, British—				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	...
Bacon	1 3	1 10½	1 10½	50
Fish	0 11½	1 2½	1 2½	29
Flour (per 7 lb.)	0 8½	0 9	0 9	9
Bread (per 4 lb.)	2 4	2 10	2 10	21
Tea	0 3	0 4	0 4	32
Sugar (gran.)	0 6½	0 9	0 9	32
Milk (per qt.)	1 4½	1 8	1 8	31
Butter (salt)	0 10	1 1	1 1	30
Cheese	0 6½	0 9	0 9	12
Margarine, special	0 1½	0 2	0 2	1
standard	0 6½	0 6½	0 6½	33
Eggs, fresh (each)	0 1½	0 2	0 2	...
Potatoes (per 7 lb.)	0 6½	0 6½	0 6½	...
Index all foods weighted (July, 1914=100)...	138	168	169	22

Source: Ministry of Labour Gazette.

FINANCE AND BANKING

MONEY RATES, LONDON.—The following rates remained unchanged between August 3rd and August 10th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 6 months, 1½-1½%; 12 months, 1½-1½%. Treasury Bills: 2 months, 1½-1½%; 3 months, 1½-1½%; 6 months, 1½-1½%; 12 months, 1½-1½%. Short Loans, 1½-1½%. Bank deposit rates, 1½%. Discount deposit at call, 1½%; at notice, 1½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between August 3rd and August 10th (Figures in brackets are par of exchange).

United States. \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4.86) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25.22) 17-30-40. French Empire. Francs 197½-200½. Syria. p. 8-81-85. Sweden. Krona (18.16) 11-16-18.55-95. Dutch West Indies. Florin (12.11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. \$ (4.02-04) 4-02-04½. Brazil. 83-64½ cr. (buying); mail transfers 83-56½. Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between August 3rd and August 10th.

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-1. China. National \$3-3½. Iran. Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-29 pesos.

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

NEW YORK EXCHANGE RATES

New York on	Aug. 2	Aug. 3	Aug. 4	Aug. 5	Aug. 7	Aug. 8	Aug. 9
Cables:							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-180	90-125	90-125	90-125	90-125	90-125	90-160
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-65*	24-65*	24-65*	24-65*	24-65*	24-65*	24-65*
Rio de Janeiro	5-16	5-16	5-16	5-16	5-16	5-16	5-16
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate: 29-78. † Free Rate. § Bid.

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ONE
SHILLING

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Fleeting Opportunity

AT the beginning of this week of tremendous happenings, General Eisenhower called upon Allied soldiers, sailors and airmen to grasp a "fleeting, but definite opportunity" of victory. On Tuesday, General Maitland Wilson told the troops assaulting the Riviera to "Remember 1918." Now, many Allied divisions are moving from West and South to do their utmost. The immediate stake is the liberation of France, the ultimate prize, Germany, while the mighty Russian effort in the East is poised to press forward again. The outcome is still in the balance; but the difference is not between victory and defeat, for victory is sure. The difference is between a quick end or one drawn-out, with added suffering.

Meanwhile, the news spells another order of the day, this time to civilians, to politicians and statesmen and to the citizens who nourish their power and sustain their policies. Will a peace be made that will match the price which has been and is being paid for it? There is an opportunity as definite and almost as fleeting as the chances of this week's battles. It is a second chance; the first came twenty-six years ago. Then we, and our friends, sought military security with muddled minds and divided loyalties, and came upon aggression and war. Then we sought economic security by "safety first" and separate ways,

and found depression and crisis. This time we should know better. But do we?

Three or four years ago, there would have been little doubt about the answer. Then, when defeat was possible and disappointments constant, our view was clear. Crudely, maybe, it was expressed in the Atlantic Charter and in the many words of confidence in the future of the nation and the world that then contrasted so strangely with the sombre scene of war. We knew, or said we knew, the essentials of a peace that would work, one which we and our children could enforce and keep. In the new bright light of victory, however, that vision is far less clear. It is, in fact, possible to wonder greatly whether the same tragic mistakes may not be made again; and time is short.

What were those mistakes? This war did not happen because of the Treaty of Versailles; it happened because the peace made at Versailles was one which, for all its evident merits, we and the French and the Americans were not prepared, as the years passed, to enforce. The Great Depression which ushered in Nazism and the war did not happen merely because we and other nations made a vain attempt to reinstate the Gold Standard and the old-style methods of world investment; or even because, in this framework, we sought to levy large reparations and

discharge large war debts. It happened because we failed, in economics as in politics, to put first things first, we failed to establish the conditions of employment, production and trade, without which no regular system or machinery of international economic relationships, whether old or new, could work. The blunder of Versailles was that, as well as whittling away the principles which the settlement first set out to apply, we also failed to ask the question whether the terms settled were ones which free peoples would be willing to fight for, in order to keep the peace. The blunder of the twenties in economic arrangements was not the preference for one piece of international machinery or set of rules before another, but the failure to see that no piece of international machinery or set of rules, whether economic or political, can work unless the conditions for its working are forthcoming. Our blunder, for instance, in 1925 was not the return to a gold standard, but rather the return at a parity which involved imposing upon the employment and industrial activity of this country an arbitrary and cruel constraint—because of the superstitious belief that, whatever the conditions of employment and world trade, the old gold standard (at the old parity) was, in itself, a good thing. In other words, the mistake of last time in both politics and economics, was the sacrifice of ends to means, the setting-up of machinery without the settlement of workable policies for the achievement of clear-cut aims. The fatal flaw in both the Versailles Peace and the reconstructed system of international exchange and investment was that they were not, and could not, be worked.

Oddly enough, this was plain enough in 1940 and 1941, while now the flash of insight that danger then brought seems to be fading. It is true, and it is welcome, that the three Great Allies are now to work out in Washington the details of an international security organisation with force to keep the peace—as the League did not. The special responsibility of Great Powers to act together against peace-breakers must be made as plain as possible. But such a security organisation, however necessary, is in itself no more than machinery. There were sanctions in the Covenant of the League. It was not because of the small states that the Great Powers did not act; it was because they (and their peoples) did not choose to do so. It was because they were not prepared to use their force to keep that particular peace settlement.

The crucial question again is "What is the peace to be?" The diplomatic studies and the history books tell us that the Versailles settlement foundered because too much had already been settled and arranged among the Allies beforehand, according to the narrow and opportunist exigencies of war. Now, in the same field of territorial adjustment, the same process is running its course. The reason why the denial of aggrandisement that marked the Atlantic Charter is now being forgotten is a simple historical one. First, in the bargaining of the Allies, a one-sided settlement of Poland's eastern frontiers was proposed, and in effect, accepted; that this

adjustment in favour of the Soviet Union can be largely excused is beside the point. From it follows "compensation" for the Poles far into German territory. From this, in turn, follows a general programme of annexation and territorial revisions, which is now proceeding. This is the brief into which the Big Three discussions at Washington are trying to put teeth.

So, too, is it in the economic field. There we knew three and four years ago what the realities were, that the aim of work and trade is the best use of all resources and the maximum of goods. Our own war effort and the logic of Lend-Lease were evidence of this awareness on both sides of the Atlantic. The ends were plain, the means the best that could be improvised to serve them. But what has happened now? The nations meet at Bretton Woods solemnly and expertly, to devise a mechanism for replacing the international exchanges and investment upon a world footing; and they do not ask themselves whether they are also either willing or able, severally and jointly, to provide the conditions of employment and trade, in which alone these mechanisms can work.

So, too, is it—though much less gravely yet—at home. To make "the world safe for democracy" was only one of the last war's aims which failed. Another was "homes for heroes." Since 1918, it is true, both slogans have been scoffed at by a disillusioned generation. But they remain, inescapably, our aims. Why else should we make mortal war, and see so many millions suffer or be slain? We have before us, indeed, a set aim—"Food, Homes and Work." Plans are being busily laid to implement it. But the fear is that they are still being laid too slowly and too half-heartedly. There is admittedly a sharp material limit to what can be honestly promised, and it may have been nearly reached already. But what has been, and can be, promised must be performed at top speed; the alternative is the bitterness and disillusionment of post-1918. It should not have been possible, for instance, for Ministers and MPs to permit the Housing and Planning Bills upon which the postwar shelter of the nation wholly depends to drag on uncompleted through this crucial summer. Again the technical and indispensable machinery of reconstruction, so carefully under review, is by itself insufficient. There is needed also a policy—and a faith—to provide the conditions of success before it is too late.

The opportunity, at home and abroad alike, is fleeting indeed. It is a mere matter of months, but months big with fateful prospects. If we are content during this brief slice of history to fix our eyes only on the mechanical groundwork of peacetime organisation, without ever asking whether it will be possible to make and keep and compel the kind of political and economic order that we are taking for granted, then we shall surely fail for a second—and perhaps final—time. The deeds of those who have died will once more be frustrated, and the victory in sight will not be real.

Le Pays Réel

THE most striking feature of the Great Allied advances in Western and Southern France is the speed with which huge areas are being liberated. District after district is falling into Allied hands with barely a shot fired. The picture of slow devastation spreading step by step across France in the process of a desperate slogging war is happily being falsified in the event, except on a very local scale. Caen is to be the exception, not the rule. However fiercely the battle may still be waged in the north, the classic act of liberation for great areas of France will be the freeing of Rennes, into which the American columns swept only to sweep on; the break in normal civil life was almost nominal.

This speed is likely to have profound consequences. None of the problems of liberation will prove as intractable as at one time it was legitimate to fear. The danger

that widespread and prolonged fighting would destroy the harvest is now less acute. M. Le Troquer, French Commissioner for the Liberated Territories, has stated that this year's harvest is expected to be exceptionally good. It is still too early to be entirely confident about the safety of the food supply, for the northern areas of France are the chief grain producers, and they may still suffer severe damage. It is also true that the situation varies enormously from district to district. The towns are on the whole very near to starvation already. There are wide differences in the countryside. Normandy and Brittany are rich surplus areas, but are very short of bread, and rely at the moment on Allied supplies of biscuit. The vine-growing south is short of meat, grain and fats. Nevertheless, provided there is no catastrophic turn for the worse in the fighting, it is true to say that the distri-

bution of food and not its supply will cause the real difficulties.

The transport situation is acute. All means of communication have been hammered from outside by Allied bombers, and from within by the Maquis. Bridges are down, stretches of railway no longer exist. The Germans try to take all motor transport with them as they go, and to fire all petrol dumps. The situation is particularly dangerous around Paris. For example, the Parisian postal services have had recently to be maintained by bicycle. The Allies are preparing to help as far as they can. Shipping is still short, although it is hoped to release barges for use on the French waterways. The British are sending over lorries solely for food distribution, and Allied ships are also to bring in grain, meat and fats. M. Le Troquer mentioned that clothing and shoes had already arrived; more consignments are to follow.

In Italy it was an unhappy fact that the Allies often complicated the food situation by the competition of the soldiers for local supplies. These mistakes are not being repeated. There was some understandable confusion at first, but now, it seems, a rationing system is beginning to function, the most satisfactory feature of which, both economically and politically, is the fact that, since Allied soldiers are not given the food coupons which are required for meals in restaurants, they cannot eat the inhabitants' provisions. The German soldiers were provided with coupons by Vichy, and the contrast is strikingly in the Allies' favour.

The most difficult problem connected with distribution may be the equalisation of wages and the cost of living. A stop on wages was introduced at the time of the Armistice in 1940 and has on the whole been maintained. Meanwhile the cost of living has risen steeply. Workers' meetings in liberated territory have already started to pass resolutions calling for an increase in their wages; and the size of the gap between prices and wages will make these claims to a point irresistible. But if there were now to be a very large wage increase, without a corresponding increase in supplies or the enforcement of strict all-round rationing, the danger of increasing the inflationary situation would obviously be great. The evidence is that the Provisional Government of General de Gaulle is determined to meet the danger first from the end of prices, not wages—though it is only from the angle of supplies that the problem can be finally solved. A vigorous policy of price-fixing is needed to bring down the cost of living and stabilise it. If this is done, it ought to be possible to deal with yet another problem of distribution, the black market—which is the gaping hole in the essential rationing system. The prospects of a good harvest will also help by increasing supplies. But in the last analysis, until more normal conditions return, it is a question of good political morale. The reports suggest that it is very good—steady and responsible. In this case, the black

market, with the profiteers, can probably be largely abolished.

This evidence that the French situation is not so desperate as was expected must not be interpreted to read as though all France's economic difficulties were solved. On the contrary, the most severe problems all lie ahead. The damaged state of French industry, supplies of raw materials, the loss of skilled labour—these are long-term difficulties on which the success of French reconstruction will turn.

The two factors which promise to ease the economic situation are likely to be equally effective in the political sphere. Speedy liberation, without great material and moral damage, simplifies the immediate task of administration and in many areas will make the work of the Army's Civil Affairs branch almost at once subordinate to the local French authorities. At the same time, the steadiness of temper which liberation has revealed is apparently making it very much simpler to transfer power from suspect or openly collaborationist officials to new men.

The problem of collaboration is already beginning to fall into perspective. The evidence suggests that, in almost every area the really guilty men were only a handful, and in many cases, as M. Coulet pointed out, "left with the Germans." The great mass of French officials are loyal enough. General de Gaulle recognised this fact in his last speech to the Assembly in Algiers when he said that the great majority of French civil servants would be allowed to keep their positions. Some changes have, of course, been necessary but, again, they appear to have been made without any blowing of ideological trumpets and, which is more important, in close agreement with the resistance movements on the spot.

M. d'Astier, Commissioner of the Interior, promised on June 15th that the Regional Commissioners appointed by Algiers "would act within the democratic framework." They appear to be doing so. M. Coulet, who will finally be responsible for Seine-Inférieure, Eure, Orne, Calvados and Manche, has proceeded with good sense and restraint. In Bayeux, he suspended the sub-Prefect, M. Rochat, but did not arrest him, for he was satisfied that M. Rochat was an honest man and could be given a post elsewhere. The new sub-Prefect is a member of the resistance movement. In Cherbourg, M. Coulet arrested the sub-Prefect and put in his place M. Levivandier, a man of typically Norman conservatism but also a member of the resistance movement. Caen was the first departmental capital to be liberated. Its Vichy Prefect, M. Cacaud, and its Secretary General were arrested, and M. Coulet, following the advice of the National Council of Resistance and the departmental Committee of Liberation, appointed as the new Prefect of Calvados a prominent leader of the resistance movement. These are the major changes. Some petty officials and notable collaborators have been placed under arrest but the minor scale of the "purge" is illustrated by a statement in the new Bayeux *Renaissance de Bessin* announcing the internment of 23 persons.

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There is other evidence to suggest that the purge may figure less prominently among the ordinary people of France than in the political circles of Algiers. When, for instance, M. Coulet dismissed the manager of the old *Cherbourg-Eclair*, the workers on the paper protested that he was not a collaborator and insisted on his reinstatement in the new *Presse Cherbourgeoise*. An even more striking example comes from Rennes. *Defence de la France*, the first newspaper to be published by the Resistance Movement in Rennes, contained the order "*Aucune vengeance personnelle ne sera tolérée*"—no personal vengeance will be tolerated. All arrests must be authorised by the local military authorities and men guilty of "personal" arrest will be tried before the military tribunal. There is, perhaps, no clearer image of the unvindictive spirit of the French than the fact that the tribunals set up by Algiers to try collaborationists are to be used to try men who attempt any witch hunting on their own account.

These examples may not be typical. In some areas, there will be more fighting than at Rennes. In some areas, there may prove to have been more traitors than in Calvados. But at least it can be said that the first lifting of the veil from the true face of France shows a picture of dignity, temperateness and remarkable independence. There is thus some ground for hoping that a functioning system of local authority will be maintained without too much difficulty and the transfer from the regime of servitude to the regime of liberation will be effected in an atmosphere free from the taint of partisanship and fratricidal war.

The Provisional Government may thus face a far less formidable task than it has so far envisaged. The day of its establishment in Paris may not be long delayed and the process of grafting the Government from without on to the structure of resistance within will obviously be far easier as a result of the steadiness and stability of the internal situation. The procedure for this process was laid down in decrees passed in Algiers last April. The Regional Commissioners were first to hold municipal elections. Each department would then form a General Council and send delegates to the Consultative Assembly—it may be noted, in parenthesis, that M. Gouin, President of the Assembly, is already in France. Finally, not earlier than a year after liberation, elections to a Constituent Assembly would be held. So far it has not proved possible, for one reason or another, to hold municipal elections in liberated territory—neither in Algiers nor Corsica. It may prove impossible in France. The old Councils, strengthened by delegates from the resistance movement, may carry on. They can, of course, send delegates to a General Council and to the Consultative Assembly. Yet it is clear that for some time

to come the Provisional Government will exercise all the authority in Metropolitan France.

Doubts have been expressed, both in Algiers and in this country, about the democratic intentions of General de Gaulle and the Government he dominates. Now, happily, all the conjecture and suspicion can be brought to the test by the unescapable witness of fact. The Provisional Government has a clear field in which to prove its fidelity to the great republican and democratic traditions of France. So much of the authoritarian and personalist legislation at Algiers was excused by the supposed need in France for military discipline in the first anarchy of deliverance. But there is little anarchy. On the contrary, there is, apparently, discipline, self reliance, and common sense. The Provisional Government can therefore prove the extent to which it trusts its people by modifying many of the emergency decrees, by restoring the normal processes of justice, by abandoning close censorship and rescinding the clumsy and limiting press laws. Again, it can reflect the mood of its people by giving the purge a secondary place in its deliberations. There must be justice but it would be disastrous if the political recrimination and personal vilification which have been present at Algiers were brought in to drown the temperate note sounded in Caen and Rennes.

Again, all suspicion of personal ambitions on the part of General de Gaulle can be dispelled by the broadness with which he throws his net in recruiting new men for the Provisional Government and in appointing new men to the administration of regions and departments. Loyalty and efficiency are qualifications all Frenchmen will recognise—they and not personal allegiance should be the test of office.

Finally, the Provisional Government can prove its loyalty to its own freedom-loving people by preserving with every effort of its authority, leadership and propaganda the steadiness and solidity of the home front. Calm and dignity at a time of great national crisis can make all the difference between the retention or abandonment of democratic procedures and habits of mind. There is explosive material in France—in the Maquis, in the hungry towns, among the prisoners of war and the exiled workers. Exploited by irresponsible leadership, it could quickly undermine the present relatively even temper of the liberated French. The great test of General de Gaulle's statesmanship in this critical hour is his desire and his ability to preserve in France the steadiness, the justice, the good temper and the common sense which are in every age and country the worst enemies of tyranny and personal rule.

A Policy for Wealth—I

THE British nation, as it approaches the post-war period, is faced with four supreme problems of economic policy, into one or other of which virtually every topic of controversy can be fitted. The first of these (the order is not one of priority) arises out of the determination to prevent a recurrence of mass unemployment—it is the problem known by the possibly misleading catch title of Full Employment. This must be put first, for it is in this direction that the most compelling popular pressures are exerted. The attainment of what the recent White Paper called "a high and stable level of employment" has become a categorical imperative for whatever Government, or form of government, is in power after the war. Expressed in economic terms, it is the problem of ensuring that, whatever the size of the national income, its flow is regular from year to year.

The second problem, also arising quite naturally from the pressures of a democratic electorate, is that which was dramatised by the Beveridge Report, and has been christened Social Security. In point of fact, it goes rather beyond what that title would strictly imply; more accurately, it is the problem of the National Minimum, of seeing that no citizen is allowed, for any reason, to fall below a standard of welfare defined, in the main, in terms of food, housing, education and health and, for the

rest, in terms of cash income. This is a matter which primarily concerns the distribution of the national income rather than its size or the regularity of its flow; it is to be accomplished by various methods of transferring the command over wealth from the well-to-do, the healthy and the fortunate, to the poor, the ill and the unlucky.

The third great problem is that of the size of the national income, of ensuring that the quantum of wealth produced and consumed is as large as possible. Logically, the problem of size is entirely distinct from that of regularity or that of distribution. For example, on the evidence of recent decades, the United States is a country where the national income is larger, but less regular, than in Great Britain. Even the attainment of perfect regularity—the complete solution of the Full Employment problem—would not make the British national income, on the average of years, as large, relatively to the population of the two countries, as the average American income in the last two decades, for all its ups and downs. Similarly, as a matter of theory, this country could be considerably poorer than it was just before this war, and yet so alter the distribution of the reduced income as to secure a National Minimum. Nevertheless, although the three problems are logically distinct, they are practically bound together. As a matter of practical politics, neither

Full Employment nor the National Minimum can be attained unless the size of the national income is, at the very least, maintained. This has been made quite clear in both of the authoritative pronouncements that have appeared. The White Paper on Employment Policy stated that "to maintain and improve our standard of living there must be steady progress in the efficiency of our industry as a whole," and it was one of the basic assumptions of the Beveridge Report that the productivity of British industry would be maintained and increased. Indeed, it is obviously so, for steady employment that was bought at the cost of a high standard of living would give little satisfaction, and the difficulty of arranging such a re-distribution of the national income as will guarantee Social Security will be very great if it has to be provided, not out of an increment of prosperity, but out of the present standards of the bulk of the people.

This third problem can be called that of Productivity or, more simply, that of Wealth. Past ages have regarded it as being, in itself, the whole of the Economic Problem. Our own more complex age has raised the other two almost to an equality—almost, but not quite, for Wealth is the essential prerequisite for either Full Employment or the National Minimum.

The fourth problem, running across all the other three, is that of reorganising the system of international commerce on which Britain's wealth was founded and on which its safety depends.

Of these four problems, three have by now been amply discussed in the public forum. They have also, over the last two years, been very amply canvassed in *The Economist*. To Full Employment, two connected series of articles, as well as many individual contributions, have been devoted. Eight articles on the principles of International Trade appeared in January and February of the present year. The policy of the National Minimum has been fully discussed before and since the appearance of the Beveridge Report in December, 1942.

The problem of the National Wealth, however, though its importance has consistently been emphasised, has never received a systematic discussion in these columns. The series of which this is the first article is an attempt to remedy the omission.

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It is not only in *The Economist* that this most important of all economic topics has been strangely ignored. In the discussion both of publicists and of professional economists it has also been left aside. On the trade cycle, on poverty and the need for a redistribution of income, on international trade—on all these there is a mountain of literature, popular and scientific, polemical and objective. But on "The Nature and Causes of the Wealth of Nations" disproportionately little has been written since 1776. Even the vast literature of Socialism has, until very recently indeed, left the subject alone. The Socialist has discussed *ad nauseam* how to redistribute the output of the community, and he has had plenty to say about how to make it regular. But as for what determines the size of the output, and why it is larger in some countries than in others, and what can be done to control it, he has had almost nothing to say. He has either contented himself with the belief that a mere change in the ownership of the means of production would, by some unexplained magic, release hidden powers of production, or else, in company with the liberal economist, he has assumed that the size of the communal output and its rate of growth were acts of God beyond the possibility of human control. The rate of growth could be measured—it was about 1½ per cent per annum compound—but its springs were mysterious and out of reach.

It is only very recently that these assumptions have come to be questioned—indeed, it is only during the war years that the desirability of subjecting the rate of growth of the national income to the same "purposive direction" as its fluctuations and its distribution has come under serious discussion. There are three main reasons for the revival of interest. The first, and perhaps the largest, is the realisation that the Soviet experiment has succeeded. Ever since the Battle of Stalingrad it has been impossible

for even the most inveterate sceptic to deny that Russia, under Communist leadership, has succeeded in breaking the secular trend, in vastly speeding up the increase of its national wealth and power, in asserting human control over the processes that determine the wealth of nations. Even those who most recoil from the methods of Soviet "direction" must accept the achievement; and it is a natural step to ask whether something of the same sort could not be done elsewhere by less oppressive means.

A second influence has been the great improvement in recent years in the statistical technique of measuring differences in national wealths, from which their magnitude has become apparent. And the third reason has been the startling conclusion to be drawn from the figures—that Britain is a long way behind the leaders, and losing its place to others who were regarded not so long ago as its followers.

One of the clearest examples of the use of this statistical technique is the article contributed by Dr Leon Rostas to the April 1943 issue of the *Economic Journal*, as the first fruit of a large project of work undertaken by the National Institute of Economic and Social Research. The conclusions of this article can be epitomised in the statement that "industrial efficiency, as measured by production per head, was roughly similar in Great Britain and Germany, while in the United States it was more than twice as great as in the two other countries." The calculations on which this conclusion is based are admittedly subject to criticism in detail, but the conclusion itself is unassailable. It agrees with other studies on the same subject, and it can be confirmed by the latest figures of national income in the United Kingdom and the United States. In 1943, when there was full employment in both countries, the output of wealth per head of the population was from 1½ to 2½ times as large in America as in Britain (the exact ratio depending on the figure assumed as a fair purchasing power parity between the two currencies)—and this in spite of the fact that a much higher proportion of the American labour force is in agriculture, with its below-average productivity, and in spite of the shorter hours worked in the richer country. Whatever the exact figure may be, and whatever allowance it may be proper to make for the abnormal conditions of war-time, there is very little room for doubt that the average American worker produces in an hour from one and a half to two and a half times as much wealth as the average British worker. There is equally little room to doubt the other conclusion that the German industrial worker, before the war, produced in an hour as much as, or possibly slightly more than, the British industrial worker.

These are startling facts, and they reveal the delicacy of Britain's economic position. Hitherto, it has been possible to maintain a higher standard of living in this country than in Germany, in spite of the fact that industrial productivity was no greater, by two means: partly by importing food cheaply from abroad instead of growing it expensively at home (that is, at great expense of manpower) as Germany did; and partly because of the reinforcement to the British national income provided by dividends and interest on overseas investments. Both these props are getting very rickety. The overseas investment income has largely disappeared and—either from choice or by compulsion—the dependence on cheap imported food may be less in the future than in the past. Indeed, there is likely to be a cumulative effect. We can continue to import cheap food only if we can pay for it, and we shall be able to pay for it only if our exports are competitive, and they will be competitive only if our high standard of wages is matched by a high productivity. Thus if we increase our productivity, we shall not only be able to consume more of our own domestic output, but we shall also be able to raise the standard of living still higher by enjoying cheap food. But if we are inefficient producers, then we shall have less of our own output to consume, and the standard of living will be still further depressed by the difficulty of organising international exchanges and by the consequent necessity of relying on the inevitably more expensive domestic production of food.

To the nation that hath productive efficiency shall be given; and from the nation that hath not shall be taken away even that which it hath.

To a very much greater extent than hitherto, the British standard of living will depend on the British standard of production. We cannot any longer expect to enjoy a cushion of unearned income on top of our earned income. Every year more inexorably we shall be faced with the dilemma: either we take steps to raise our productivity per head towards the American level, or else our standard of living falls towards the German. We cannot any longer expect to be Europeans in our standards of production but in an upper class for consumption. We have the choice between producing and consuming as much as the English-speaking communities overseas or as little as the nations of Continental Europe.

To the question thus posed there can, of course, be only one answer. And it is reinforced by a further consideration. The British population is no longer reproducing itself. On the average of the last eleven years, the net reproduction rate is about 0.80. If this continues—and it is as likely to fall as to rise—the number of workers will eventually fall by 20 per cent each generation, or by roughly two-thirds of one per cent per annum. Much of the smooth working of the economic mechanism—to say nothing of the structure of national power—depends on there being a continuous increase, not only in income per head, but also in the absolute total of the national income, which is of course a compound of the number of workers and of their average individual productivity. If the number of workers is falling by two-thirds per cent per annum, then individual productivity needs to increase by 2½ per cent per annum if it is to achieve the same

increase in the total national income as, with a stable population, is given by 1½ per cent.

To the two existing slogans of "Full Employment" and "Social Security" there therefore needs to be added a third, "Productivity," on which the first two depend. And as a practical definition of aim, the attempt should be to raise the average annual increase in productivity per man-hour from the 1½ per cent which has prevailed for many decades to 2½ per cent. A rate of 2½ per cent per annum compound is an increase of two-thirds in twenty years, or a doubling in 28 years. To double the standard of living within a generation may look like fast going; but when it is looked at through the other end of the telescope, as the intention of arriving by 1972 at the level of productivity reached by the United States today, it does not seem so very ambitious.

"Double the production per man-hour, and therefore double the consumption per man-hour, within a generation." This should be the slogan, and around it should be organised a raging, blaring campaign of propaganda until the general public accepts it as being of equal importance with Full Employment and Social Security—indeed, as being of greater importance, since both these two depend upon it. The importance of production has been dramatised by the war, and there are many lessons to be learnt about the means of securing it, as well as many examples of what can be done when all efforts are bent to that end. This war experience should be used as a base on which a wider campaign and a more permanent policy can be built.

It is the purpose of this series of articles to examine the lines on which such a policy should proceed.

Towards Industrial Unionism

THE discussions of the miners' delegate conference at Nottingham this week (the results of which will be known by the time this issue of *The Economist* appears) on the shape and constitution of their National Union of Mineworkers should have far-reaching effects, not only on the miners' own organisation, but on the whole trade union movement. In recent years, there has been a growing trend towards the consolidation of trade union structure in the direction of industrial unionism—that is, the organisation of all the workers in whole industries, rather than those in separate crafts or different districts. After the Conference the scheme will be submitted to a ballot of the Federation's membership, and if the miners succeed in overcoming the difficulties involved in creating "one big union," parallel developments in other sections of the trade union movement may well be hastened.

For the miners, it is not now, as it was two years ago, a question whether, but of how, and in what form. The miners committed themselves to the principle of a single union at their 1942 conference, and the only reason why the project has not yet materialised has been the continued coal crisis and the wage negotiations, which have absorbed all the attention of the miners' Executive.

The Mineworkers' Federation of Great Britain, formed in 1889, is a loose association of some twenty district unions, which vary widely in size, tradition, funds and influence. The movement towards unification after the end of the last war was repressed after the General Strike when district agreements were imposed. Since then, there have been bitter rivalries between the districts, especially during the depression, when the export areas, such as Durham and South Wales, suffered unemployment and wage reductions, while the position of the more prosperous inland areas, such as Nottingham, was relatively well maintained, and competition between the various coal-producing areas became acute. The ascertainment system, designed originally to provide labour with a fair share, with profits, of the proceeds of the industry, became not only meaningless, as the industry produced no profits, but, because it was organised on a district basis, a recurrent source of inter-union friction.

The events of the war have, however, produced a radically different situation. With the need to maintain output and conserve manpower, district divisions have had to be modified. Central and regional machinery has been set up under the Ministry of Fuel and Power; there is now national arbitration and conciliation machinery, and a national minimum wage has been established. The 4½ years' breathing-space provided under the Coal Wages Agreement, during which both sides are pledged to maintain industrial peace, gives the miners an opportunity to put their own house in order, and if they are sincere in their desire for a nationalised fuel industry, it is only logical that they should first nationalise their own union.

"The Mineworkers' Federation, as it is constituted today, is not fitted to meet the responsibilities which face it in the immediate future," stated James Bowman, the Federation's Vice-President in 1942. It has no power over its constituent bodies, most of whom resent its intervention and jealously guard their autonomy. The Federation itself is inadequately staffed and short of funds; its gloomy cramped quarters in Russell Square contrast unfavourably with, say, the palatial offices of the Durham Miners' Association.

The plan for a National Mineworkers' Union stipulates that there shall be "no more interference with local procedure and custom than is absolutely necessary for the sound working of the scheme." The Union would be responsible for matters of general industrial policy—output, wages, manpower, safety, hours and conditions—while the districts would continue to deal with purely local matters and continue their friendly society activities. District associations would become area councils, and their officers area officials, a change of status which may well be resented. Inevitably, the battery of district agents and staffs would have to be reduced, and the question of compensating displaced officials may prove a stumbling-block. Another problem is raised by the position of colliery deputies, who in some districts are organised in the

Federation and in others are outside it. Again, some of the skilled craftsmen are catered for by engineering unions, and the unskilled workers by general workers' unions. The term "mineworkers" is intended to cover all workers in and around a colliery, and only when these are all included, can the Mineworkers' Union justifiably claim to be a complete industrial union.

It would, of course, be foolish to expect too much from the formation of a single miners' union. It cannot solve the problems of the coal industry, but it is likely that had there been a central body, with over-riding authority, much of the sorry history of muddle and delay in the war years might have been avoided. With a national union, it should be easier to pursue a policy of maximising technical efficiency. Concentration on the most efficient seams and collieries, closing down the inefficient ones and transferring miners might be less opposed if the union were organised on a national and not a district basis. The planning and development of the industry would be rendered more practicable if the miners could speak with a single voice. All this depends on whether the union becomes a reality, and not simply a paper scheme. Apathy and indifference on the part of dissident districts would wreck the newly-found unity. On the other side, the miners' leaders will need, in the larger and more remote units, to show greater responsibility towards their members than many have done in the past.

The miners' problems in forming a single union are fundamentally the same as those involved in any form of trade union merger. Personal jealousies, fear of losing identities and of being swamped by a bigger unit, conservatism and the objections of redundant officials will always be met. Yet it is encouraging that, in spite of these inherent difficulties, considerable progress towards closer union working should have been made since the war began. A few examples will suffice to illustrate the trend: the three railway unions have set up a joint working committee to discuss matters of common interest; the Amalgamated Engineering Union has decided to seek affiliation to the Confederation of Shipbuilding and Engineering Unions; the unions catering for women engineers have an agreement not to "poach" each others' women members and have acted collectively on women's wages; the Transport Workers and General and Municipal Workers unions have a joint committee on organisation. Many unions have entered into agreements about dilution or the delimitation of spheres of influence; or have made arrangements for the mutual recognition of union cards, or set up machinery for settling inter-union differences. There has also been an increase in federations and in the responsibilities of the federal bodies. The National Federation of Building Trade Operatives now determines the industrial policy for its affiliated unions, and the Federation of Furniture Trades Workers has put forward a postwar reconstruction scheme on behalf of all its members.

But it is still true that trade union structure, which grew up piecemeal and reflects the various phases of industrial development, has not kept pace with the march of events. It is still lop-sided and in many respects archaic. It is only necessary to look at the picture provided in the Registrar-General's Report in 1942, when 57 per cent of the total number of unions had a membership of under 500, or accounted for only one per cent of total membership, while 16 unions, with 100,000 or more members, covered 60 per cent of the total membership. Of the total union membership of 7.8 millions, over 6 million were in unions affiliated to the Trades Union Congress. Among them there is often bitter competition for members—no fewer than six unions organise tobacco workers; the same number cater for insurance workers. Two rival unions recruit for shop assistants. There are no fewer than 52 unions in the cotton trade, while in the wool textile trade, the National Association of Unions in the Textile Trades is a very loose form of federation, with no power over its constituent unions, the average membership of each of which is only 1,500. Building and shipbuilding are the outstanding examples of unions which need to adapt themselves to technical changes,

and where a single union to cover all those engaged in the industry might seem advantageous.

The General Council of the Trades Union Congress has for some time past been seeking to modernise trade union structure. It spent three years after the last war reviewing the position and encouraging amalgamations, but it had to acknowledge defeat. Indeed, Sir Walter Citrine felt so rebuffed that, when urged by Congress in 1942 to make a fresh attempt, he refused on the grounds of impracticability. At Southport in 1943, however, a resolution was passed, calling upon the General Council to review trade union structure in order to determine where there was "uneconomic competition and overlapping, what amalgamations were desirable and what structural or other changes were necessary to ensure maximum trade union efficiency in the future." Such a review has now been undertaken, and the question of trade union structure will be one of the major issues at the forthcoming Congress.

Hitherto, the functions of the trade unions have, necessarily, been defensive—they have been primarily concerned with collective bargaining about wages, hours and conditions, with friendly society activities and with the general protection of their members. But during the war, in addition to these functions, the unions have acquired new responsibilities at every stage of production, and have indeed come to be regarded as an integral part of wartime machinery. Their participation in industry will inevitably be extended in the future, and if they are to have greater responsibility for the formulation or execution of policies—above all for industrial efficiency, an aspect which, in the defensive phase, the unions have obstructed rather than furthered—it is essential that the unions should be adequately organised and equipped. It is significant that only a few of the larger unions have research or economic departments, or sponsor educational activities. The TUC itself, though it has the supreme advantage of unchallenged authority (a position which contrasts with the divided allegiance of American trade unionists), does not co-ordinate union activities to the extent that it might, and there is clearly room for closer and more regular liaison between individual unions and the General Council. It also seems necessary that the General Council should become more representative. It is, for instance, ludicrous that the AEU, with nearly a million members, should only elect one representative to the General Council.

With a more unified and firmer structure, the trade union movement would make a more positive contribution to the affairs of the nation. Indeed, unless they do make such a contribution, their *raison d'être* in a community where the state's own responsibilities for welfare will be so wide, will largely have disappeared. The present structure, suitable enough in the days of *laissez-faire*, is inappropriate in modern conditions. Changing industrial techniques, and the introduction of new materials and processes have rendered many of the old craft demarcations obsolete. It seems inevitable that the future pattern of trade unionism will be much more on the lines of horizontal organisation, industry by industry, rather than by vertical organisation of craft by craft, with the general unions catering for the mass of non-skilled workers. But the corollary of the organisation of all or most of the workers in large industrial unions is that these bodies should put first in their policy the interest of the community in the highest possible output per worker.

A policy of full employment requires the maximum mobility and flexibility of labour, a condition which cannot be achieved so long as unions cling jealously to their old privileges and restrictive practices. The policy of productivity outlined in an article on page 236 can only succeed with the aid of organised labour, and can be wrecked by the unions if they stick to old ways. The new trend is to be welcomed, but it has its dangers. Industrial unionism, with greater centralisation, must not lead to bureaucratic control; it must not weaken the democratic basis of the movement; it must pull its weight in increasing the power of the nation to produce and so to keep up the standard of living.

NOTES OF THE WEEK

The Northern Battle

The outcome of the present phase of the fighting in Northern France cannot yet be definitely assessed. Further sweeping Allied advances and victories can be confidently expected. The odds are so heavy against the Germans that they cannot reasonably hope to stave off fresh defeats. What is not clear is whether they will still be able to fight large-scale delaying battles in France. Public opinion has once more been warned not to set its hopes too high and not to expect the end of the campaign within weeks. The warning—from General Eisenhower—may have been inspired by the course of the fighting in the Normandy pocket. The American drive from Le Mans northwards towards Argentan was one of the major master-strokes of the war, and the German army in the Norman "pocket" has been badly mauled. But it has obviously not been destroyed, and is still in being. It managed to keep open the precarious escape route between Argentan and Falaise for longer than might have been expected. Whether it will now be able to make a new stand elsewhere cannot yet be said. A retreat over the now bridgeless Seine would expose these battered forces to new and crippling blows; but strong remnants may still cross the river by pontoons and barges and be reinforced by fresh divisions in the rear.

Invasion from the South

Such respite as the Germans may have gained by dogged defence in Normandy has been more than offset by their remarkable impotence in face of the Allied landings in Southern France. It is enough to compare this landing with the landings at Anzio or even in Normandy to have a clear picture of the shrinking spiral of German strength. General Maitland Wilson will obviously advance along the Rhone Valley to link up with the Allied forces in the north as quickly as possible. In this he will be decisively assisted by the French partisans, who now for the first time go into action with artillery. He may also be able to strike, again with the inestimable help of the irregulars, across the Maritime Alps into Northern Italy and so out-flank Kesselring from the north and force him to abandon the Po Valley much sooner than he would otherwise be prepared to do. The extraordinary opportunities now opened before the Allies in the West and in the South have partly been due to Hitler's evident decision to throw the bulk of his last reserves against the Russian advance. All along the Eastern Front, from Lake Peipus to the River San, the Germans are now counter-attacking heavily. The Russians seem to be waiting until the enemy has spent his striking power in those vain and costly efforts before they themselves resume, as they soon will resume, their victorious drive westwards.

Hostages for Hitler

There is unhappily very little evidence to suggest that the prospect of defeat has lent moderation to the plans of the Nazi High Command. On the contrary, from every side come reports of war to the last man, and an attempt to fulfil the old threat that, if Nazi Germany were to fall, it would drag down with it the dead body of Europe. This grim pursuit of the holocaust is difficult to understand—as difficult as the Nazi mentality. The only likely explanation is that by compelling the German army to fight a series of senseless yet heroic rearguard actions—for example, the continued resistance of the Brest and Lorient garrisons—the Nazis hope to perpetuate a Wagnerian myth of heroic defeat, for use in the future writing of German history. This is only a hazard, and it may be doubted whether all the Nazi leaders intend to share the *Götterdämmerung* which they are decreeing for their followers. There has always been an incredibly sordid underside to the life-story of the Viennese housepainter. The plans for the inner clique may well include sanctuary in neutral countries, or, if that should prove impossible, a bargain with the Allies

according to the oldest of all gangster patterns—the holding of hostages. Hostages there are in plenty—the prisoners of war, the millions of foreign workers. In fact, there are too many. A sudden rising or a sudden collapse of authority might turn the hostages into Greeks in the wooden horse. It is therefore not surprising that the Nazis seem to be looking for more manageable hostages. The aged Pétain may be one. Whatever his record since 1939, he is still the "victor of Verdun." The reported transfer of King Leopold of Belgium, his consort and the royal children to Germany, is much more significant. Is this Hitler's price for another Doorn?

At Bay

It is probable that Hitler, in the last desperate stage of his struggle, also regards the people of this country, in a sense, as hostages, because they are close enough to be the targets for the terror-weapons upon which he has staked his last bid. His vain hope seems to be that, faced with fresh threats, these "hostages" may call a truce before the very worst has happened to the Germans in the field. For this reason General Eisenhower did well to point out on Tuesday that the establishment of sure military supremacy need not mean a prompt end to the fight. The bigger the victories and the quicker the advance in France, the more likely is the enemy (if he has solved the technical problems of their projection) to turn to instruments of indiscriminate bombardment with a longer range than the flying bombs, and of a different character; and at least until they, too, have proved militarily irrelevant—despite the grievous harm they may do to persons and property—the more likely it is that the Germans, and especially the Nazis, will go on doggedly, hoping against hope for a miraculous change in their fortunes. But none of this alters the fact that it is now quite certain that the worst will happen to the German armies in no very long time—though even then, with nothing more to lose, the Nazis may well attempt to fight on underground.

Economic Negotiations

The important discussions which are going on between this country and the United States on economic topics conform to the pattern of informal and mainly exploratory talks rather than to that of the formal international conference. It should not be supposed, however, that there is any fundamental difference in the binding character of the results achieved between, say, the Bretton Woods Conference on the exchanges and international investment, at which the representatives of more than forty other nations attended, and the *tête-à-tête* which Lord Beaverbrook has been holding on civil aviation and oil with American spokesmen. Indeed, the oil agreement, which was reported last week, is probably more binding, as it stands, than the draft monetary agreements which the Bretton Woods Conference reached. Whether these separate agreements are made in conference or in conversations, they are equally binding acts of policy. From this, two principles would seem to follow. The first is that there should be a constant collation of the decisions made in specific instances, such as oil or rubber or civil aviation, so that they shall add up to a consistent economic policy which is consonant with the interests and the opinion of this country. The best link for bringing and holding together the tentative policies decided is probably not any single individual, even Lord Beaverbrook. Almost certainly, if an individual Minister were picked out, it should be either the Chancellor of the Exchequer or, since it is chiefly trade policy that is being fashioned in this manner, the President of the Board of Trade. But, obviously, the most important need is that economic policy, however piecemeal the way in which it must be determined, should be consciously decided by the Cabinet itself. Certainly it is quite illogical, and likely to be very dangerous, that formal decisions should be taken at conferences, such as that held at Bretton Woods, on questions of international machinery without corresponding decisions being made,

either in this country or in the United States, on the issues of economic policy upon which the working of this machinery will entirely depend. The alternative to present procedure is neither an omnibus international economic conference nor a prior announcement by the Government of its general economic programme over all the international field. The necessity is rather that, at every stage, it should be guaranteed that the right hand of policy knows what the left hand is doing.

Trade Policy

The second requisite, which goes to the heart of our present procedure in international economic affairs, is that, by whatever means decisions on international economic policy are made, it should be ensured that they are kept in step with British opinion—and British interests. Both international conferences and Anglo-American conversations involve this country in commitments. At least it should be known whether Parliament and the people are prepared to accept and honour these obligations—it is probably even more vital, of course, that it should be known whether or not the United States Congress will be prepared to honour them. The draft agreements which have resulted from the conference at Bretton Woods are remarkable in that they run counter, in a number of important respects, to the views which were expressed in Parliament when the opportunity was afforded to debate the basis of the Bretton Woods discussions. The position at present is that, so far as the separate topics of Anglo-American discussion are concerned, Parliament's views are not, for the most part, taken; and that when, as in the case of international monetary matters, those views are taken, they are not apparently heeded. It is true that, in the British system of government, there is very little chance that, if the Government's decisions are pressed, they will be repudiated; Ministers can rely upon their majority. On the other hand, the efficiency of the system depends, over a period, upon its sensitiveness to public opinion which, for all its inevitable errors, has a steady eye both to practicability and to national interest. It is not this Government or this Parliament that will have to administer the policy which is now being somewhat haphazardly made. It is, therefore, most necessary that the Government should not only give every opportunity for a discussion of the general economic principles and expectations upon which the present negotiations and decisions, in whatever form, are based, but also that it should take very careful notice of the opinions expressed. The unspoken and undiscussed premise of all these international and economic negotiations and tentative agreements is the picture which the British Government (and the American Congress) have of the appropriate trade policy to be pursued after the war. Until this picture has been made very much clearer, there will inevitably be an air of considerable unreality about the talks and settlements which are now being made in so many various ways.

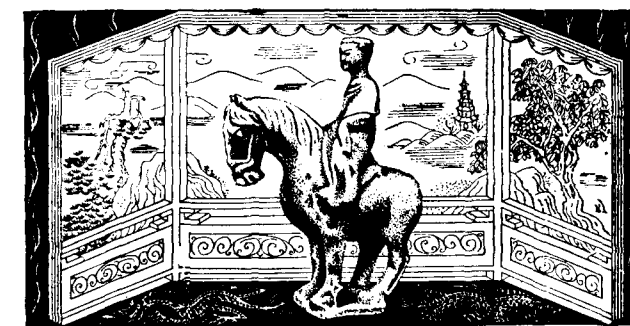
Polish Dilemma

M. Mikolajczyk, the Polish Prime Minister, has come back from Moscow with proposals for a Polish settlement. Details of the proposals are not yet known; and they are now being discussed by the Polish Government. It is fairly obvious that the scheme conceived in Moscow is based on a rigid recognition of the Polish Committee of Liberation. M. Mikolajczyk has been asked to relinquish his post of Prime Minister and to become the Chairman of the Committee. He has also been asked to induce some of his colleagues in London to join that body. The possibility of the Polish Government agreeing to those suggestions seems very remote indeed. More important still, even if the Government in London agreed, the underground movements in Poland itself would almost certainly refuse to endorse the agreement. This has now been made clear by M. Arciszewski, the Chairman of the Polish Socialist Party and the new President Designate of Poland, who left Warsaw in July. M. Arciszewski has declared that the Polish underground movements desires an honourable and straight understanding with Russia. They have assisted the Soviet Armies advancing into Poland, wherever that has been possible. They are also willing to accept the representatives of the Communist Party in the governmental Coalition on an equal footing with the spokesmen of the other political tendencies. But this is, according to the President Designate, the limit of the concessions which the Polish underground is ready to make. In no cir-

cumstances would it consent to the self-effacement of a Government to which it has remained faithful during five tragic years of German occupation. In theory, the only way out still left open is that the Government and the Committee should both give place to a Provisional Government to be set up in Warsaw immediately after liberation. Such a scheme would formally overcome the difficulties which spring from the conflicting claims of the Government and the Committee. Whether a similar scheme would satisfy the Russians remains to be seen. If the new Provisional Government created in Warsaw is to be really representative of the Polish people it would of necessity be almost a political replica of the London Government, supplemented by Communists, however much its personnel might be changed. The rift between Poland and Russia has already produced lamentable results inside Poland where extreme anti-Soviet and Fascist organisations have started something like a civil war, not only against Communists, but also against all who preach conciliation with Russia or any territorial cessions. The Polish Government has decided to put those organisations beyond the pale. It is strange, to say the least, that in view of these facts accusations of Fascism and so forth should still be flung at that Government.

"Free Generals" in Moscow

The Free German Committee in Moscow is coming more and more to the front of the stage. After eighteen months of silence in captivity, Marshal von Paulus, the German Commander at Stalingrad, and the one-time hero of a quasi-Wagnerian legend spun by Dr Goebbels, has now joined the group of twenty German generals who have denounced Hitler and called the German people to turn their weapons against him. To be quite accurate, the appeals of the Generals have been addressed, not so much to the German people, as to their own colleagues, who, under Hitler's orders, still lead the *Wehrmacht*. Significantly, General Seidlitz, the chief spokesman of the "free Generals" in Moscow, has paid an extremely warm and unstinted tribute to the men who took part in the July



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conspiracy. Their names, he said, will be honoured by posterity as the names of great fighters for German freedom. It is difficult to overlook the striking contrast between the tenor of Russian and British propaganda to Germany. In this country the authorities are very reluctant to allow direct appeals to the German officers' corps. On the morrow of the attempt on Hitler's life the whole British press—Right and Left—repeated, correctly, that the Generals were as much the foes of the Allies as the Nazis. No similar scruples inhibited propaganda from Moscow. This is not to say that the British and Americans should imitate Russia's tendency to appeal primarily to the officer corps. But it does underline the foolish rigidity of appealing to nobody for fear of being fooled by everybody.

Circular I

One of the major criticisms of the Education Bill already shows signs of being substantiated. This referred to the sketchiness of the timetable of action laid down in the Bill. On the basis of past experience of the Board (now Ministry) of Education, it was suggested that the procedure of practical reform under the Bill did not offer the maximum possible safeguard against departmental procrastination. The Minister has now issued to local authorities a circular in which he announces that the school-leaving age will be kept at 14 after April 1, 1945, when the rest of Part II of the Bill is scheduled to come into force. In view of the "impossibility" of securing the necessary teachers and school accommodation, he says, it is not likely that the order will be revoked earlier than April 1, 1946. The difficulties of teaching the extra teachers and of building the extra classrooms cannot be minimised. But why, then, was this date ever written into the Bill? Why was Mr Butler not more frank about the gravity of the position? If this first step cannot be taken—and probably it cannot—why has not the Minister already made his apologies and explanations to Parliament? To start off with an indefinite postponement of the one first vital step is very serious indeed. The timetable sketched out—the words are used advisedly—in the Education Act could not even under present conditions be called a rigid one.

What's to be Taught?

The plans for the new order in education are excellent, but the same gaps in policy which were apparent when the White Paper appeared well over a year ago still remain. The publication of the Norwood, McNair and Fleming reports took the first step towards filling them. Of the three, the McNair report on the supply of teachers and the Fleming report on the public schools have only recently appeared, and some time must clearly elapse before the Ministry can be expected to formulate a decision on their findings. The Norwood Report on curriculum, on the other hand, was published fully nine months before the other two, and it is, in many ways, the most urgent. No indication has yet been given, however, that its valuable and constructive work is bearing fruit in the Ministry. The local authorities are now engaged in preparing their development plans in the educational field. By the very nature of this work it is essential that they should know as much as possible of the Government's detailed intentions. In particular, the outlines of what the Government intend should be taught in the schools should not still remain wrapped in mystery. It is a matter which will affect each and every school in the kingdom, and which is of immense importance in planning the physical construction of new and adapted schools. Nor, more fundamentally, can the likely future level and quality of our democratic schooling be even guessed at. Nothing but a full and thoughtful declaration, preferably following closely the lines of the Norwood Report, can allay concern.

Breathing Space for Farmers

"We shall need to go on growing all the food we can in this country for many years to come." In his speech at Belfast on Wednesday Mr Hudson used this argument to spur on farmers to greater efforts. He emphasised again that the chief aim now, with arable production at

or near its peak, must be to expand the quantity and quality of livestock and livestock products, of which the world shortage is likely to be particularly severe. For some years yet, foreign feeding stuffs will remain scarce, but home crops may become increasingly available for feeding to livestock. He could point out that livestock represents a branch of farming which is economically best suited to the United Kingdom, by reason of its soil and climate, and of the perishability and costliness of its products. Thus the argument is that to make full use of the country's rich resources of grassland is the way to a prosperous peacetime agriculture and a solution of the present emergency. Great official emphasis is being put upon improving the quality of breeding and the standard of milk; the Government's acceptance of milk as "priority number one" is as economically sound as it is nutritionally wise. Thus far there is no clash between the artificial needs of an emergency economy and the long-term interests of peacetime efficiency. But there is another side to the picture, to which Mr Hudson referred only obliquely. He called the remaining years of all-out production a "breathing-space in which to build even firmer foundations for future prosperity." When this breathing-space is over, agriculture will have to take in its belt—to an extent which is illustrated, partly at any rate, by Mr Hudson's own estimate that since 1939 arable acreage has risen by nearly 50 per cent at the expense of the area under permanent grass. The Minister gave the following figures of pre-war and war-time averages in England, Wales and Scotland:

	1939	1944
Total permanent grass acreage	19,000,000	12,000,000*
Total arable acreage	13,000,000*	19,200,000
Wheat acreage	1,800,000	3,200,000
Potato acreage	700,000	1,400,000

* Just under.

An economic and not over-costly agriculture after this war will probably be appreciably bigger than it was before the war; but, to remain economic and not over-costly, it will certainly have to be appreciably smaller than it is during the war. A drive to improve livestock production, welcome as it is, will not secure the transition that must eventually take place, however "many years" ahead it may lie. The transition will be big and—unless Mr Hudson warns and plans ahead—painful.

Health Centres

Very few of the answers to the British Medical Association's questionnaire on the White Paper (A National Health Service) found the doctors—grouped according to appointments held—in general agreement. But two in every three doctors (83 per cent of Service doctors and 84 per cent of salaried doctors) approve of health centres in principle, and have clear ideas of the type they would like to see established. A majority favours the type

where both preventive and curative work is done, including for example, maternity and child welfare and school medical treatment.

Proposals on these lines were put forward originally, not by the Government, as was stated in *The Economist* last week, but by individual doctors and the BMA's Planning Commission. The health centre envisaged in the White Paper—one which would provide

for individual consulting-rooms, for reception and waiting rooms, for simple laboratory work, for nursing and secretarial staff, telephone services, and other accessories—recovery and rest rooms, dark rooms, facilities for minor surgery, and other ancillaries.

—is supported by only 15 per cent of the doctors who approve the principle of the health centre. It is perhaps surprising that, in this instance, the Government should have rejected the bolder and more comprehensive scheme put forward by the doctors—though it is almost certain that the decisive reason was the great administrative (and political) difficulty of taking maternity, child welfare and school work away from the particular local authorities which are at present responsible. It is a difficulty that must be admitted; but, since the health centres will themselves be under the administration of some local health authority, at least it should have been possible to arrange the transfer of these services, or most of them, by stages to the real health centres that the doctors and others want. On the face of it, at any rate, the courage of the doctors is in contrast to the caution of the Government.

Medical Students and the White Paper

The views of medical students on the health services White Paper do not differ widely from those of practising doctors as elicited by the British Medical Association's questionnaire. A smaller percentage of students replied to the questionnaire of their own association, which ran on much the same lines, but this is put down to such factors as holidays rather than to lack of interest; even so, it seems strange that only 30 per cent should have replied on a matter that concerns their own future so nearly. Of those who did reply, 51 per cent were favourable to the White Paper as a whole and 40 per cent were unfavourable, whereas the doctors' vote on this question showed an almost exactly opposite result—53 per cent being unfavourable and 39 per cent favourable. On another general question—whether the quality of the medical services would be enhanced or suffer by the introduction of a national service—the students differed from the doctors, 49 per cent saying that it would be enhanced and 36 per cent that it would suffer. But, in spite of this general blessing, 43 per cent of the students replied "No" to the question whether they would enter the national health service as described in the White Paper, against 41 per cent who replied "Yes" and 15 per cent of "don't knows." A large majority—72 per cent—agreed that complete medical services, including hospital and specialist services, should be available to all, free of charge; 89 per cent expressed themselves in favour of health centres; and 50 per cent were in favour of abandoning the sale and purchase of general practices. Thus, in so far as any judgment can be formed on the replies received from a minority—albeit a large one—of the medical profession, it would appear that both the present and the future generation of doctors are broadly in favour of the objectives and basic principles of a national health service. But, as in all matters of reconstruction, there is decided and widespread disagreement about means and methods.

Liberating Holland

The publication by the Dutch Government of a royal decree covering the principles of administration in Liberated Holland is a reminder that no government in exile, however representative and stable, can escape certain common problems now that the time for homegoing is at hand. They have to devise ways and means of tidying over the first weeks of fighting and dislocation—though the experience of France suggests this phase may not be as difficult as the various authorities feared. They have to get rid of collaborators while keeping the administrative machine running. They have to deal with tremendous economic confusion. Finally—and this may prove the most awkward political bundle to clear—they have to merge the exiled Government with the local resistance at a time when a great variety of factors—the chief of them, the absence in Germany of large numbers of their citizens—make immediate elections impossible. The Dutch Government in London is in perhaps the most fortunate position of all the Governments in exile. Its asset is the prestige of the House of Orange. Queen Wilhelmina apparently enjoys the complete confidence of practically every brand of political opinion from Left to Right both in Holland and in the Dutch emigration. Her policy has remained firmly constitutional, and it is quite clear that in her hands will rest most of the major decisions on policy in the immediate period of liberation. On her return she will be free to change, extend, reorientate her administration at will. The Queen, as the chief element of political continuity, solves a host of difficulties which may await, say, the Belgians whose King was first a prisoner and is now a hostage. Other factors making for stability in the Dutch situation are the relatively small number of active quislings, the extent of loyalty among the officials in Holland, and the habitual steadiness of the Dutch temper. On the other hand, economic difficulties will be acute. There may also be some immediate political difficulty in giving expression to the new political trends and ideas apparent in the resistance movement. The men who have recently left Holland testify to the strong desire of all sections of the resisters to reconstruct their parliamentary system in the direction of energy, youth and social progress.

The Government in London is naturally out of touch with these new trends. The Dutch emigration is one of the smallest, possibly not greater than some 2,000 men and

women. The Government has had of necessity to be chosen from among the business community, whose officials form the bulk of the emigration. These men, directors and employees of the great Dutch concerns—Shell and Unilevers—were brought in to direct Ministries, and to keep up a framework of government not only for Holland, but for the Dutch East Indies. In recent months, a new call on this limited manpower has come from the Allied military authorities. The Dutch have set up a Civil Affairs branch, into which again businessmen have been called with temporary military rank. Even so, it is said to be seriously understaffed. These are the men whom the Queen will take back with her to Holland. Their business background has led some critics to doubt their capacity to "merge" with liberated Holland. Such criticism overlooks the fact that Holland itself is to a great extent a "business community." In any case, the new decree makes it clear that there will be no change in Holland's constitutional and democratic system. The decree lays it down that

The States General, the provincial states and the communal councils will be re-established immediately after liberation.

Elections will be held when the exiled Dutchmen have returned. Meanwhile, the Queen's attitude is a sure guarantee that in the interim period new men from the resistance will be everywhere brought in to supplement the old politicians and the men of the emigration, many of whom will return to their normal business activities. This decree underlines the great political stability of Holland. Economic problems will be acute, but at least the Dutch Government will escape those deep and dividing political and social issues which make the future of other exiled governments and dynasties so dark.

Too Many Wholesalers?

Mr T. W. Caves, the secretary of the Wholesale Textile Trade Association, has laboured for many years to explain the useful functions of the wholesale trader. His latest observations, made to the British Hosiery Manufacturers' Association, deserve close attention. The wholesale trade

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distributed £33 million worth of hosiery and underwear in 1942—a figure which does not include the turnover of firms combining the duties of manufacturer and wholesaler or wholesaler and retailer. This huge task of distribution was performed by no more than 7,300 workers. Mr Caves uses this statistical evidence to support his view that direct trading between manufacturer and retailer is unpractical and uneconomic. Had these goods been delivered direct from the factories to the retail stores

many thousands more (workers) would have been required by reason of the duplication of the various operations involved in distribution.

In Mr Caves' opinion it is not possible greatly to reduce the costs

entailed in the distribution of manufactured products in small quantities to every town, village or hamlet throughout the country.

This argument may well apply to the textile trade in which demand is highly differentiated by the regional and social vagaries of taste and fashion. The intermediary functions of the wholesaler, who carries a large stock of patterns and fabrics, may be more justifiable than those of the wholesaler of standardised products, such as motor-cars and household appliances. But overlapping still occurs in almost every branch of distribution, and manufacturers will continue their attempts to eliminate excessive wholesale costs by direct trading, or by themselves taking over the functions of wholesaling. The view that the multiplicity of wholesalers in the textile trade is in the interest of the independent retail unit is not without substance. It follows logically upon the need for a multiplicity of retail outlets in the textile trade to prevent an exaggerated and dangerous standardisation.

Vital Statistics

The birth-rate is still rising. Since the trough of 1941, when the yearly average was only 14.2 live births per thousand, the number of births has been steadily increasing to an average of 16.5 per thousand for 1943. In the first quarter of 1944, there were 184,145 live births, giving a rate of 17.9, compared with 16.9 for the corresponding quarter of 1943. This is the highest rate for a first quarter since 1926. Comparison with the experience of the last war, when the birth-rate dropped steadily from 22 to 18 per thousand, is surprising. But it may well be that the present boom in births is only an earlier counterpart of the boom of the early 1920's. The steady decline in the marriage rate which has been continued in the first quarter of 1944 foreshadows a corresponding decline in births and is thus presumptive that a repetition of the 1920-22 boom is unlikely in the immediate post-war period. The fewer marriages of the last two years or so are likely to result in a smaller number of first births than were produced by the more numerous marriages of the early war years. On the other hand, although the marriage rate for the first quarter of 1944 is the second lowest of the war years, it shows an increase of over 8,000 marriages on the average for 1934-9. Other things being equal (which of course they may not be), this points to a future decline in births from the present rate, but to a point not quite so low as in 1941. A more encouraging sign is the steady decline in infant mortality. The first year of life still shows much the largest percentage wastage of all, and any reduction in this relatively high mortality will be some contribution to the stability of the future population.

Road Casualties.

Lord Samuel's statement in the Lords that not only more but many more had been killed and injured on the roads than in all the Services during the war has caused considerable comment. Little of the discussion, however, has attempted to sift the statistical basis of his statement. The figures he quoted were 588,000 road casualties against under 370,000 Service casualties. The monthly road casualty figures of the Ministry of War Transport for the three years ending March, 1944 (no figures for the early wartime period are available), show 22,518 killed and 433,366 injured, which bears out its rough accuracy. But the proportion of killed to injured is roughly 1 to 20, compared with about 1 to 3 in the Services. Only just over a third of those injured on the road come in the seriously injured (meaning, detained in hospital) category, the rest being casualties which were re-

ported to the police but sustained only minor injuries. Lord Samuel's statement gives an exaggerated impression; but all the same the situation to which he drew attention is bad enough. Since the war, the number of killed has risen—the figure of 22,518 for the three years to March, 1944, compares with 19,842 for the last complete three pre-war years (1936-38)—but the number of injured has fallen considerably—433,366 against 680,926. Leaving aside the special circumstances of wartime driving, and considering instead the three pre-war years quoted, it is possible to get an idea of the sort of hazards that will be run on the roads in the future, assuming pre-war conditions neither improve nor deteriorate (both of which are possibilities). Taking the 1939 population of the United Kingdom as roughly 48 million, and assuming an average expectation of life at birth of 60 years, it follows that one out of every 120 persons born must expect to meet death on the roads, and every third one born must expect to be injured on them (leaving out of account the fact that some persons will sustain several injuries in their lifetime).

What! No Beer?

Beer production in the second quarter of 1944 was 8,117,814 bulk barrels—a new wartime record, but one which will leave the record-loving British public singularly unimpressed. The published figures create an exasperating mirage, and tongues will protrude to new (and record) lengths. Only Tantalus has suffered in comparable degree. London is taking more than its share of punishment these days; to the perils of the flying bombs are now added the horrors of unslaked thirst. The beer shortage is due to an unfortunate coincidence and concentration of forces—all tending to drain the capital of its liquid resources. The evacuation of children, and the influx of building operatives has made London's population more adult and less teetotal. Many "reputed" quarts have followed the invaders into northern France. The weather in the Straits has been uncommonly dry and hot. Moreover, beer has been in great demand for semi-medicinal purposes. Drink seems to repair very effectively the minor damage done to the nervous system by sporadic bombing. In the blitz of 1940-41 tea was the universal soother; but the latest missiles fly by day—and in summer sunshine. London has gone "dry" not through the shortcomings of the brewers, nor (despite murmurings from the trade) through any excessive limitation of the trade by Mr Bevin's firm control of man-power; apparently the Catering Bill so strained relations between the Minister of Labour and the brewers that Mr Bevin now tends to be blamed somewhat too readily. The probable shortage of hop-pickers may carry the drought a stage further, but hopes can be good that the fates will conspire to ease the situation in time for V-day. On Tuesday Mr Mabane hinted that the problem of how to make beer "keep" might be solved by pasteurisation.

Books Received

- Ten Years of Controlled Trade in South-Eastern Europe.* By N. Momtchiloff. Occasional Papers VI. National Institute of Economic and Social Research. (London) Cambridge University Press. 85 pages. 6s. net.
- Bread and Democracy in Germany.* By A. Gerschenkron. (Los Angeles) University of California Press. 238 pages. \$2.75 net.
- Democracy First.* By H. A. Wallace and D. M. Nelson. Oxford University Press. 31 pages. 6d. net.
- How to Reform Parliament.* By R. S. W. Pollard. (London) The Forum Press. 48 pages. 2s. net.
- The English Yeoman Under Elizabeth and the Early Stuarts.* By M. Campbell. (London) H. Milford. 453 pages. 25s. net.
- Munich: Before and After.* By W. W. Hadley. (London) Cassell. 184 pages. 7s. 6d. net.
- The U.S.-Canadian Northwest.* By B. H. Kizer. (London) H. Milford. 71 pages. 6s. 6d. net.
- The S.S. Huebner Foundation for Insurance Education* (London) H. Milford. 247 pages. 12s. net.
- Is Full State Control of Our Basic Industries Desirable?* By J. P. Dickie, M.P. (Mexborough) Russells (Printers) Limited. 93 pages. No price stated.
- Unemployment Can Be Cured.* By Lt.-Col. K. E. Edgeworth (Dublin) Eason and Son, Limited. 157 pages. 10s. 6d. net.
- Rubber After the War.* By K. E. Knorr. (Stanford, Cal.) Food Research Institute. 46 pages. 25 cents net.

Letter to the Editor

Terms for Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—May I be allowed to make the following observations on your "Terms for Germany"?

You say that "the aim of a peace treaty is above all to avoid the recurrence of war." Agreed. But the only road leading to it is to keep Germany so weak that she should not be able to go to war again.

The Economist quotes Mr Churchill's speech of August 2nd, applying it to Germany. But is Germany to-day a "great civilised country"? The latest record of Germany's civilisation is the "doodle-bug," or the "death factory" at the Maidanek camp, near Lublin.

Of course, peace will have to be maintained by force, because the only guarantee of a peace for our century is to keep Germany sufficiently weak to prevent her from becoming again aggressive. Of course, Germany should not regain sufficient strength in ten or fifteen years to open a campaign for recovering her territorial losses. The argument, however, that the Germans can repeat the Ruhr crisis of 1923 is baseless because the Ruhr crisis was the result of the assistance which the Spartacus movement received from the Third International. (Sic: Editor.) This position has changed radically. For the same reason it simply does not make sense to maintain to-day that Russia is apt to accuse the Western Powers of such a "conspiracy" that she would make her own terms with Germany.

The Economist insists that this is not a question of being kind to the Germans. But what else is it?

The Economist accepts it as a fact that Allied opinion in the West will not be willing "to lift a finger to enforce the kind of settlement" which would keep Germany weak. This would be a very poor testimony of the public opinion of the Western Allies if it would be at all true. But there is still an Allied opinion of the East which as far as Germany is concerned is not less interested, not less important, and not less authoritative than the Allied opinion in the West.

A way of moderation has never been and never will be applicable to Germany. Every peace treaty based on Germany's defeat in war will be opposed by the Germans if we leave them strong enough to impose such views on the public opinion of the German people. As far as the Germans are concerned, there is no difference between "moderation" and "leniency," though *The Economist* would like to believe in it. If it really does believe in it, it only proves that its knowledge of the German psychology is not very well founded.

And if *The Economist* considers as moderate a peace treaty which would include "the punishment of war criminals, a period of physical reparation, some frontier rectification in the East, where exchanges, as opposed to transfers of population, would be possible," and last, not least, "absolute disarmament of Germany," well, I would like to meet the German who would genuinely accept such a treaty as "moderate."

And a last question. Why does *The Economist* envisage that only the Americans and the British will accept the burdens of enforcing the absolute disarmament of Germany? What about the Russians? What about the French? What about the Poles and the Czechs? Are they less interested to keep Germany disarmed? Or do they simply not count?—Yours sincerely,

STEFAN LITAUER.

Dorset House, London, N.W. 1.

[Mr Litauer raises two principal points. The first is that the only way of preventing war is "to keep Germany so weak that she should not be able to go to war again," and that, since *The Economist* proposes a "moderate" peace, it is, in fact, advocating a wrong policy. The second is that the Powers of Eastern Europe, including Russia, are prepared, if necessary without the aid of Britain and America, to enforce a strong settlement.

On the first point, *The Economist* argued that the essence of a strong treaty is that the victors should be ready to enforce it, say, fifteen years after victory, if necessary by war. We believe that the British and the Americans, as well as the Russians and the others whom Mr Litauer mentions—apparently in order to give the impression, which he knows to be demonstrably false, that *The Economist* is both anti-Soviet and anti-European—would be ready to enforce total disarmament and some other provisions. We do not believe the Western Powers would show any readiness to apply force over a violation of the territorial settlement now being proposed. Therefore, the inclusion of these "strong" territorial terms would ultimately and disastrously weaken the settlement.

On the second point, it may be that Russia and the other European Powers would be ready without British and American military aid to enforce a settlement which the Germans were attempting to reverse. Against this possibility *The Economist* records its opinion that any weakening of the present Allied Coalition would strengthen Germany's position, and repeats its view that Russia would be unlikely to adopt a benevolent and unsuspicious attitude towards any defection by the Western Powers.—EDITOR.]

AMERICAN SURVEY

American Notes

Return to Pearl Harbour

At this stage Mr Roosevelt can hardly blow his nose without having a deep political significance read into the act; and his trip to Hawaii, the Aleutians, and Alaska, has been no exception to this general rule. This may have been due to the fact that there was, perhaps, less ground than usual for speculation in Mr Roosevelt's impressions of the growth of Pearl Harbour, his commendation of the efficiency of the men in the Aleutians, his denunciation of Japan, and his expectation of great commercial developments in the Pacific. These were hardly news in dramatic form. His most interesting suggestion concerned the joint use of the South Pacific Islands, chiefly British and French possessions, as forward bases against any future Japanese aggression. But it was not so much what Mr Roosevelt said as the very fact of his going to the Pacific area, which set the tongues wagging. In the past the Administration has been bitterly condemned for underestimating the war in the

Pacific, and even for starving General MacArthur of men and supplies in the interest of the European war. There is little doubt that Mr Roosevelt relished the opportunity of turning the tables on his critics, and of hailing General MacArthur as his "old friend"—and even less that he thoroughly appreciated the political advantages of identifying himself so directly with the war in the Pacific. But the picture that his extreme critics have drawn this week is of a man so besotted with political ambition that he arranged his trip "purely as a painfully absurd setting of the stage for opening of a fourth term campaign," to perpetuate himself before the voters as Commander-in-Chief, even in the event of a German collapse, and to ingratiate himself with the soldier voters in the Pacific area. It is Mr Dewey's misfortune, but hardly Mr Roosevelt's responsibility, that the President is in a position to drive home by such expeditions his own interpretation of a world still in crisis. If Mr Dewey has chosen a slighter rôle, it was because it suited his own talents. Nor can there be any question that there were real advantages to be obtained from the President's obtaining a first-hand view of the Pacific area and meeting

General MacArthur and Admiral Nimitz face to face. What is mortifying to the Republicans in the trip is the admittedly irritating combination of business with pleasure, patriotic duty with political adroitness.

Wooing Mr Willkie

The President's invitation to Mr Willkie to visit the White House has been rightly regarded as a political rather than a social event. Mr Roosevelt would welcome, it is said, an opportunity to discuss foreign policy with Mr Willkie in an atmosphere completely divorced from the election campaign. It will be remembered that Governor Kerr, of Oklahoma, keynoting at the Democratic Convention, noted with pious regret that "when

the Republicans snubbed and side-tracked Wendell Willkie, the last vestige of liberal leadership of the Republican party was buried under an avalanche of reactionary sentiment from which it cannot soon emerge.

The Republicans did not fail to take similar advantage of Mr Wallace's elimination at the Democratic convention a month later. There have been crocodile tears on both sides of the political fence. But it is Mr Roosevelt who has taken the initiative in wooing back both these influential spokesmen for the common man. Mr Wallace has been offered an important but unnamed post in the new Roosevelt Administration. Mr Willkie is being tempted by an appeal to his immense interest in foreign policy, and his well-known discontent with both the Republican plank and its official interpreter. These overtures to the great dissident of the GOP will increase Republican anxieties. Governor Dewey is said to have begun his own courtship by suggesting that Mr Willkie might care to have the Republican nomination for the senatorship from New York. This was a gift horse to be examined with care. Senator Wagner, the Democratic candidate, is the most strongly entrenched Senator New York has had for many years. Mr Willkie might well have replied tartly, "Thank you for nothing." What is certain is that he has remained unmoved. Like Queen Elizabeth when similarly beset by suitors, Mr Willkie shows a politic disinclination either to play or to pledge his hand. It is doubtful, indeed, whether Mr Willkie would do more than promise his neutrality. There can be little love lost either between Mr Willkie and Mr Roosevelt, or Mr Willkie and Mr Dewey, and neither side can very easily produce a plum sufficiently tempting to lead Mr Willkie to compromise his hopes for the 1948 Republican nomination.

Reconversion in Congress

Prompted by the pace of events in Europe, and impatience at home, Congress has turned with a haste almost amounting to panic to the further problems of reconverting the structure of production to peace purposes. With the War Contracts Termination Bill safely embodied in law, the most urgent problem obviously concerns what is called "human demobilisation," that is, employment and unemployment policy for the members of the Forces, and some 20 million war workers who will have to find peacetime jobs. The Senate has given an unmistakable clue to the temper in which it approaches this problem by defeating the Administration's Bill by 49-25, and substituting for it Senator George's draft. Both dealt with the reforms necessary if the unemployment insurance system is to be capable of dealing with the vast upheaval in an orderly and equitable manner. The Kilgore Bill provided for Federal payments to ex-Servicemen, Government and war workers on the basis of 75 per cent of previous earnings, up to a maximum of \$35 a week. This was in addition to mustering-out pay for the Forces. It would have allowed transportation expenses, and maintenance allowances of rather conspicuous liberality for dependants during the period of retraining. The George Bill is a very much more modest proposal. It amends the Social Security Act to add Government and war workers in Government-owned plants to the beneficiaries, but it leaves the rates of compensation, and the machinery, to the States, the Federal Government agreeing to reimburse the States, and standing ready to make non-interest-bearing loans to State Governments if their funds became inadequate. It is not difficult to understand why the Senate rallied a bipartisan majority to defeat the Administration Bill, which,

incidentally, was solidly supported by Labour. It was charged that it would lead to regimentation and an unholy concentration of power in Washington; that it was a "lazy man's dream," and would make idleness as profitable as work, thereby defeating the end of reconversion; and that it was part of the attempt of the Congress of Industrial Organisations to capture the Government. While it is true that living costs vary considerably from State to State, and that there is something to be said for regional standards, it is also pertinent that State control of unemployment insurance has been the most unsatisfactory feature of the whole social security programme, and that differences in rates between the States have been far greater than could be defended on the score of living costs. There must be grave doubts whether the more backward and poorer States have the public officials or the resources to deal with an unemployment problem of a size unprecedented in their experience. The whole question is complicated by the heavy migrations of war workers to the south and west. These new citizens may change overnight from an asset to a liability; and, in addition, there will be the problem of the migrant worker, difficult of solution even before the war, under State administration. Senator Kilgore, who sponsored the Administration's Bill, may have set his scales too high; but under Senator George's plan there is no certainty of uniform justice. There are grounds for broader criticism. The Kilgore Bill, in addition to unemployment compensation provisions, would have created over-all direction for the reconversion process and the agencies carrying it out, along the lines of the present Office of War Mobilisation. It included plans for a National Production Employment Board to be made up of representatives of industry, agriculture, and labour. This body would presumably have been charged with the duty of formulating a national employment policy. The discarded Bill also made arrangements for planning public works and putting them in train, and stipulated Federal loans to the States for this purpose. The George Bill may, as Senator Barkley prophesied, undergo expansion and amendment. But as it stands, it seems, by its omissions, to place the entire responsibility for income maintenance on private industry. This may quite easily be what Congress desires.

The Right to Read

No mother has ever exercised more anxious discrimination over the books in her children's library than the American Army over the magazines, books, and even films which it sponsors. In Great Britain, British newspapers have been banned from American camps—"failed of selection" is the politer term in use. Mr Sumner Welles' "A Time for Decision," former Ambassador Grew's book on Japan, histories by Charles and Mary Beard, the collected columns of the late Raymond Clapper, have all been judged and found dangerous. For a time it was even reported that "Wilson," the most expensive film in all history, was to be banned. This has since been denied. The climax of absurdity was reached when among the banned books appeared the Official Guide to the Army Air Force, on the ground that it contained a photograph of President Roosevelt, with the chaste reminder that he was Commander-in-Chief of the Army and Navy. These excesses of solicitude are hardly of the Army's own choosing; indeed, they have been carried so far that one almost suspects a subtle scheme to discredit the whole idea by bringing it down to the comedy level. Whether this was the intention or not, that is precisely what has occurred, and the censorship of ideas seems about to dissolve in uproarious laughter. The Republicans suffer from acute anxiety lest the Administration should gain any electoral advantage through being the party in power. In some cases this has mounted to what can only be described as an obsession. Nowhere is this *idée fixe* more strongly held than in relation to the young voters in the Forces, whom it is feared may be unduly influenced by the fact that Franklin D. Roosevelt is their Commander-in-Chief. It was this which was mainly at the back of the mangling of the plan for a Federal ballot; and it is this which is at the bottom of the Army's determination to insulate the American soldier so completely from the stream of events and thought that not the slightest charge of undue influence can be brought. Fortunately, even Senator Taft, originator of the amendment banning political influence, has seen the light and agreed that the fundamental right of citizens of a democracy to obtain the facts should not be abridged in time of war.

THE WORLD OVERSEAS

A Soviet Kingdom of Poland?

"RUSSIA cannot have security without a good military frontier, and it is of great importance to her to put an end to the unrest of the Poles. Under all these considerations it is not possible to object to Russia making an aggrandisement that is demanded by justice."

These words have not been taken from any contemporary document. They come from a memorandum sent by Tsar Alexander I to Castlereagh in 1814. Like many things said or written during the Congress of Vienna, they have now suddenly acquired a new topicality. The problem then discussed by the diplomats of the Great Alliance was the project put forward by the Russian Emperor for a Kingdom of Poland. That the Russian Emperor desired "a strong and independent Poland" might have been said as often then as it is written now—of Marshal Stalin.

In 1815 the Kingdom of Poland was born; in 1831 it was brought to the grave; Poland was incorporated in Russia. Yet in his own way Tsar Alexander was absolutely sincere in the desire for "a strong and independent Poland," just as, in his own way, is Marshal Stalin. That the Russian Emperor stood for a strong Poland—strong in both area and population—can be seen from the fact that he originally intended to unite all the Polish lands held by Austria, Prussia and Russia in a single Polish kingdom. His scheme met with strong opposition from Liverpool and Castlereagh, who could not agree to a Polish settlement at the expense of their Austrian and Prussian Allies.

But the Emperor's attempt to persuade the Poles to look for a favourable frontier in the West did not fail to meet with a response from the Poles themselves. True, the Kingdom of Poland was linked to Russia by a dynastic union. The Emperor of All the Russias crowned himself as King of Poland. Yet in an era when monarchies by God's grace had just regained stability and self-confidence, dynastic ties between two countries did not necessarily involve the loss of independence for either. In the early years after the Congress of Vienna, the Kingdom of Poland enjoyed much more than nominal independence.

As to Marshal Stalin to-day, so to Tsar Alexander, the strategic motive was uppermost. He took care to see there was a unity in the foreign policy of his Russian Empire and his Polish Kingdom. But otherwise he tried not to encroach on Polish independence, and not to allow any Russian interference in Polish domestic affairs. Nor was he willing to extend the Russian system of government to Poland. In St. Petersburg, Alexander I was an absolute autocrat; in Warsaw he was a constitutional monarch. His Polish Government, consisting of great and devoted Polish patriots, was controlled by a Diet of two Chambers. Only Poles could hold jobs in the civil services. Polish was the only official language in Warsaw. A Polish army was created which was independent of the Russian.

The Polish Constitution—drafted by the great Polish leader Prince Adam Czartoryski—guaranteed to the citizens of the Kingdom personal liberties, freedom of religion and freedom of the press. In the judgment of Polish nationalist historians a century later that Constitution was "in some respects the most progressive and liberal constitution in Europe." In the view of the same historians, the electoral system introduced by the Emperor in Poland "was far superior to the English electoral system before the Reform Bill."

Progress Under Russian Rule

The first years of the Kingdom saw intensive social progress. The educational system was enlarged and modernised. Mining industries were started under the direction of Staszic, one of the greatest patriots and spokesmen of the Polish enlightenment. A modern system of finance, culminating in the foundation of the Bank of Poland, was introduced by the able Polish Minister of Finance, Lubecki. The exclusiveness of the nobility was broken; and the hardships of peasant serfdom were partly mitigated. Nothing

could perhaps better characterise this period of progress than the fact that it was under the rule of Alexander I that a University was founded in Poland's capital. When the Tsar, addressing the first Diet of the Kingdom in 1818, said to the Poles: "Your hopes and my wishes are being realised," the truth of his words could hardly have been denied. One of Poland's most solemn national anthems, still sung to-day, was written in honour of this same Russian Emperor and Polish King.

From this record it might almost seem that in Polish-Russian relations, the Kingdom of Poland might be regarded as the best model to be imitated; and, indeed, a similar union between Russia and Poland, with the same freedoms and flexibility, might result again in a new period of intensive social progress. The Russian assurances that there is no intention to transplant the Soviet system of government into Poland can be accepted. The political dualism—autocracy in Russia and constitutionalism in Poland—which Alexander I found possible, should not be beyond the political wit of Marshal Stalin. It might, therefore, be argued that the Poles' present fears of losing their national freedom and political liberties may be exaggerated. Nor can it be doubted that the slogans of a westward expansion are likely to appeal to Poles now as much as they did 130 years ago. Marshal Stalin, too, could probably find collaborators among genuine Polish patriots; and lovers of historical analogies may almost be tempted to compare General Rola-Zymierski, the newly appointed pro-Soviet Commander-in-Chief of the Polish Forces with General Zayonczek, Alexander's Viceroy in Poland. Before he became

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All the nice things that used to be in Black Magic Chocolates — are they dead?

No.

They exist.

But they might as well be dead, for all the use they are.

The Mauritius sugar that gave the tang to the Black Magic caramel — it's in Mauritius.

The Valencia almonds that went into the Black Magic truffle-and-nougat and montelimar — they're in Valencia.

Brazil is no longer where the nuts come from. It's where the nuts stay.

Venezuela no longer sends us its peculiar fruity cocoa beans. It sends us petrol.

We didn't use petrol in Black Magic.

All the nice things are in all the nice places—except Britain.

They'll come again. When they do, so will Black Magic.

You can call that a threat or a promise, as you please.

ROWNTREES

Viceroy General Zayonczek—"a man of great courage and a weak character"—had fought against Russia in the Polish Legion under Napoleon. General Rola-Zymierski was one of Pilsudski's first legionaries; in the last war he received twenty-one wounds in the first skirmish between the Polish Legion and the Russians.

The Breakdown of the Union

But this is only half the lesson of history. The experience of the Kingdom of Poland contained more sombre features. Some are grave warnings. After fifteen years of existence the Kingdom was blown up in the Russo-Polish war of 1830-1831. Two conflicts accounted for this sad end. Under the Constitution of the Kingdom, the Poles had just enough freedom to demand more complete independence. The Tsar possessed just enough power to obliterate Poland's independence when Polish opinion became "intractable." Secret patriotic societies sprang up all over the country. At first they were not at all hostile to the monarch. Later on, unconstitutional methods of repression drove them into an extreme anti-Russian attitude. The working of the Constitution was obstructed equally by irreconcilable elements among both Russians and Poles. Polish secret societies established contact with the secret societies in Russia itself, who, ten years after the Congress of Vienna, organised the Decembrist insurrection.

The other cause of contention between the King and his Polish subjects was Poland's eastern borderlands. In the first years of his constitutional rule in Poland, Alexander I promised the Poles to reincorporate into the Kingdom several Lithuanian districts, previously annexed to Russia, including Vilna, Grodno and Bialystok. The Poles demanded also the inclusion of the Ukrainian lands in the south-east, including Kiev. This last demand was rejected from the beginning by the Emperor. But he also failed to honour his promise about Vilna, Grodno and Bialystok.

These two issues, the constitutional and the territorial, merged into one insoluble tangle of conflict. The head of the secret societies, Lukasinski, was unlawfully imprisoned in the Schlussemburg fortress, where he was to spend forty years. The censorship of newspapers, periodicals and books was re-introduced. The liberal Constitution gradually became a dead letter. The Diet could in the end debate only in the shadow of Russian bayonets. The Tsar's good and liberal intentions were frustrated because they were not liberal or good enough to make him really respect the aspirations of an old and proud nation. Looking exclusively for Russia's security, he took insufficient care to make Poland feel secure from Russia.

In the words of Byron the Tsar was
Now half dissolving to a liberal thaw,
But hardened back when'er the morning's raw

How nobly gave he back to Poles their Diet,
Then told pugnacious Poland to be quiet.

But in 1830, under the impact of the July Revolution in France, Poland was no longer quiet. The coat of arms of the Kingdom—the Polish White Eagle on the breast of the Russian double-headed Black Eagle—was torn asunder.

Public Opinion and Polish Independence

Critics may view with justifiable distaste the streak of romanticism that runs through Polish history. But realists must draw their lessons from history and pay attention to the peculiarities of nations. The analogy with 1814 and after hardly needs further elaboration. Russian diplomacy—which now seems to take its cue from history much more carefully than it did some years ago—would probably be well advised to balance prudently its intentions towards Poland against the historical logic of the relations between the two countries. It ought not to overlook how much the Tsarist policy towards Poland did to dig the gulf that in the nineteenth century separated the liberal and progressive West from Russia.

The Polish issue was one of the centres of Allied disputes during the Congress of Vienna. The Poles could then lay no claims; and their appeals could have little effect on the decisions of Allied statesmen; in the Napoleonic wars they had fought on Napoleon's side. At the Peace Conference the three Powers that had already partitioned Poland were the victors. Even so, British opinion then was neither indifferent nor silent on the fate of Poland. In a letter to Castlereagh, Liverpool wrote in November, 1814:

of any arrangement of which the independence of Poland does not now form a part.

At the next Peace Conference Poland will appear with the weighty titles of its seniority in the Alliance, its sufferings since 1814, and its manifold contribution to the Allied war effort. Can it be doubted that "any arrangement of which the real independence of Poland does not now form a part" would this time provoke a "battle against public opinion" much more strenuous and exacting than that of which Liverpool wrote?

Respite in Roumania

OUTWARDLY Roumania has been quiet since the Russian advance into Bessarabia and the Bucovina came to a halt in May. During a few months of fighting early in 1944, Roumania lost its conquest in Russia, the province of Transnistria. At present more than half of Bessarabia and the Bucovina, which was ceded to the Soviet Union in 1940, have been re-occupied by Russian troops, as well as a small strip of Roumania proper, between the rivers Pruth and Siret to the north of Jassy.

The total population under the control of the Antonescu Government numbers at present roughly 12 millions. The territory and the population are again what they were after the so-called Vienna Award in 1940, when Roumania lost Northern Transylvania to Hungary, Bessarabia and the Bucovina to the Soviet Union, and the southern Dobruja to Bulgaria.

During the retreat of the German and Roumanian armies from Russia to Roumania, the military and political administration was severely taxed by the influx of refugees, which made adjustments necessary in finance, agriculture, industry and, particularly, in the transport system. No definite peace movement emerged during these days, and reported peace feelers may have been nothing more than rumours.

Roumania now appears to be almost hermetically sealed off from the outside world. The Antonescu Government, unlike the Nazi regime, lacks the backing of a mass party. Yet no liberal or peasant opposition has been able so far to find an organised form. The worsening military situation has now led the Antonescu Government to make a renewed effort to tighten political and economic control. In common with other satellite countries, Antonescu's main objective in trying to stabilise political conditions is the adolescent population of the country. Out of some 3 million boys and girls between the ages from 12 to 20 years, more than a million have been registered by the state for special unions under the direction of a Secretary of State. Boys between the ages 17 to 20 years have been organised on semi-military lines in a compulsory labour service. They are directed to help with the harvest, to serve in special anti-aircraft defences, or to guard bridges. Above all, they are employed in building roads and military installations.

One main reason for the absence of an effective political opposition is the strong German hold. Roumania is for Nazi Germany a key position in South Eastern Europe. German troops are not only at the fighting front, but at all important points. Political opposition or a peace movement would mean incurring the risk of absolute German occupation. The threat of a complete dismemberment to the advantage of Hungary and Bulgaria seems to have been effective, apart from the fact that Horia Sima is still available for a full totalitarian coup under German direction.

Industrial Mobilisation

In contrast with the veil drawn over the political situation current information on the economic situation is still available. Naturally, much of this information is published by German sources for the purpose of showing Roumania's important part in Germany's war economy. In form and in fact, the nationalisation of Roumanian industry has been carried to greater lengths. Foreign capital in the oil industry has almost completely been "Roumanised." The steel and iron industries, which were in Jewish hands, have been expropriated and are now working exclusively to support the war. German concerns are in direct control of the leading industries, but German and Austrian capital interests have been repaid to a very large extent out of the huge

has been reduced by almost one-third of its pre-war volume, but only at the price of direct German control and complete dependence on German manufactured articles, and especially war material.

Under the threat of advancing Russian armies the Government re-introduced in April the rationing of bread, flour, sugar, fats and soap. Last autumn the favourable harvest made it possible to suspend rationing. During the spring local shortages of foodstuffs, largely caused by transport difficulties, became apparent. Rationing is again in force, but only in the towns, where three meatless days per week have also been introduced. From last year's harvest Germany received appreciable quantities, which amounted to roughly 500,000 tons of wheat, barley, maize and pulse. Germany had to pay for one-third of these imports with Swiss francs; some 20,000 tons of wheat have probably been exported to Finland; but there is no indication that any appreciable quantities of foodstuffs have been exported to other countries.

This year's harvest will be considerably smaller because of the loss of Bessarabia and the Bucovina. In normal times the province of Bessarabia produced almost 80 per cent of the entire oilseeds. The greater part of these crops will be lost. The area under cereals is also smaller this year. Industrial crops (mainly hemp, flax and cotton, which covered roughly 113,000 hectares in 1943) can certainly not be extended as originally planned in face of the Russian advance. As a precautionary measure a national reserve of vegetable oils and wheat is now being accumulated.

Oil and Bombs

There is no doubt that German influence has been hard at work to overcome the difficulties of a backward peasant agriculture, but apart from the more thorough collection of crops German industry has not been able to supply the peasant with much-needed industrial articles. Germany has delivered during the war roughly 4,000 tractors and 6,000 tractor ploughs. Simple ploughs and other agricultural implements needed by the peasants are now to be manufactured by Roumanian industry under a new plan. The much-discussed reorganisation of the peasant villages into some kind of production unit was a failure. Subse-

quently the Government reaffirmed that private ownership of the land would be maintained; but a new scheme aims at some kind of mixed societies for the productive combination of large and medium estates using peasant labour.

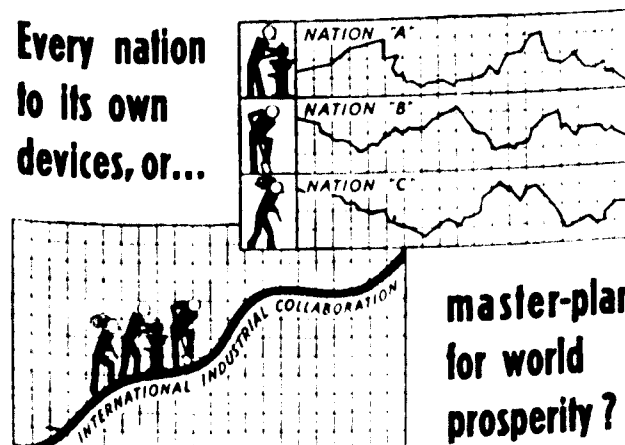
Roumania's industries, particularly the oil industry, have been under effective bombing range for some time. Oil refineries, rail junctions and harbours have been repeatedly bombed. Considerable damage has been reported each time. The raids during 1943 had no large effect (according to German claims) on the output of crude oil, which was reported to be the same, at some 5.6 million tons, as it was in 1942. Refinery capacity, however, was only partly employed. It is certain that the transport of crude oil and refinery products met with very considerable difficulties. The output figures for oil and metal ores, still published largely for their propaganda effect, are, in fact, contradictory in many respects.

The impression has been growing recently that the totalitarian organisation of agriculture and industry after the German model has become more elaborate. The particular Roumanian problem, however, is that the administration is incapable of making this new organisation work. An imposing number of organisations has been set up, but recent military events forced the administration to adopt makeshift arrangements, particularly in repairing bomb damage, in overcoming transport difficulties, and in accommodating refugees from eastern provinces. The budget for 1944-45, made before the Russian advance, had to be revised. Part of the estimated large deficit is to be covered by a new defence loan, which is actually a compulsory loan levied on industry, agriculture, and even on wage and salary earners.

There is no doubt that the Antonescu administration wanted to impress the people with the necessity of something in the nature of total mobilisation for Roumania's "second war" against Russia, which propaganda turned into a war for the liberation of Bessarabia and the Bucovina. At present Roumania enjoys a respite from large-scale fighting at the front, but increasing bombing raids have created great industrial insecurity, which cannot be countered, in present technical and administrative conditions, by any large-scale movement or evacuation.

POST-WAR EMPLOYMENT

Every nation
to its own
devices, or...



No fighting man wants to come back to peace on the dole. But unemployment is a world problem, and even with full agreement between Government, employer and worker no single employment plan can succeed without whole-hearted international collaboration.

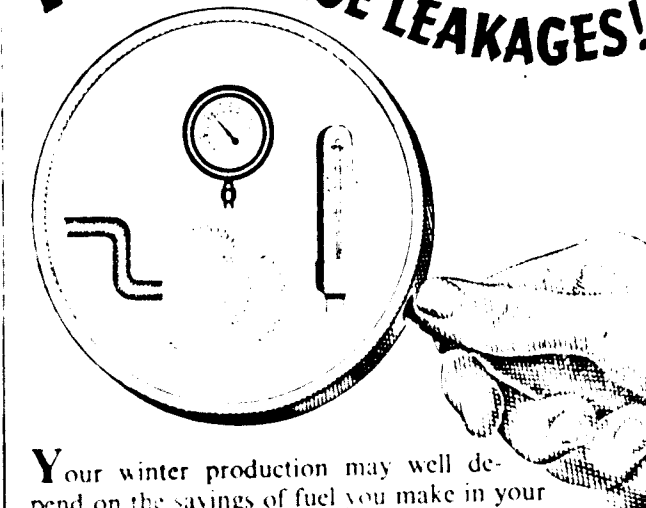
Given this kind of collaboration... that is, if Nation "A" will co-operate with Nation "B" for the benefit not only of Nations "A" and "B" but of Nation "C"... this Company believes that the huge industrial energies developed by the war and adapted to the needs of peace will provide full employment and prosperity for all.

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Most wasteful process habits can easily be turned into economical habits. For steam processes you need Bulletins Nos. 22, 25, 26 and 28. Refer to them again. If you've mislaid them send TODAY to your Regional Fuel Officer for further copies.



Issued by the Ministry of Fuel & Power

THE BUSINESS WORLD

The Federal Reserve Ratio

(From Our New York Correspondent)

ON December 31, 1941, the ratio of the reserves of the Federal Reserve Banks to their deposit and note liabilities stood at 90.8 per cent. On May 31, 1944, the ratio was 72 per cent. Although the legal minimum is considerably lower, being a compound of the statutory requirements, the law requires a reserve of 40 per cent in gold certificates (formerly in gold) to be kept against the Federal Reserve banks' note issues and also a reserve of 35 per cent in "lawful money" to be kept against their deposits. The present ratio is thus well above the minimum, but the decline has been precipitous and is causing considerable comment and some concern. The spectre of the collapse of the Government bond market, which, in 1920-21, followed up the drop of the ratio to a level of 40 per cent and less is being raised.

The declining ratio has resulted from the burden of war on the Reserve System. Since December, 1940, currency in circulation has risen from \$8,732 million to \$22,112 million (May 31); Federal Reserve notes, the chief component of this total, have furnished 90 per cent of the expansion, increasing from \$5,883 million to \$18,532 million (May 31). Until the end of 1942 the chief explanation of this expansion of circulating currency appears to have been the increase in wage payments and living costs. More recently, the growth of black market and tax evasion activities conducted on a cash basis seem to have been increasingly important. Other considerations are additional currency requirements resulting from shifts in population and greater use of cash for savings by the lower and middle income groups.

The reserve supply from which the commercial banks must meet this demand for currency was replenished until the end of 1940 by a gold inflow adequate both to meet the need for currency and to provide considerable additional increase in member bank reserve balances to cover the swelling volume of deposits. During 1941, however, the gold influx tapered off; member bank reserves dropped toward the end of the year in the face of a continued rise in deposits and currency in circulation. Excess reserves (over those legally required against deposits) on December 31, 1941, had fallen to less than half of the \$6.8 billion at which they had stood in June, 1940.

At the beginning of 1942, therefore, the Reserve System had to shoulder the burden of providing funds for the commercial banks and has carried it ever since. The larger

part of the support has been given by purchase of government securities in the open market on the instance of the Reserve Board. The System's firm and unlimited offer to buy and sell Treasury bills at three-eighths per cent, which in effect puts the initiative in the hands of the member banks, is widely used, and about 30 per cent of the System's holdings of Government securities at the end of April were carried with options for repurchase by the member banks. In addition, member bank borrowings have been rising in recent months and now total nearly a quarter of a billion dollars, the highest in over a decade. Reserve Bank credit outstanding is now \$14,759 million; at the end of 1941 it was \$2,369 million.

This increase of \$12 billion has been largely dissipated in a \$10,937 million increase in the money in circulation, but has also served to compensate for a \$1,483 million decrease in the monetary gold stock, which might otherwise have made a serious dent in member bank reserves. As it was, member bank reserves increased by only \$119 million during this period (January 31, 1942—May 31, 1944). The issue of reserves in excess of legal requirements dropped to about 10 per cent of the June, 1940, level, with actual deficits in reserves recurring in New York and Chicago. This was a result of disproportionately heavy sales of Treasury obligations which now constitute the primary reserves of member banks because the Reserve System stands ready to buy them at a fixed three-eighths per cent rate; to this extent the literal reserve definition has lost its meaning.

Several ways are open by which the apparent problem of the falling Federal Reserve ratio could be alleviated. These would either help to satisfy the demand for currency from sources outside the banking system, or would assist the member banks to meet the need without resort to the Federal Reserve Banks, or would facilitate the operations of the Reserve Banks in furnishing member banks with funds.

The Treasury could provide a limited amount of currency without recourse to the banks by issuing silver certificates against its bullion holdings at full legal monetary value (\$1.29 per ounce); thus far certificates have been issued only against the cost price of silver bought—about 50 cents an ounce. This measure would be of limited efficacy, however, for it would fill currency needs at the present rate for only a few months. The silver holdings could be revalued, and certificates issued against the higher value, but this would serve for only a few months more.

Following the second alternative the Board of Governors could reduce member bank reserve requirements to the statutory minima for demand deposits of 13 per cent for New York and Chicago banks, 10 per cent for reserve city banks, and 7 per cent for "country" banks and 3 per cent for time deposits. (Present levels are 20 per cent, 20 per cent, and 14 per cent respectively for demand deposits and 6 per cent for time deposits.)

The third line would make a more direct frontal attack on the declining Federal Reserve ratio. The Treasury might use the \$1.8 billion Stabilisation Fund to replenish Reserve Bank reserves. Or the Reserve Banks might resume the issue of Federal Reserve Bank notes, which were raised for emergency periods and require a reserve of only 5 per cent (the balance may be Government securities) as compared with 40 per cent for the Federal Reserve notes. Unfortunately, Federal Reserve Bank notes are currently under a cloud, since several hundred millions printed years ago were issued a few months ago in an unorthodox manner: the Reserve Banks deposited Government securities with the Treasury to provide for "retirement" of the notes at the same time they were issued, the Reserve

thus avoiding putting up any reserves or paying the tax which it must pay when such notes are outstanding. This evoked much criticism and the Senate passed a Bill, now pending in the House, to forbid the use of Reserve Bank notes.

These three broad methods are not the only ones available. There are a number even less orthodox, and in addition Congress might authorise any number of steps by statutory changes.

Furthermore, the problem may never become acute. At the time of writing the Fifth War Loan is about to open, and by converting sizeable private deposits into Government deposits requiring no reserves, it will alleviate the condition temporarily. At some time the currency expansion is likely to end and a return flow occur. And some believe it not inconceivable that this country's gold stock may increase again.

Therefore, the high degree of concern which is sometimes expressed is probably overdone. In any event, neither the Treasury nor the Reserve authorities seem perturbed by the problem. In line with the statements of the British Chancellor of the Exchequer and the Governor of the Bank of Canada, American officials have declared for a post-war cheap-money policy, which implies that they have confidence in their ability to maintain it. In a speech at Worcester, Massachusetts, on December 16, 1943, Mr Daniel W. Bell, Under-Secretary of the Treasury, declared:

Interest rates have remained stable during the wartime period, and confidence in the continuation of this stability has been and is widespread and well justified, and has caused investors to subscribe to new issues of Government securities in successive war loans without any sign of holding back in anticipation of higher rates.

Business Notes

Sanctions against Argentina

The United States Treasury has this week fired the first live shot in the economic war against Argentina. It has decreed an embargo on the export of gold to that country. The gold in question is that which is earmarked on Argentine account in the United States. Since 1941 the balance of payments between the United States and Argentina has been heavily favourable to the latter. Argentina has, therefore, accumulated large holdings of dollars. These have been converted into gold and the gold gradually transferred from the United States to Argentina. It is these exports that, until further notice, will be prohibited. There is no question of blocking the Argentine gold held in the United States. It will still be freely convertible into dollars, and the dollars in question will be available for such Argentine purchases as can be made in the United States. The embargo, in fact, brings the position of Argentine funds in the United States roughly into line with that of Argentine sterling accumulations. In the case of sterling these funds cannot be freely converted into other currencies and cannot be taken out in the form of gold, but are protected by a gold guarantee. Nevertheless, the American move is clearly one of offensive character and amounts to discrimination against Argentina. Fortunately, it is a decision which, owing to the weak position of sterling, the United Kingdom had been compelled to anticipate and which, therefore, requires no corresponding and answering gesture from our side.

Egypt's Sterling

The leader of the Egyptian delegation at the Bretton Woods Monetary Conference, Sany Sackany Bey, has stated that, after the end of the Conference, one of the members of the delegation was sent to Canada to discuss trade relations between the two countries "as one of the means for liquidating sterling balances." There can only be one interpretation of this remark. Egypt, disappointed of its hopes of getting the problem of abnormal sterling balances discussed and, perhaps, solved at Bretton Woods, is now endeavouring to get this sterling freely convertible in at least one of the "hard" currencies, namely Canadian dollars. In an earlier statement made while the Bretton Woods Conference

I think it can be fairly said of the United States, as the late Chancellor of the Exchequer, Sir Kingsley Wood, recently said of Great Britain, that "... we have revolutionised public opinion as to what are fair rates for Government war borrowing." I believe that this revolution in opinion has a sound basis in underlying economic realities, and is applicable to the coming times of peace also. I hope that the policies of the Government will be directed to this end.

In its Annual Report for 1943 the Board of Governors of the Federal Reserve System expressed the same view:

Public policy with regard to long-term interest rates should be part of a programme to achieve continuous full utilisation of the country's material and human resources. It should be formed with reference to the fact that after the war this country will be the greatest creditor nation in the world, and that in creditor countries, according to past experience, the interest rate on long-term capital is likely to be low.

Over the years a low cost of money to borrowers on long-term should tend to promote increased employment by encouraging capital outlays in both old and new enterprises. It would facilitate the task of refunding the public debt and safeguard the value of Government security holdings of the millions of individuals, educational institutions, trusts, banks, insurance companies, and other investors, who have placed tens of billions of dollars in Government bonds to help finance the war.

However, the decline in the Reserve Banks' ratio to the present level evidences a major landmark in American monetary development: war finance by this time has absorbed most of the "fat" accumulated during the latter 1930's. The almost incredible plethora of monetary reserve funds which has prevailed for several years past is no more. Conditions may change so as to re-establish great ease; if they do not, and if the heavy burden of large deficits continues for any considerable time, monetary management in this country is likely some time hence to be compelled to resort to measures heretofore used little or not at all.

was in progress, Sany Sackany Bey remarked that Egypt's sterling assets amounted to £250 million—a figure which was probably intended to indicate the present size of these balances and investments. Egypt no doubt sees difficulties in achieving an early liquidation of the abnormal part of this substantial sum, and assumes that there will be less difficulty in getting from Canada the kind of import goods she will most require after the war than if she has to wait in the queue of war creditors of the United Kingdom. The suggestion which is being made to Canada is that that country should accept as payment for exports to Egypt some of the sterling that is now lying on Egyptian account in London. The proposition is unlikely to receive a very kindly reception in Ottawa. There is no particular reason why Egypt should receive preferential treatment in solving the problem of her abnormal sterling accumulations. The initiative taken by the Egyptian authorities, however, stresses the urgency of tackling the problem of sterling debts at the earliest possible opportunity. Delay, and the apprehension it would cause with the creditors, might undermine the position of sterling as an international currency and as the basis of a great and world-wide currency group.

Uncertain Markets

It is difficult to explain the present uncertain tone of the Stock Exchange, except in equally uncertain terms of uncertainty. Since *The Financial News Index* reached its high figure of 116.9 on August 9th, there has been a reaction to 114.6, with a certain amount of "tired" selling but no really striking falling off in the volume of dealings. This movement has hardly been attributable to even a temporary shifting of market emphasis from equities to fixed interest stocks; for dullness such as this has been, has affected gilt-edged securities also. To link the movement with war developments, convincingly, is not easy. The market has still to make up its mind whether, at the present level of values, an early and complete Allied European victory would be a bull or a bear point for prices. Its reactions to extremely favourable events in Normandy suggested the latter view; yet news of the Riviera landing put quotations firmer by the close on Tuesday afternoon. There may, in fact, be some substance in other suggestions for present dullness.

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which are purely temporary and "technical" and do not, *in toto*, add up to anything like a "trend." For example, a certain amount of selling has been reported from followers of Dow Theory, which calls for action on chart conjecture without reference to broader but more problematical background considerations. The advent of fine and sunny weather in the Straits of Dover, again, has been brought in as an explanation of the decision of some market operators and representatives of large investment institutions to take an unexpected and delayed holiday and allow their reduced commitments to "simmer" meanwhile. Certainly, the higher prices which prevailed before the present modest reaction, succeeded in bringing out sizeable amounts of stock, mainly from holders who were then rather more ready than before to believe that the higher prices went, the higher they looked. But this week it has been said of jobbers generally that they would prefer to have short books now and longer ones next week—or maybe later. Altogether, it does not look as though the present movement goes very deep, or amounts to much more than the "breathing pause" which a three months' almost unbroken rise in share values would normally demand. It might mean more than that—there is admittedly a not unimportant section of market opinion which is looking suspiciously for the first well-marked sign of a change of dominant trend—but events alone can decide that question.

* * *

Civil Aviation

The political, strategic and economic problems of international civil aviation are so vast and complex in their implications that it is hardly surprising if the international negotiations preparatory to a successful world conference appear to be somewhat tortuous—and so far abortive. Hitherto, the United States has tended to be the centre of discussion; there have been talks between America and Britain, and, last month, between America and Russia. These talks have not yet even produced any general principles; they have been tentative and explanatory. All that has been established definitely is that complete internationalisation of air transport, favoured by this country, is unacceptable to the United States. Nothing is known about Russia's views on this, but much can be guessed. The approach of the three countries to the problem is inevitably governed by their geography and strategy. For example, from the British point of view, the best possible solution would be a policy of Freedom of the International Air, with the Commonwealth treated as a unit, and with a mutual sharing of Imperial cabotage rights with the French and Dutch Empires. But such an arrangement would hardly be acceptable to America, whose 48 states form one geographical entity. To the United States, Freedom of the International Air tends to mean freedom of the air over the British Commonwealth. Some of the problems of international air transport are analysed systematically, and in greater detail than hitherto, in the second report of the self-styled Independent Committee on the Future of Civil Aviation. The Committee strongly presses the British point of view; it asks for as much freedom as possible within a regime—government-controlled but privately operated—which would extend the meaning of cabotage to all territories under the same sovereignty, but, in the case of the British Empire, would not include the self-governing dominions. Above all, its chairman, Captain A. S. Lamplugh, stresses the need for good will.

We have the advantage of controlling actual or potential air bases indispensable to the development of international air lines. The United States has the advantage of an existing organisation made possible by the rapid development of air lines within its own territory, and of a wartime production which has been able to concentrate far more on the development and production of transport aircraft than any other country. Here are the obvious seeds either for rivalry and dispute, or for good will and co-operation.

There has been no lack of good will in recent negotiations; the aim should be to evolve principles of co-operation that do not place this country at a disadvantage simply because, unlike the United States and Soviet Union (or Soviet Commonwealth, as some have christened it), the British Commonwealth is not a single geographical entity.

* * *

Ministry of Production

In its seventh report of the present session, the Select Committee on National Expenditure has expressed its views

on the regional organisation of the Ministry of Production. It still believes that the Citrine Committee—its report was published in May, 1942—was right in recommending that the Ministry of Production should be a super-departmental authority to "control and supervise" the Supply departments at the centre and in the regions. If the function of the Ministry and its regional organisation has been limited to one of co-ordination, this is due, largely, to the fact that they were set up too late, that is, at a time when the Supply departments had already settled down to an independent existence. Nevertheless, even within their limits, the Ministry of Production and the regional boards were essential to the smooth working of war production. In the Committee's view:

The conception of a Ministry of Production meets a recognised need, in that such a Ministry is able, together with the Ministry of Labour, to take a bird's eye view of the whole productive capacity of the country. Decentralisation to the regions and districts is essential for the day-to-day work of production, and the influence which these two Ministries can exert affords some guarantee that the competing claims of the various supply departments do come under impartial review at a reasonably low level. . . . It is gratifying to report that there is now a readiness to utilise the services of the Ministry of Production in composing differences which arise from the competing claims of the three Supply departments. . . . As co-ordinating bodies under full-time chairmen the regional boards have built up a position of value to the supply departments and to the Ministry of Labour.

The Capacity Office Organisation, designed to ensure a more even distribution of work by bringing together firms overloaded with contracts and firms with idle capacity, has "not fulfilled the high hopes that were originally entertained." Although the capacity offices have worked a standard system for recording capacity and load, the use made of them has on the whole been "disappointing." Since nearly all the larger firms have for years had their own organisation for finding capacity for sub-contracts, the new machinery could never have dealt with anything but the fringe of sub-contracting capacity. In sum, like all agencies superimposed upon an existing regime, the Ministry of Production, at the centre and in the regions, has been able to do no more than smooth down rough edges and offer guidance; but within these limits it has performed a vital function.

* * *

Post-War Functions

Although essentially a device for ensuring the smooth flow of war production and the fullest possible use of resources, the question is inevitably being asked whether the regional machinery of the Ministry of Production can perform any useful function in peace. On a first view there would seem to be little to do for such an organisation after the period of transition when the Government's place as the chief purchaser of supplies will be taken by private traders. But, if the Government is to be successful in ensuring the maintenance of "a high and stable level of employment," it will require the fullest possible information about the trend of employment, of orders, stocks and production in the various industries and regions. It will still require a bird's-eye view of production capacity as a whole and it will still need "eyes and ears" in the regions. The regional boards have acquired a wealth of knowledge of local conditions and their capacity offices have evolved an efficient system of recording capacity and load; in other words, they might well be transformed into the regional intelligence centres that will be essential after the war.

* * *

Shipping Share Deals

The revival of interest in shipping equities on official news of a bid for the shares of the Lancashire Shipping Company, at a price equivalent to 113s. 4½d. per £1 unit, by an unnamed purchaser, is the latest incident in the "break-up values" campaign in this rather untypical market. Obviously, however misleading a measuring rod the net worth of balance-sheet assets may be for the shares of going concerns, the case is altered when "break-up" becomes an urgent practical proposition, not for a company but for the individual shareholders who own it—particularly when the industry, like shipping, is one in which the whole trend of war conditions has been towards greatly increased liquidity, while it has hindered the ability to estimate probable future earning power. The suggestion

behind the Lancashire Shipping offer, and many others, actual and potential, is that the special parties who offer particular terms have their own means of gauging future possibilities, which shareholders do not possess, with the rider that, when it comes to naming figures, a £5 note in the till should be worth at least £5 in cash (if not more) when, in fact, the till holds an unusually large number of such notes. In the Lancashire Shipping case, an earlier offer of 100s. was turned down, and the present figure represents a definitely higher value than the break-up price of the stock. The buyers, in short, are willing to pay more for "prospects" than others, such as Lamport and Holt a few weeks ago. But both, clearly, may be right—everything depends on factors peculiar to each case. The truth is that, of all kinds of share dealings, activity in the market for "shipping offers" is the most chancy. To deduce from first principles which companies will catch the favourable eye of intending purchasers (and more than one powerful group is seeking opportunities to bid) is a very different proposition from diagnosing the future of an industry. In the last resort, a market where these conditions rule must be the worst of all markets for rational investment, since "inside information" is its ruling force. Movements like the renewed spurt in Anchor Line shares at the end of last week, and the noteworthy though less extensive rise in Dene Shipping, emphasise the point. Where "someone knows," or at least can persuade others that he does, the scope for interested buying or external manipulation is at a maximum. The only preventive is the utmost frankness of directorial disclosure, even in general terms, when negotiations become reasonably firm, and not when the ink is dry on the complete agreement.

* * *

Aircraft Manufacturing Uncertainties

Aircraft manufacturing is still regarded as one of the most speculative of post-war investments. This is illustrated by the *Actuaries Investment Index* for end-July which gives a yield on aircraft shares of 7.84 per cent, compared with an average yield for all classes of industrials of 4.08 per cent. The industry is handicapped by the fact that it needs to make its plans for a considerable period ahead but can obtain little insight into post-war conditions and demand, factors closely bound up with Government policy which remains as yet largely unstated. Bitter memories of the last post-war era cloud the hopes of producers and damp the spirits of investors. Some of the difficulties with which the Bristol Aeroplane Company is now faced are outlined in the statement by its chairman, Mr Verdon Smith, which accompanies the accounts for 1943. On the accounting side, it is claimed that the slowness and complexity of Government progress payments makes them inadequate for the task of financing production, which required last year a still higher average of borrowings from the company's bankers, and retards for many months any accurate computation of annual sales; above all, Government methods create an institutional atmosphere, which is

infectious to many who come in touch with it, and detrimental to efficient management.

More important than these difficulties is the need put forward for the Government to decide its post-war policy, especially as regards exports and air transport. It is pointed out that four or five years are needed to bring a new aircraft or engine from the initial design to the stage of production, and that technical progress advances so rapidly as to require a well-conceived programme in the technical, production, sales, and financial branches for a number of years ahead. Mr Verdon Smith's plea for enough stability to make post-war planning possible deserves the Government's sympathetic consideration. But the Government, in its turn, is faced with uncertainties—as to what scale of military production will be desirable after the war, for instance. This makes it all the more necessary that those policies which can be formulated should be, notably one for civil aviation.

* * *

A Problem in Reconversion

Inevitably, the transition from war to peace production after the defeat of Germany will have to be a gradual process. It will have to be gradual, not only because the war in the Pacific will continue to make demands on British industry, but also for purely technical reasons. The process of reconversion is generally envisaged as one whereby

peace production gradually displaces war production in individual factories. In many industries, such as textiles, there is no difficulty in effecting a smooth change-over. But in some, organised on mass-production lines, awkward problems may arise. For example, the big motor manufacturing concerns operating a flow system of production may find it difficult to resume and progressively to increase the output of cars in proportion to the decrease in war orders in individual plants. They will have to do one thing or another; but they cannot efficiently do both. If this is the technical position, the best solution, in theory, would be to maintain some plants on war production and to release others completely for the manufacture of cars. In the United States, where the big motor companies own a number of plants, this solution presents no difficulties. But in this country it would involve a choice, not between the plants of a single concern, but between the single plants of different companies. If the choice presents itself in this form, the companies whose plant is released would obviously have the advantage of a start over those which have to continue on war production. Is the Government to make the choice? Or, what is more likely, will it seek the industry's advice in this matter? And, if so, what decision will the latter make? Will it decide by ballot or seek a solution in some pooling device? The problem of reconversion, clearly, needs careful examination if friction and muddle are to be avoided. The scaling-down of war orders needs examination, not merely in the British context, but, like the dove-tailing of war production through the Combined Production and Resources Board, in the Anglo-American context.

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Trade and Bombing

The retail trade report for June, published in the *Board of Trade Journal* of August 12th, shows that the flying bombs had an immediate effect on trade, particularly in central and suburban London. The target area in the South of England region is obviously too small to have influenced the figures, except, appropriately, in the sports and travel goods section. In this section, the South of England and suburban London areas show a large increase—in the former turnover was 47.9 per cent, in the latter 40.7 per cent, above that of June last year. As was expected from earlier bombing experience, central London and the West End lost most: the fall here in non-food sales, compared with June, 1943, was 17 per cent. Trade for the country as a whole was maintained, and the index of the average value of daily sales (1942 = 100) of non-food merchandise was 86, compared with 84 in June, 1943. Sales of food and perishables were higher than the year before in all districts, and an interesting side-light on evacuation is the rise of 16.6 per cent in cafe and restaurant turnover in the London suburbs. (The breakdown of the food and perishables section in the statistics into (a) grocery, provisions, bakery; (b) perishables, sweets, tobacco; and (c) cafe and restaurant, is a new departure in the report.) Reports for July and August will probably show greater falls in turnover in London than the present one. Evacuation increased its pace in July, and, in addition, there has been much holiday travel. West End stores may have had some success with their July "offers"—they were not called sales—which were probably meant to attract coupons as much as money.

* * *

"True and Correct"

Mr F. R. M. de Paula has squarely thrown down the gage against the entire basis of present accounting theory in his evidence, now published, before the Company Law Amendment Committee on May 19th. What is "a true and correct" view of a company's position? Accounting practice, making prudence a major virtue, replies that a document which habitually and uniformly under-estimates assets and over-estimates liabilities answers that description. A "true and correct" view, in fact, is described as one which designedly shows the position to be worse than it really is. Mr de Paula contends that accounts based on under-statement, whose extent is quite unascertainable by outside observers, tend to induce a lack of confidence among the investing public, or even a dangerous tendency to exaggerate the under-statement—in other words, to produce the very result which the compilers of the accounts

are anxious to avoid. The basic principle, he declares, should be that the accounts of companies should be designed to give a full, true and complete view, in broad outline, of the financial position and the true earnings for each accounting period. Expediency, mathematics and logic all appear to be on Mr de Paula's side. In no art or science based on numbers (except in accounting) is an estimate with a margin of error accepted as being "true and correct" only when it is *minus* of its probable mean point. The mathematician's ideal balance-sheet would show each figure with its zone of probable error—plus and minus so much per cent. But that is likely to remain an ideal for a long time to come, and meanwhile Mr de Paula's suggestion that the compilers should strive to reach, and publish, the nearest estimate they can of the true mean position, has everything but long-standing habit and prejudice to commend it. Certainly, as Mr de Paula points out, that would not prevent companies from building up all the reserves deemed necessary for the development and maintenance of their undertakings. Boards need neither do good by stealth nor blush to find it fame—nor, in Mr de Paula's view, need they fear that disclosure will have ill effects, from their companies' viewpoint, on shareholders, workers, or outside competitors. When the argument shifts to the latter ground, the case for accurate disclosure is even more self-evident.

Under-statement for prudence' sake is one thing, but obscurantism, meant to throw dust in outside eyes, is quite another. The suggestion that the creation of secret reserves is an inevitable instrument in the general process of providing for changes in the real as distinct from the money value of a company's assets and arriving at the net real value of earnings rather than cash income, will hardly stand up to close examination. In fact, so far as it is the acknowledged function of accountancy to provide for the effect of changes in general price levels (itself a matter of keen controversy among accountants), the appropriate media are open and disclosed allocations to specified "provisions" and "reserves," not covert jugglery with asset and liability values. In short, auditors might well decide that "correct" means—well, simply correct, and leave directors to justify, to shareholders and public opinion generally, their own view of what prudence subsequently demands by way of withheld profits and accumulated reserves.

Suburban and Provincial Second Thoughts

There will be general satisfaction that the directors of Suburban and Provincial Stores have decided to modify their proposals for reorganising the ordinary share capital, to meet criticisms expressed by shareholders and the press, and will submit an amended scheme in the early autumn. The original proposals, which were discussed in *The Economist* on July 29th, quite apart from their own merits or demerits in relation to the company's affairs, would, if carried through, have left on record at least two precedents which to many observers seemed to go right to the heart of shareholders' rights in general. They would have resulted in the complete extinction of the existing ordinary shareholders' equity in a going concern which, actually, was still earning profits at a rate showing available earnings on the shares to be dedicated to the headsman. And this would have been the first stage in obtaining from shareholders the equivalent of a fresh call, in cash, on a fully-paid share. The directors quite frankly made it clear that their original circular was of the nature of a *ballon d'essai*, and they are undoubtedly to be congratulated on their dual decision to bow to the weight of outside shareholders' opinion—though their own group held the great majority of the total shares affected—and to recognise, in the wording of their latest announcement, that the power of the press extends even into company matters which some other boards of directors, at different times, have tried to treat as family matters between themselves and their own shareholders. Both the judges in the case—shareholders and press (on behalf of the public)—will now want to know how far the revised terms are based on what was the fallacy of the previous scheme—that share rights have no value unless they are backed by tangible balance-sheet assets whatever their actual or potential earning power.

Oil Companies Results

The reports for 1943 and their accompanying statements, now issued, of two important oil companies, the Anglo-Egyptian Oilfields and the United British Oilfields of Trinidad, give little insight into either their current operations, which cannot be discussed for security reasons, or their future prospects, over which a veil is drawn. The immediate preoccupation of these companies is with taxation, although the actual amounts paid under this head are no longer revealed. EPT relief in respect of wasting assets has been granted to both companies, but it is made clear that the sums thus now made available—£215,000 for United British of Trinidad and a still undetermined amount in the case of Anglo-Egyptian—will be fully needed for the work of restoring oil reserves. United British of Trinidad announces as well the freeing of a further £85,000, representing past over-provision for EPT, but this is more than swallowed up in the creation of a special reserve of £100,000 for overdue repairs. It is clear that the heavy wartime demands are eating up plant and reserves at a considerable rate, and that rehabilitation will be costly. Despite these increased provisions for the future, the net profit of United British of Trinidad shows a rise of £24,000 to £142,662, thus enabling the ordinary dividend to be raised from 7½ per cent to 8½ per cent. Anglo-Egyptian, on the other hand, shows a fall in net profit of £28,000 to £137,820, and maintains its "B" share dividend at 12½ per cent; but it is pointed out that the fluctuations in its profits over the last three years are largely the result of difficulties over tax computation. Taxation ambiguities, in fact, make it still harder to gain a true picture of the real state of the two companies' fortunes. The proved oil reserves of both Trinidad and Egypt are high in relation to these countries' pre-war production, although there has clearly been a considerable stepping-up of output since the war. They form an important part of the oil-producing areas in the British orbit, and their future will be vitally affected by the advice proffered by the proposed International Petroleum Commission, and, still more, by any multilateral agreement which follows the Anglo-American interim oil agreement.

Municipal Loans Conversions

The proposed machinery for canalising municipal borrowing through a bigger and better Local Loans Fund may get into its stride sufficiently quickly to help deal with a considerable volume of municipal loans conversions falling due next year. Under the wartime arrangement such conversion operations, having been approved by the Capital Issues Committee, are underwritten by the Treasury. The holders of the existing stock are given an offer to convert into a new stock and the Treasury undertakes to provide any cash required to meet the claims of non-converting

	Present Rate %	Amount Outstanding £	Maturity Date
Hull	4½	1,000,000	Feb. 1, 1945
Rotherham	4½	248,285	Feb. 1, 1945
St. Helens	4½	400,000	Mar. 2, 1945
Leicester	4½	1,500,000	Jan. 1, 1945
Newcastle	4½	858,940	Jan. 1, 1945
Plymouth	4½	824,000	April 1, 1945

holders. The accompanying table shows some of the municipal loans whose conversion or repayment have already been notified. This cash is made available out of the Local Loans Fund. Thus, by screwing up the terms of conversion sufficiently close to the prevailing gilt-edged yield and depriving holders of maturing municipal stocks of the small margin of yield they have in the past enjoyed over and above the gilt-edged yield, it may be possible for the authorities to transfer a considerable proportion of the maturing loans to the Local Loans Fund.

Clearing Bank Statements

The clearing bank returns for July reveal a further increase in bank credit, the underlying trend towards expansion being more than sufficient to take up the seasonal contraction that normally occurs after the June 30th balance-sheet figures. Part of that contraction is evident in the fall of cheques in course of collection and transit items from £179,415,000 to £133,423,000. Despite the seasonal fall in

this item and the consequent reduction in the duplication of deposits, these have risen between June and July from £4,100,189,000 to £4,121,383,000. The last figure is a new high record. The main stimulus to this latest expansion of bank credit has been provided by the banks' increased holdings of Treasury Deposit Receipts which have risen from £1,245,500,000 to £1,310,000,000. The increase in the weekly issue of Treasury bills by tender is reflected in the clearing bank statements which show bills discounted at £212,909,000, which is about £10,000,000 higher than the total for the end of June though still £31,000,000 less than it was in July, 1943. Since the outstanding amount of Treasury bills issued through the tender has risen during the past twelve months from £1,170,000,000 to £1,430,000,000, the accompanying decline in the clearing banks' holding of bills is an indication of the increased investment of overseas funds in this type of security. The other bank asset to show an appreciable increase during July in investments, the total of which has risen by £6,000,000 to the new record level of £1,175,170,000. Thus all three items recording direct bank lending to the Government show some expansion and their movements dominate the picture of bank credit changes during last month. By contrast, loans and advances show a substantial drop, from £770,280,000 to £755,036,000. This movement brings further confirmation of the theory that the previous recovery in this item had been largely due to tax loans made in the first quarter of the year.

Rubber Discussions

The negotiations on rubber, held in London from August 1st to August 9th, between representatives of the United States, the United Kingdom and Holland have reached "a large measure of agreement on the broad outlines of the position, and on the nature of the problems that lie ahead." A first programme of studies has been prepared following a comprehensive survey of the rubber position covering both natural and synthetic rubber; arrangements for carrying out these studies are now being made. More could hardly have been expected now. The international rubber position has been thoroughly dislocated through the temporary loss of some 90 per cent of the crude rubber production to Japan, and the development on a very large scale of synthetic rubber production in the United States. The long-term economic problems caused by these developments—these were discussed in *The Economist* of July 1st and July 8th—will not arise until some time after the war. At this stage neither the exact position of the Eastern plantations after their liberation, nor the economic and technical potentialities of synthetic rubber—this is being continuously strengthened through increased experience both in production and application—can be foreseen with any degree of accuracy. Definite arrangements for the future production and marketing of the two types of product will thus have to wait; all that can usefully be done at this stage is to discuss general principles, and to organise economic and technical studies as a basis of future policy. Within these limits the preliminary discussions have been successful, and the fact that the negotiations are to be continued soon gives reason for the hope that eventually close co-operation between the producing areas of both crude and synthetic rubber will be established. As the United States is the predominant producing country of synthetic rubber, and it is at the same time the largest consumer of crude rubber, it should be possible ultimately to adopt a policy that will benefit both producers and consumers.

Australian Interest Cuts

Australian trading banks have recently been called upon to reduce the interest rates applying both to their advances and deposits. These reductions, made under the National Security Regulations, have brought interest rates in Australia to their lowest recorded levels. The charge for bank overdrafts and life insurance policy loans has been reduced from 5 to 4½ per cent. Interest on fixed deposits with the trading banks has been reduced to ½ per cent for three months deposits, ¾ per cent for six months, 1½ per cent for a year and 1¾ per cent for two years. The rate on Savings banks deposits from £501 to £1,000 has been reduced from 1½ to 1¼ per cent. These cuts have been decreed in order to encourage the flow of savings to Government war loans. The proportion of subscribers to population in the case of Commonwealth war loans has

been considerably lower than in Canada and New Zealand, and though the amounts offered have been subscribed in full without recourse to the Commonwealth Bank, the proportion provided by the trading banks has been unusually large. The banks, for their part, are not unduly enamoured of the fixed deposit account system which has long flourished in Australia, but which, in the past, has at times been the source of financial instability. Although the reductions in deposit account allowances were decreed by the Commonwealth Government, it can be assumed that the move is wholly in keeping with the banks' wishes. The lower rates that now apply to deposits fixed for more than six months place this form of investment wholly out of the range of competition with Government bonds. The cuts are, therefore, expected to divert considerable amounts to the Commonwealth Loan.

Shorter Notes

The Canadian Pacific Railway Company has decided to pass its interim dividend on the ordinary capital. Last year, no interim was paid but a final dividend for 1943 of 2 per cent, the first payment on equity for twelve years, was declared this March. The accounts for 1943 showed record earnings of \$297 million odd and, although costs in wages and supplies were shown to have increased considerably, they were fully offset by the rise in earnings per train mile. Earned for ordinary was more than 11 per cent. Going on the 1943 results, the market had expected better things of the CPR, and the disappointment which followed the announcement set the shares back ¾ to 1½. The non-payment of an interim dividend is explained by the company as being due to the "onerous expense liability" incurred by the award made by the National War Labour Board in favour of the railway workers who have been pressing for an increase of wages to US standard, although it is added that the final issue of this award is still unsettled. Onerous as this new burden may be, it should be remembered that the Canadian Pacific need little encouragement to adopt a cautious policy.

Whisky distillation is to be resumed over the coming twelve months, but it is pointed out by the Minister of Food that it must be limited by the availability of supplies. The announcement, which was made in the House of Commons on August 3rd, is nonetheless welcomed by distillers, who have been afraid that because of the length of time needed to produce whisky, they would have little or none to sell in the post-war period. Whisky normally enjoys an important export market, and the case for an early relaxation of restrictions has now been recognised; it is to be hoped that similar decisions will be made where possible in other trades where time is an important factor in production.

Company Result

Richardsons, Westgarth (Engineers)

	1942	1943	Years to March 31, 1944
	£	£	£
Trading profit after taxation and deferred repairs	96,499	108,369	118,009
Total profits after taxation and deferred repairs	106,300	116,588	122,481
Debt interest	25,252	24,419	6,938
Debt sinking fund	12,089	12,816	...
Depreciation	31,347	32,732	46,586
Fees	2,210	2,210	2,425
Bank interest	...	...	3,136
Ordinary shares:—			
Paid	35,402	44,411	63,396
Earned	24,513	35,387	38,926
Paid %	11.6	10.4	13.0
Paid %	8	8	8
General reserve	...	100,000	...
Carry forward	125,439	34,463	58,933
Net fixed assets	791,228	823,716	878,204
Net inter-company items	48,635	79,154	66,266
Net liquid assets	445,463	391,792	385,361
Gross liquid assets	1,244,662	1,352,182	1,343,914
Issued ordinary capital	612,812	884,680	1,061,616
† After deducting provision for deferred repairs.			

The 5/- ordinary shares, standing at 6s. 10½d., ex dividend, yield £5 16s. 4d. per cent.

PARKER'S BURSLEM BREWERY, LTD.

DIVIDEND MAINTAINED

CAPTAIN G. W. DOBSON ON POST-WAR PROBLEMS

The 56th ordinary general meeting of Parker's Burslem Brewery, Limited, was held, on the 10th instant, at the George Hotel, Burslem, Captain G. W. Dobson, O.B.E. (chairman and managing director), presiding.

The chairman said: Before moving the resolution you will wish me to give you some account of the past year's trading, and I shall be glad to answer any questions you may like to put.

In common with other brewery companies we have, during the whole year, been unable to meet the demand either for draught beer, bottled beer or spirits, although we have been working to the maximum capacity of the brewery. This condition of affairs may appear satisfactory from a financial point of view, but there are grave drawbacks to it. In the first place, as I told you last year, a strict system of rationing has had to be imposed on all our customers, who consequently find themselves unable to keep their premises open to the public during the statutory licensing hours. The danger of this situation is obvious, since we may be told that the already short hours are unnecessarily long and a further curtailment may be imposed after the war.

I am glad to say that in most cases our tenants and managers have done their best to meet these difficulties, and I take this opportunity of expressing my thanks for their willing co-operation. Customers of public houses are liable to get annoyed if they find their "pub" continually closed at their usual calling-time, and either discontinue calling altogether or go elsewhere. We all know that habit is a difficult thing to break, but once broken is seldom taken up again. In the second place, we are putting a severe strain on our plant and also on our employees; you can keep a man or a machine running at top gear for a certain time only without doing serious damage, and we have managed to keep going at full steam for the whole five years of the war—not a bad record—but without adequate replacements in men and material, neither of which we can obtain at the present time, the machine must slow down.

INCREASED DUTY

In the Budget in April a further rise of 1d. per degree of gravity was imposed; this was too little to pass on to the public, and the brewer has to stand the increase. I understand that this was done in order that the controlled price of barley should be reduced to bring it nearer to that of wheat. Whilst I am in favour of giving agriculture every possible help, I must say that I regard this innovation in taxation with great suspicion; I cannot help thinking that it opens up a new and indirect method of taxing the brewer, who seems to be always the main target for any Chancellor of the Exchequer. I must again reiterate, what I have said in the last two or three years, that the price of beer is too high. A pint of pre-war 5d. beer is now 11d. and is, incidentally, weaker. In 1939 the duty on this quality beer was £2; it is now over £8. As soon as the war is over, I consider that we must press as a most urgent matter for the beer duty to be reduced so that we shall be in a position to give the public a better and cheaper glass of beer.

I am glad to report that both our draught and bottled beers have retained the high standard which we set ourselves and have, I think, gained in popularity. We receive many queries as to why we cannot give our customers more of our 1s. bitter, and the answer is simply that owing to the restriction of average gravity of all the beer

brewed at Parker's, only a comparatively small percentage can be brewed at the higher strength. Other breweries, who had a higher average in the pre-war period and who have a variety of districts to serve, are in a better position than ourselves.

THE YEAR'S RESULTS

If you will now turn to your copy of the accounts, you will see that the trading account shows some £55,000 increase, whilst the net profit, before taxation, also shows the same increase; in other words, the extra trading profit is net, which I think is extremely satisfactory and gratifying. The general expenses and repairs are slightly up—due to increases in wages and cost of materials—but are offset by a reduction in the charge for War Risks and War Damage Insurance and premiums. The provision for tax is some £42,000 more, which leaves us an extra £13,000 net profit, due to the fact that our Excess Profits Standard is operating, as I explained last year, more favourably, and we have been able to pass to the future taxation reserve the amount of £30,000 now released from previous years' E.P.T. reserves, bringing this reserve—as you will notice from the balance-sheet—to a figure of £60,000. This, we are advised, is sufficient to cover income-tax up to the end of the fiscal year ending April 5, 1945.

IMPROVED LIQUID POSITION

As regards the balance-sheet, on the assets side you will notice that we have improved our liquid position still further, our investments and cash totalling £437,000. Freehold and leasehold properties are up some £12,000 more, due to purchases of freehold public houses, and I think the figure is fairly conservative. On the liabilities side, the figure for sundry creditors and provision for taxation is again very large, but the increase is partly due to higher beer duty and provision for deferred maintenance. I have already explained the reserve for future taxation, and you will see from the report that the balance of net profit is £71,716 against £58,000 odd last year, which, with the £42,656 brought in from last year, makes a total of £114,372. This year we are asking you to put £20,000 to the rebuilding reserve. We shall—I hope and expect—have very large commitments on this fund as soon as building restrictions are raised, and we must have adequate resources to meet them.

After paying the preference dividends and making provision to the sinking fund for the 4 per cent. "A" debenture stock, we propose maintaining the dividend on the ordinary stock at the usual 14 per cent., and also paying a bonus of 4 per cent., an increase of 1½ per cent. over last year, which will leave us an increase of £5,000 odd to carry forward. It is always pleasant for your directors to recommend a bit more to the stockholders, knowing that they will be pleased to agree and possibly—like Oliver Twist—even ask for more; but the time may come when we may have to do the reverse, and then kicks will be, I expect, more the order of the day, but let us hope that "we can all meet triumph and disaster and treat those two impostors just the same."

THE PROBLEMS OF PEACE

A few words as to the future. So far this year the conditions of trade are the same, but he would be a bold man to prophesy from one day to another what is likely to happen, and I therefore confine myself to hoping that the war will soon be over and we can settle down to the

problems of peace. These will not be easy or plain-sailing, and your directors have before them many far-reaching projects, some of which we hope we may be able to implement as soon as restrictions are removed on building, etc. In this connection you may have recently read in the local Press of a proposal of ours to erect a licensed house in the Clayton district of Newcastle. The proposal seems to have aroused fierce opposition from a certain section; whilst I respect those who hold definite opinions on the drink question, providing that they are honestly held, surely everyone should look at these matters with a broad mind, and not with any bigoted or biased opinion. I would like those who write so strongly to study the Report of the Committee on War Damaged Licensed Premises, presided over by Mr. Morris, K.C., presented to the Home Secretary. I venture to quote *in extenso* paragraph 65 of this Report:

"In regard to the policy sometimes adopted of banning public houses on housing estates, some of the evidence we have received shows that the policy may be unsatisfactory not only for the residents but also in relation to redistribution generally. For example, licensed houses have been banned on housing estates of various sizes containing up to 20,000 people or more. In some cases this has led to the licensing of premises on the perimeter of the estate, or has caused inconvenience and unnecessary expense to residents who desired the amenities of the public house. Witnesses have suggested to us that unfortunate consequences may be the result of having too few public houses as well as of having too many, and it must be recognised that an insufficiency of public houses leads to the growth of uncontrolled and undesirable methods of supply. Thus social dangers may arise from maldistribution of licensed houses, whether this takes the form of having too many or of having too few, and both forms of maldistribution are bad by standards of good planning for the community."

A SANE AND IMPARTIAL REPORT

The whole Report is eminently sane and impartial, and worthy of careful study, particularly those paragraphs devoted to the type of houses recommended in the future. But the attack on the trade will not be confined to those organisations with which we are familiar. Successful brewery companies are always eyed with jealousy, and we are given to understand that in the new social order propounded by the Home Secretary we are to have a corporate State directed by bureaucrats armed with five years' experience of war trading; Parliament will have little or no say except to direct, and the local business of Government is to be delegated to those unknown petty tyrants who, presumably, will wish to control everyone and everything. Surely a pernicious form of Totalitarianism.

TRIBUTE TO STAFF AND EMPLOYEES

Before concluding, I would like, on behalf of my colleagues and myself, to say how much we are all indebted to our overworked and long-suffering staff and employees. I have already said that we cannot expect to make "every post a winning post" for five years, and many of them are feeling the strain; even so old a warrior as Mr. Heard was off duty recently for the first time in 25 years. When the history of the brewing trade during the war is fairly considered, the operative brewers will be found to have done a great job of work, and to have produced a sound article under conditions which, before the war, would have been considered unreasonable.

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

The retiring director, Mr. James Cadman, DSC, DL, JP, was re-elected, and the auditors, Messrs Price, Waterhouse and Co., having been reappointed, the proceedings terminated with a vote of thanks to the Chairman.

BOOTS PURE DRUG COMPANY, LIMITED

LORD TRENT'S SPEECH

The fifty-sixth annual general meeting of Boots Pure Drug Company, Limited, was held on Thursday the 17th instant at Beeston, Nottingham. The Rt. Hon. Lord Trent, chairman, presided, and said in the course of his speech:—

It is with real sorrow and with a deep sense of personal loss to many of us that I have to report the death during the year of Dr. Pyman, under whom the research side of our business had made great strides during the past fifteen years. To his widow and family we offer our deepest sympathy. The directors have appointed Mr. E. R. Walker to fill the vacancy on the board, and he will come up for re-election at this meeting.

ACCOUNTS

This year we have made a number of alterations in the presentation of our accounts, which we hope will give a clearer picture of the firm to our shareholders. The main differences are:

(a) Provision for the full liability for Income Tax Schedule "D" on the profits of the year, is shown clearly in the profit and loss account.

(b) The income tax deducted from the dividends paid is now allowed for in the appropriation account instead of the profit and loss account. The effect of this alteration is to show the dividends paid at the net amount received by the shareholders, instead of the gross amount of the dividends as in previous years.

In addition we have added a combined statement of assets and liabilities of the retail subsidiary companies.

During the year we have increased substantially the liquid reserves of the company. Though we have as far as possible kept our plant up to date, it has been worked very hard during the past five years. In addition there is a great accumulation of deferred repairs and renewals of damaged shops and premises. These arrears will have to be caught up at the earliest moment merely to bring us back to the position which we held before the war, and naturally we wish to improve upon that. All this will make great demands upon our resources apart from new laboratories which are urgently necessary.

STAFF

During the past year over 1,000 additional members of our staff have joined the forces, which brings the total serving to over 7,000.

I regret to say that since the beginning of the war 123 members of the staff have been reported either killed or missing. In addition, 18 civilians have been killed by enemy action; to their relatives we offer our sincere sympathy.

One hundred of the staff are prisoners of war, and 33 have received decorations.

The staff have worked splendidly, often under very trying conditions, and on your behalf as well as our own I offer them our grateful thanks.

Our scheme of allowances to the permanent members of the staff in the forces has been revised to benefit particularly the lower paid worker.

YEAR'S ACTIVITIES

The year has been an exceedingly busy one for all sections of the business and many records have been broken, the number of prescriptions dispensed, and sales both retail and export all have reached new high levels.

Shareholders will be interested to know that during the years 1930-1940 the company spent on development of the business over £6,000,000, of which £3,820,000 was from profits. This was used not only for erecting new plant and factories and warehouses, but also for building and equipping large numbers of new shops. I would like to quote a paragraph from my speech in 1934. "As an instance of what has been

done, I may quote the action of our own company, which in the period since 1930—that is, during the depth of the depression—has spent £2,147,972 on properties, fixtures and plant. This has meant that large numbers of people have been given employment by the firm quite apart from our own 17,788 employees, an achievement only possible because we had the funds available and because the directors had sufficient faith both in the firm and in the country to put the work in hand in bad times."

It is sometimes stated that the multiple shops are driving the individual shopkeeper out of business. That this is not so in the chemist's business is shown by the fact that during the twenty years between the wars, the number of chemist's shops in this country increased by 5,000 or 50 per cent. according to the most reliable figures available. Obviously what has happened in this case is that more business has been created and the private chemists have been quick to profit by any lessons they have been able to learn from us. I have no hesitation in saying that largely thanks to our example the public were getting a much better and more complete chemist's service at a lower cost in 1939 than they were in 1919.

At the same time we recognise the vital importance of maintaining the highest possible level of employment, and know from experience that we shall get our full share of any increase in the general trade of the country. That is the principle to which we have always adhered, rather than attempting to establish any kind of monopoly.

RESEARCH

We are alive to the ever pressing need of research (in all branches of our organisation) and to this end we have added considerably to the personnel of our research staffs, especially in the chemical, bacteriological, and pharmacological laboratories.

In our post-war programme we have made provision for extensive developments so that we may continue to expand our research, particularly on problems connected with human and veterinary therapy, and in agricultural fields generally.

With reference to our recently recommended dividend, knowing that many of our shareholders have been hit hard by the war, that the bulk of the shares are held in small amounts, and bearing in mind the fact that the staff have had substantial increases during the war, and that we are paying nearly £200,000 a year in allowances to those in the services, we feel it is only right now to restore our dividend to approximately the same amount as it was before we suffered so heavily in the blitz.

In my speech at the annual general meeting in 1939 I drew attention to the anomalous position of those directors who were under the necessity of foregoing their pension rights when they joined the board, owing to our original decision that directors should not participate in the pensions scheme. The directors recommended the addition of a new article of association to deal with pension and superannuation funds and cognate matters, and a resolution to this effect will be moved at the extraordinary general meeting which has been called to follow this meeting.

CONFIDENCE IN THE FUTURE

There is, obviously, little that I can say about the prospects of the company at the present time when so much is in the melting pot. From its very inception our firm has been built upon enterprise that was only interrupted by the restrictions imposed upon us in wartime. We are aware that some of the controls with which we are burdened to-day must continue after hostilities have ceased in Europe, but if those are progressively removed at the earliest possible moment I have every confidence in the company's powers of rapid recuperation and expansion.

The report and accounts were adopted.

RICHARD THOMAS AND COMPANY, LIMITED

INCREASED NET PROFIT

The ninety-fifth ordinary general meeting of Richard Thomas and Company, Limited, will be held, on the 30th instant, in London.

The following is an extract from the statement by the chairman (Mr. E. H. Lever) circulated with the report and accounts:—

The net profit for the year, after allowing for payments under the War Damage Act, has increased from £632,439 to £740,123. Part of this increase is due to the varying incidence of taxation, and is, therefore, fortuitous, but part of it, such as the advantage resulting from increased wear and tear allowances may be expected to continue so long as the company earns profits above its EPT standard.

In view of the entirely artificial conditions now prevailing it would not be proper to base any long-term forecast upon the figures of current earnings. After careful review, however, of the contributory factors to the increase in the current year's profit, and being fully satisfied as to the inherent earning power of your company, your directors have decided this year to recommend a dividend of 12½ per cent. (less income-tax).

REDUNDANCY AND MODERNISATION

In collaboration with the rest of the tinplate industry, we have throughout the year been seeking to solve the allied problems of redundancy and reconstruction. Redundant capacity has existed in this trade for a long time, and repeated efforts have been made to formulate a plan for its elimination. Such a plan was evolved during the year, was unanimously approved by the industry in November last, and was submitted to the Board of Trade for approval. Up to the time of the preparation of this statement approval had not been given, but discussions were still in progress.

The tinplate industry has not, however, allowed the delay in the formulation and approval of a redundancy scheme to hold up the evolution of its plans for reconstruction, although naturally these plans have been framed on the assumption that the redundancy scheme would eventually be approved. As I informed you last year, our policy in this respect was to endeavour to solve the problem on a co-operative basis, and as a practical step in this direction a company was registered in February last called "Tinplate Processes, Limited," of which most of the leading firms in the trade, including Richard Thomas, are members, and which represents approximately 75 per cent. of the industry.

GENERAL AND PERSONAL

It is, perhaps, too little appreciated how important a part your company plays in the economic structure of the country. Not only does it give regular employment to some 25,000 to 30,000 people, but its ownership is also widespread, there being at least 30,000 preference and ordinary shareholders, with an average shareholding of well under £300. Out of gross manufacturing and trading receipts of £26,000,000 some £15,000,000 was absorbed in paying for raw materials, materials for plant maintenance and sundry expenses other than remuneration to employees, while a further £926,000 was accounted for by depreciation and obsolescence. Of the balance of approximately £10,000,000 about £7,100,000 was spent in wages, salaries and other forms of remuneration to employees and £1,760,000 will go directly to the Government in payment of taxes. Debenture interest accounted for £450,000, tax on which is borne by the recipients, and £740,000 was left for the benefit of the shareholders, of which £460,000 is being paid in preference and ordinary dividends.

MARIEVALE CONSOLIDATED MINES, LIMITED

NATIVE LABOUR SHORTAGE

The ninth ordinary general meeting of Marievale Consolidated Mines, Limited, was held at Johannesburg, on May 10, 1944.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: Owing to a shortage of native labour production fell slightly below the rate of the previous year, but working costs were reduced so that the working profit was fully maintained.

The ore treated showed a decrease of 15,000 tons to 582,000 tons, and the yield per ton milled was virtually unchanged at 5.34 dwt. The working revenue amounted to £1,309,203, of which £826,191 was absorbed in working costs, leaving a working profit of £483,012, which was £32,941 more than for the previous year. The amount provided for taxation was £248,929, and, after taking into account the other items specified in the accounts there remained a net profit of £230,130, or an increase of £16,932 over the previous year.

The amount available for distribution, including the unappropriated balance brought in from the previous year, was 410,153, from which two dividends, totalling 1s. per share, being the same rate as in 1942, were paid.

Development operations continued to be on a restricted scale owing to the war, the footage accomplished during the year showing a further reduction due to the shortage in the native labour supply. A total of 21,665 ft. were driven, of which 11,310 ft. were on reef and sampled and 4,570 ft., or 40 per cent., were payable with an average value of 14.5 dwt. over 18 in.

It has been decided to sink a new vertical shaft, called No. 5, to serve the north-central and eastern portions of the mine. This shaft, which will have a final depth of about 2,700 ft., has become necessary to ensure the maintenance of future production, but work will only proceed as material and labour become available. The funds required for sinking the shaft with temporary equipment are being provided by making an appropriate charge to development through the medium of working costs as from January 1, 1944. The question of providing funds for permanent equipment and accessories is being deferred for consideration until the time arrives when it becomes possible to place orders for such items and the cost can be ascertained.

The ore reserves at the year-end showed a decrease of 250,000 tons to 2,250,000 tons, the value being unchanged at 6.0 dwt., and the estimated stoping width of 39 inches one inch greater. I think you will agree that, in view of the restrictions placed on the scale of development, the position shown may be regarded as most satisfactory.

Arising out of the report of the Witwatersrand Mine Natives' Wages Commission, which was published recently, the Government decreed that, with effect from April 1, 1944, the wages of surface and underground natives be increased by 4d. and 5d. per shift respectively and that overtime and Sunday work be paid at the rate of time-and-a-half. The cost to each mine of these increases will be met, as far as possible, from a common fund into which the Government has undertaken, as a temporary measure to pay the "gold realisation charges" collected by it during the twelve months from April 1, 1944. As is well known, these charges, which have been in force since 1940, represent a levy by the Government on gold produced.

The report and accounts were adopted.

GEDULD PROPRIETARY MINES, LIMITED

MR P. M. ANDERSON'S REVIEW

The forty-third ordinary general meeting of Geduld Proprietary Mines, Limited, was held at Johannesburg on 9th May, 1944.

Mr. P. M. Anderson, the chairman of the company, presided, and in the course of his remarks, said: The past year has been a most trying one for, quite apart from the difficulties of operating under war conditions, there was an acute shortage of native labour, which caused a decline in production. The company did well, therefore, in achieving the results obtained, though the dividend rate was slightly below that of the previous year.

The tonnage milled showed a decrease of 70,000 tons to 1,323,000 tons, and the yield per ton milled was a little lower at 4.73 dwt. The working revenue totalled £2,635,205, of which £1,297,884 was absorbed in working costs, leaving a working profit of £1,337,321. With the inclusion of sundry revenue amounting to £422,485, which consisted mostly of income received on our shareholdings in East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, the gross profit amounted to £1,759,806. The amount provided for taxation was £845,767, and, allowing for the other items set out in the profit and loss account, the net profit was £901,379, or £6,460 more than the figure of the previous year.

The amount available for distribution, including the unappropriated balance brought forward from 1942, was £1,192,096, from which two dividends totalling 12s. od. per share—a decrease of 3d. per share over the rate for the previous year—were paid.

Development work, owing to war conditions, has been curtailed to a minimum and work on the Main Reef horizon has been virtually suspended. The work done during the year on the Black Reef horizon was confined to preparation of a framework of haulage ways, from which active work can be readily commenced when conditions permit. The footage driven on the Black Reef horizon amounted to 8,140 feet, and of 2,610 feet on reef and sampled, 300 feet, or 11 per cent., were payable, with an average value of 5.4 dwt. over 28 inches. The total work accomplished to date on this horizon has been of limited extent and, as I have pointed out in previous addresses to shareholders, much remains to be done before the economic possibilities can be assessed.

The ore reserves at the year-end recorded a further decrease of 600,000 tons to 7,700,000 tons, the value at 4.0 dwt. was lower by 0.2 dwt. and the estimated stoping width of 53 inches was one inch greater.

Arising out of the report of the Witwatersrand Mine Natives' Wages Commission, which was published recently, the Government decreed that, with effect from 1st April, 1944, the wages of surface and underground natives be increased by 4d. and 5d. per shift respectively and that overtime and Sunday work be paid at the rate of time-and-a-half. The cost to each mine of these increases will be met, as far as possible, from a common fund into which the Government has undertaken, as a temporary measure to pay the "gold realisation charges" collected by it during the twelve months from 1st April, 1944. As is well known, these charges, which have been in force since 1940, represent a levy by the Government on gold produced.

Our shareholdings in East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, remain unchanged, and I am pleased to say that both of these companies recorded satisfactory results during the past year.

The report and accounts were adopted.

EAST GEDULD MINES, LIMITED

DEVELOPMENT WORK CURTAILED

The seventeenth ordinary general meeting of East Geduld Mines, Limited, was held at Johannesburg on May 9, 1944.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks, said: The tonnage milled showed a decrease of 51,000 tons to 1,872,000 tons, whilst the yield per ton milled rose by 0.09 dwt. to 5.88 dwt. The working revenue was £4,632,515 and working costs absorbed £1,443,000 leaving a working profit of £3,189,515, which was £101,186 more than in the previous year. Taxation increased by £73,004 to £2,180,870 and, after taking into account other items set out in the profit and loss account, the net profit was £1,043,720, or £37,102 more than that of the previous year.

The amount available for distribution, including the unappropriated balance at the beginning of the period, was £1,426,046, from which two dividends totalling 11s. per share—the same rate as in 1942—were paid.

Owing to war conditions, development work continued to be on a drastically curtailed basis, and this policy, combined with the shortage of native labour, resulted in the work done being of negligible proportions. It has become necessary, however, to increase development to make available some new stopes in the No. 2 Shaft area, and this work was taken in hand during the current year.

At the year-end the ore reserves, due to the policy of curtailing development work, showed a further decrease of 700,000 tons to 14,500,000 tons, the value of 5.2 dwt. and the estimated stoping width of 59 in. remaining unchanged. While a reduction in tonnage was inevitable under present-day circumstances, the position of the mine remains most satisfactory in view of its having such a substantial amount of ore developed ahead of its milling capacity.

Arising out of the report of the Witwatersrand Mine Natives' Wages Commission, which was published recently, the Government decreed that, with effect from April 1, 1944, the wages of surface and underground natives be increased by 4d. and 5d. per shift respectively and that overtime and Sunday work be paid at the rate of time-and-a-half. The cost to each mine of these increases will be met, as far as possible, from a common fund into which the Government has undertaken, as a temporary measure, to pay the "gold realisation charges" collected by it during the twelve months from April 1, 1940. As is well known these charges, which have been in force since 1940, represent a levy by the Government on gold produced.

The report and accounts were adopted.

GROOTVLEI PROPRIETARY MINES, LIMITED

INCREASED PROFIT

The thirty-seventh ordinary general meeting of the Grootvlei Proprietary Mines, Limited, was held on May 9, 1944, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: During the period under review, which is the sixth year since production commenced, the tonnage milled showed a comparatively small increase to 1,900,000 tons and the yield per ton milled was 5.12 dwt. The working revenue amounted to £4,089,076 and working costs totalled £1,735,990, leaving a working profit of £2,353,086, or £173,273 more than for the previous year. This increase in the working profit was largely

due to a reduction in the amount provided through working costs for development work, which continues to be on a reduced scale owing to war conditions.

After allowing £1,451,819 for taxation, the net profit amounted to £898,634, or an increase of £119,936 over the previous year. Including the unappropriated balance at the beginning of the year, there was available for distribution an amount of £1,083,158, from which two dividends totalling £822,165 ss. 9d. per share, or an increase of 1s. per share over the figure for the previous year, were paid.

Development work continued to be on a curtailed basis, while practically no work was done in the Palmietkuil section. The position was rendered more difficult by a shortage of native labour, and, in order to utilise the available labour and materials to the best advantage, the greater portion of development work was again concentrated in the No. 3 shaft area. The total footage driven was 31,290 and, of 23,020 feet on reef and sampled, 12,925 feet, equal to 56 per cent., were payable with an average value of 16.4 dwt. over 21 inches. These results compare favourably with those obtained in the previous year, but naturally the payable footage developed was insufficient to maintain the ore reserves. These at the year-end showed a further decrease of 400,000 tons to 9,200,000 tons, the value at 5.2 dwt. being unchanged and the width of 47 inches half an inch higher.

Arising out of the report of the Witwatersrand Mine Natives' Wages Commission, which was published recently, the Government decreed that, with effect from April 1, 1944, the wages of surface and underground natives be increased by 4d. and 5d. per shift respectively and that overtime and Sunday work be paid at the rate of time-and-a-half. The cost to each mine of these increases will be met,

as far as possible, from a common fund into which the Government has undertaken, as a temporary measure, to pay the "gold realisation charges" collected by it during the twelve months from April 1, 1944. As is well known these charges, which have been in force since 1940, represent a levy by the Government on gold produced.

The report and accounts were adopted.

VAN DYK CONSOLIDATED MINES, LIMITED

DECREASED ORE RESERVES

The tenth ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held at Johannesburg on May 10, 1944.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: Owing to the native labour position the tonnage mined had to be supplemented by drawing ore from surface dumps, and the total amount of ore milled was 1,177,000 tons, or a decrease of 10,200 tons compared with the previous year. The yield per ton milled, in conformity with the value in ore reserves, showed a decrease of 0.36 dwt. to 4.63 dwt. The working revenue for the period amounted to £2,293,941, and working costs, which were lower by a penny per ton milled, absorbed £1,573,282, leaving a working profit of £720,659. The sum provided for taxation was £285,906, and after allowing for the other items specified in the accounts there remained a net profit of £426,185, or £15,064 less than for the previous year.

The amount available for distribution, including the unappropriated balance at the end of the previous year, was £708,354, from which two dividends, totalling 1s. 4½d. per share, were paid.

Last year I mentioned that the restrictions that had been placed on the scale of development work, in order to assist in conserving materials had proved to be excessive. Unfortunately, owing to the inadequate native labour supply, it was not possible to improve on the footage accomplished in 1942 and, in fact, the total was a little less last year. The footage driven was 81,128 and of 51,345 feet on reef and sampled, 7,475 feet, or 15 per cent., were payable with an average value of 13.8 dwt. over 20 inches. The percentage of payability has continued to be disappointing, but the value showed a small increase over the figure of the previous year. The ore reserves at the year-end amounted to 2,600,000 tons, or a decrease of 400,000 tons while the value of 4.6 dwt. and the estimated stoping width of 41 inches remain unchanged. In view of what I have said regarding development work in general a fall in the tonnage in ore reserves was to be expected, but there is cause for satisfaction that the decrease was limited to the extent shown and that the value was maintained.

Arising out of the report of the Witwatersrand Mine Natives' Wages Commission, which was published recently, the Government decreed that, with effect from April 1, 1944, the wages of surface and underground natives be increased by 4d. and 5d. per shift respectively and that overtime and Sunday work be paid at the rate of time-and-a-half. The cost to each mine of these increases will be met, as far as possible, from a common fund into which the Government has undertaken, as a temporary measure, to pay the "gold realisation charges" collected by it during the twelve months from April 1, 1944. As is well known, these charges, which have been in force since 1940, represent a levy by the Government on gold produced.

The report and accounts were adopted.

RECORDS and STATISTICS.

FINANCE AND BANKING

THE MONEY MARKET.—The position in the short-loan market has been comfortable this week, but there has been no superabundance of credit and very little ½ per cent. money has been available. The banks were called upon to pay £90 million against Treasury Deposit Receipts. This compared with nominal maturities of £70 million which, owing to pre-encashments had been reduced to about £50 million, so that some £40 million of fresh money had to be found. Treasury bills payments have again equalled maturities at £110 million. The market had a 36 per cent. allotment of this week's bills to take up. The credit position has been eased slightly by a return of notes from circulation. The Bank return shows a net notes reflow of £3,614,000. On the other hand, public deposits increased by £2,427,000 over the week. The reduction of £4,292,000 in bankers' deposits is balanced by a fall of £4,820,000 in Government securities, but the prevailing level of the former, at £171,889,000, is in keeping with the adequacy of credit experienced in the money market this week.

MONEY RATES, LONDON.—The following rates remained unchanged between August 10th and August 17th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between August 10th and August 17th (Figures in brackets are par of exchange).

United States. \$ (4.862) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (25.223) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25.223) 17-50-40. **French Empire.** Francs 197½-200½. **Syria.** p. 8-81-85. **Portugal.** (18.189) T.T. 16-85-95. **Dutch West Indies.** Florins (19.11) 7-58-62. **Belgium.** (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** 34-02-04; mail transfers 4-02-04½. **Brazil.** 83-64½ cr. (buying); mail transfers 83-56½ tr. **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. **Spain.** Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire.

Market Rates.—The following rates remained unchanged between August 10th and August 17th.

Egypt. Piastres (87½) 97½-1. **India.** Rupees (184. per rupee) 17½-18½ d. **Belgium.** Congo. Francs 176½-1. **China.** National \$3-3½. **Iran.** Rl 124-130.

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

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

NEW YORK EXCHANGE RATES

New York on	Aug. 9	Aug. 10	Aug. 11	Aug. 12	Aug. 14	Aug. 15	Aug. 16
Cables:	Cents	Cents	Cents	Cents	Cents	Cents	Cents
London.....	402½	402½	402½	402½	402½	402½	402½
Montreal.....	90-160	90-060	90-060	90-060	90-125	90-125	90-160
Zurich.....	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires.....	24-65*	24-65*	24-65*	24-65*	24-65*	24-65*	24-87*
Rio de Janeiro.....	5-16	5-16	5-16	5-16	5-16	5-16	5-16
Lisbon.....	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona.....	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm.....	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78. † Free Rate. § Bid.

CLEARING BANK COMPARATIVE FIGURES (£ million)

	July 1943	Mar. 1944	Apr. 1944	May 1944	June 1944	July 1944
Capital and reserves.....	140.9	142.5	142.5	142.5	142.5	142.5
Acceptances, etc.....	102.8	97.8	96.3	97.7	95.6	100.1
Notes in circulation.....	1.6	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts.....	3,627.9	3,988.2	4,016.8	4,050.7	4,100.2	4,121.4
Total liabilities.....	3,873.2	4,229.9	4,257.0	4,292.3	4,399.7	4,365.4
Cash.....	375.3	423.4	430.0	417.6	427.0	425.6
Cheques, balances, and items in transit.....	120.2	135.6	131.3	137.9	179.4	133.4
Money at call.....	160.4	164.8	164.3	172.7	184.7	187.6
Discounts.....	243.9	113.1	148.6	174.1	202.4	212.9
Treasury deposit receipts.....	899.5	1,331.0	1,314.0	1,309.5	1,245.5	1,310.0
Loans and Advances.....	1,162.1	1,136.2	1,152.4	1,161.4	1,169.2	1,175.2
Investments in affiliated banks.....	742.7	772.2	754.3	755.6	770.3	755.0
Cover for acceptances, premises, etc.....	23.9	24.1	24.1	24.1	24.1	24.1
Total assets.....	3,873.2	4,229.9	4,257.0	4,292.3	4,399.7	4,365.4

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s				
12 U.S. BANKS	Aug. 12, 1943	July 27, 1944	Aug. 3, 1944	Aug. 10, 1944
Gold cert. on hand and due from Treasury	20,069	18,599	18,424	18,417
Total reserves	20,475	19,115	19,115	19,107
Total cash reserves	334	290	280	273
Total U.S. Govt. secs.	8,317	14,802	14,891	15,222
Total loans and sec.	8,353	14,850	14,938	15,295
Total resources	30,514	35,775	35,928	36,122
LIABILITIES				
F.R. notes in circ.	14,522	18,995	19,165	19,332
Excess ur. bank res.	1,200	1,300	1,200	1,000
Mr. bank res. dep.	12,456	12,792	12,884	12,810
Govt. deposits	298	403	261	487
Total deposits	14,403	14,968	14,916	15,087
Total liabilities	30,514	35,775	35,928	36,122
Reserve ratio	70.8%	56.3%	56.1%	55.5%
BANK AND TREASURY RESOURCES				
Monetary stock	22,306	20,996	20,996	20,996
Treasury & bank currency	4,091	4,111	4,112	4,108
LIABILITIES				
Money in circulation	18,101	22,584	22,734	22,910
Treasury cash and dep.	2,578	2,716	2,600	2,827

CENTRAL BANK OF IRELAND

Million £'s				
Assets	July 15, 1944	July 22, 1944	July 29, 1944	Aug. 5, 1944
Gold	2.65	2.69	2.65	2.65
British Govt. Secs.	24.13	23.88	23.87	23.87
Sterling balances	1.14	1.29	1.32	1.66
LIABILITIES				
Notes in circulation	28.26	28.23	28.31	28.63

CENTRAL BANK OF TURKEY

Million Turkish pounds				
Assets	June 12, 1943	May 27, 1944	June 3, 1944	June 10, 1944
Gold	198.0	238.6	263.6	263.6
Clearing and other exch.	72.5	105.2	80.0	71.2
Treasury bonds	132.4	129.0	129.0	129.0
Commercial bills	387.1	499.8	564.8	595.7
Securities	61.1	65.9	52.1	52.1
Advances	257.0	255.1	250.0	250.0
LIABILITIES				
Notes in circulation	744.4	900.6	923.6	924.0
Deposits	193.0	209.2	245.5	273.9
Clearing and other exch.	25.9	20.1	21.5	27.8

AUSTRALIAN COMMONWEALTH BANK—Million £A's

Assets	June 1943	June 1944	June 1944	June 1944
Gold and English ster.	35.14	48.04	49.29	49.29
Other coin, bullion, etc.	10.79	13.76	13.90	13.75
Call money, London	45.31	105.14	112.61	118.93
Secrts. and Treas. bills	213.96	236.55	235.76	241.94
Discounts and advances	21.98	27.06	27.05	27.64
LIABILITIES				
Notes issued	138.36	185.76	189.51	189.51
Deposits, etc.	175.69	186.06	190.31	203.24

SWISS NATIONAL BANK

Million Swiss Frs.				
Assets	June 1943	June 1944	June 1944	July 1944
Gold	374.9	440.1	442.9	442.5
Foreign exchange	59.0	100.9	81.7	87.4
Discounts, etc.	90.2	42.9	43.1	44.6
Advances	16.2	15.7	15.7	16.1
Securities	64.8	64.2	64.2	64.2
LIABILITIES				
Notes in circulation	257.2	291.2	300.4	329.0
Other sight liab.	229.9	250.6	251.8	257.8

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s				
Assets	June 14, 1943	May 29, 1944	June 5, 1944	June 12, 1944
Gold and stg. exch.	30.24	33.49	33.84	33.33
Advances to State	44.15	43.13	42.13	42.83
Investments	10.30	11.73	11.73	11.73
LIABILITIES				
Bank notes	32.19	37.03	37.01	37.02
Demand liab.: State	17.33	12.66	12.59	14.43
Banks and others	35.35	37.78	37.14	36.45
Reserve to sight liab.	35.3%	38.3%	39.0%	38.0%

BANK OF SPAIN

Million Pesetas			
Assets	June 1943	March 1944	April 1944
Reserve: Gold	749	1,056	1,074
Other	660	686	668
Discounts and advances	3,349	2,847	2,765
Investments and Govt. debt	15,791	15,981	16,071
LIABILITIES			
Notes in circulation	15,192	16,122	16,161
Deposits: Government	3,250	1,833	1,966
Other	3,532	4,107	4,023

RESERVE BANK OF INDIA

Million rupees				
Assets	Aug. 6, 1943	July 14, 1944	July 21, 1944	Aug. 4, 1944
Gold coin & bullion	444	444	444	444
Rupee coin	143	129	164	173
Balances abroad	870	1,830	1,964	2,055
Sterling securities	5,979	8,283	8,283	8,283
Ind. Govt. rep. sec.	1,034	578	578	578
Investments	75	111	111	111
LIABILITIES				
Notes in circ.: India	7,498	9,322	9,262	9,220
Burma	312	873	1,002	1,231
Deposits: Govt.	557	921	985	972
Reserve ratio	84.5%	92.5%	92.5%	92.4%

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

JULY, 1944											
Assets	Barclays Bank Ltd.	Comt. & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	Provincial Bank Ltd.	Westminster Bank Ltd.	Williams & Deacon's Bank Ltd.
Coin, Bank Notes and Balances with the Bank of England	84,560	3,983	15,503	6,434	78,900	19,403	92,851	5,289	56,014	55,389	7,283
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	23,447	1,007	4,134	2,509	18,297	8,029	24,494	151	17,597	20,722	3,234
Items in Transit	30,095	4,746	5,569	8,476	31,740	6,886	33,337	9,734	26,913	25,963	4,134
Money at Call and Short Notice	57,557	1,501	3,713	2,495	38,884	6,698	44,469	845	26,446	28,543	187,590
Treasury Deposit Receipts	285,500	5,500	47,000	8,500	236,000	55,000	305,000	1,000	181,500	168,000	20,000
Investments	219,148	15,204	60,720	20,506	215,174	62,543	235,231	24,665	153,160	163,273	27,546
Advances to Customers and other A/c's	164,120	7,910	20,800	12,151	123,824	32,123	163,967	13,727	106,692	97,883	12,439
Liabilities to Customers for Acceptances, Endorsements, etc.	15,676	1,233	3,252	6,343	24,223	8,959	13,408	323	11,138	13,688	1,874
Bank Premises Account	7,994	495	1,362	695	6,659	2,877	8,498	470	6,846	4,853	876
Investments in Affiliated Banks and Subsidiary Companies	6,219	...	...	...	3,777	...	8,557	...	2,514	2,992	...
Ratio of Cash to Current, Deposit and other Accounts	9.93	10.41	10.14	10.77	10.73	10.46	10.46	10.20	10.40	10.14	9.91
LIABILITIES											
Capital Paid up	15,858	1,000	2,976	1,060	15,810	4,150	15,159	1,500	9,479	9,320	1,875
Reserve Fund	11,250	1,000	2,976	850	10,000	3,840	13,410	1,200	9,479	9,320	1,000
Current, Deposit and other Accounts	851,442	38,256	152,849	59,766	735,235	185,581	887,835	51,849	538,724	546,361	73,485
Acceptances, Endorsements, etc.	15,676	1,233	3,252	6,343	24,223	8,959	13,408	323	11,138	13,688	1,874
Notes in Circulation	...	...	...	...	12	...	18	...	1,352	...	...
894,226	41,489	162,053	68,019	785,280	202,518	929,812	56,204	568,820	578,706	78,234	4,365,361

EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND			
London on Australia and N.Z.*		Australia and N.Z. on London	
Buying	Selling	Buying	Selling
Australia	N.Z.	Australia	N.Z.
Ord. Mail	125	125	125
Air Mail	125	125	125
30 days	125	125	125
60 days	125	125	125
90 days	125	125	125

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bills will be sent by air mail on payment of appropriate postage.
 * All rates (Australia and N.Z.) now based on 100—London. † Plus postage.
 ‡ Via Durban. By America N.Z. Air Mail (Australia) Demand, 126; 30 days, 126; 60 days, 127; 90 days, 127. (N.Z.) Demand, 125; 30 days, 126; 60 days, 126; 90 days, 127 (plus postage).
 † Any Mail.

SOUTH AFRICA

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T.; £101 (sight); £102 (30 days); £102 (60 days); £102 (90 days). For Rhodesia the corresponding rates are £100, £101, £101 (30 days) and £102. Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100 for South Africa and £99 for Rhodesia.

CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rate can be calculated from \$/£ rate.

Colombia*		Ecuador*		Guatemala*		Nicaragua*		El Salvador*		Venezuela*		Peru.	
Open market sight selling rate 175 pesos per 100 U.S. \$ on June 21st.		Official sight selling rate 14.10 sucres per U.S. \$ on July 7th.		Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.		Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-03¢ cordobas per U.S. \$ (excluding 10 per cent tax).		Sight selling rate New York was 2-50 colones per U.S. \$ on June 27th.		Sight selling rate New York 3-35 bolivares per U.S. \$ on May 30th.		Sight selling rate 6-50 soles per U.S. \$ on May 17th, 1944.	
* Official exchange controls are operative in these countries.													

OVERSEAS BANK RATES

Changed From To	Changed From To
Amsterdam June 23, '42 3/4	Madrid July 15, '35 5/8
Athens Mar. 10, '42 1/2	Montreal Feb. 8, '44 2 1/4
Belgrade Feb. 1, '35 6 1/2	Osaka Mar. 17, '41 1 1/2
Berlin April 9, '40 3 1/2	Paris Mar. 17, '41 1 1/2
Brussels Jan. 25, '40 2 1/2	Pretoria June 2, '41 3 1/2
Bucharest Sept. 17, '40 3 1/2	Rio de Janeiro May 31, '35 3 1/2
Budapest Oct. 22, '40 4 1/2	Rome May 18, '36 5 1/2
Calcutta Nov. 28, '35 3 1/2	Santa Fe Sept. 16, '40 5 1/2
Chile June 13, '35 4 1/2	Stockholm May 29, '41 3 1/2
Copenhagen Oct. 15, '40 4 1/2	Zurich Nov. 25, '36 2 1/2
Helsingborg Dec. 3, '34 4 1/2	Tokyo ... 3-29
Lisbon Jan. 12, '44 3 1/2	Wellington July 20, '41 2 1/2
N.Y. Fed. Res. Oct. 30, '42 1 1/2	Dublin Oct. 26, '39 4 1/2

(a) For banks and credit institutions. (b) For private persons and firms.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1943		Prices, Year 1944		Name of Security	Price, Aug. 8, 1944	Price, Aug. 15, 1944	Yield, Aug. 15, 1944	Prices, Year 1944		Last two Dividends			Name of Security	Price, Aug. 8, 1944	Price, Aug. 15, 1944	Yield, Aug. 15, 1944
High	Low	High	Low					High	Low	(a)	(b)	(c)				
83 1/2	78 1/2	79 3/4	78 1/2	British Funds	79 1/2	79 1/2	3 s. d.	55/6	48/6	% a	%	Iron, Coal and Steel	53/6	53/-	4 s. d.	
112 1/2	109 1/2	110 1/2	108 1/2	Consols 2 1/2% (after 1957)	109 1/2	109 1/2	3 13 0	57/10	47/7 1/2	3 1/4 a	7 b	Babcock & Wilcox Ltd.	57/6	57/-	5 5 0	
100 1/2	100 1/2	100 1/2	100 1/2	Consols 4% (after 1957)	100 1/2	100 1/2	1 19 3	31/3	24/6	13 1/4 a	11 b	Bolckover Colliery Ord. £1	30/6	30/6	3 6 8	
102 1/2	102 1/2	102 1/2	102 1/2	Conv. 2% 1943-45	102 1/2	102 1/2	2 5 0	101/3	90/6	5 a	15 b	Cory (Wm.) Ltd.	98/9	97/6	4 2 0	
104 1/2	102 1/2	103 1/2	102 1/2	Conv. 2 1/2% 1944-49	102 1/2	102 1/2	2 5 0	29/1 1/2	25/4 1/2	8 c	8 c	Dorman Long Ord. £1	28/3	28/3	5 13 3	
107 1/2	103 1/2	105 1/2	103 1/2	Conv. 3 1/2% (after 1961)	105	105	3 5 0	42/3	33/-	4 a	6 b	Guest Keen & Co. Ord. £1	41/9	40/3	5 0 0	
97 1/2	95 1/2	96 1/2	94 1/2	Funding 2 1/2% 1956-61	97 1/2	97 1/2	2 14 0	33/9	30/3	7 1/4 a	15 b	Hadfields Ord. 10/-	33/-	31/6	7 2 9	
101 1/2	99 1/2	101 1/2	100	Funding 2 1/2% 1952-57	101 1/2	101 1/2	2 13 6	57/-	48/3	14 b	12 a	Staveley Coal Ord. £1	56/-	55/9	2 5 0	
102 1/2	99 1/2	101 1/2	99 1/2	Funding 3 1/2% 1959-69	100 1/2	100 1/2	2 18 0	58/9	52/4 1/2	12 1/2 c	12 a	Stewarts and Lloyds £1	58/6	58/3	4 5 9	
115 1/2	112 1/2	114 1/2	112	Funding 4 1/2% 1960-90	113 1/2	113 1/2	2 18 6	47/-	34/3	8 b	4 a	Swan, Hunter Ord. £1	45/-	41/6	5 15 9	
102 1/2	100 1/2	100 1/2	100 1/2	Nat. Def. 3% 1954-58	101 1/2	101 1/2	2 14 6	15 1/2	9/33	10 c	12 c	Thomas (Richard) Ord. 6/8	17/-	12/6	6 13 3	
102 1/2	101 1/2	102 1/2	101 1/2	War Bonds 2 1/2% 1945-47	101 1/2	101 1/2	2 9 0	27/4	23/7 1/2	5 1/2 b	24 a	United Steel Ord. £1	27/-	26/9	5 6 0	
101 1/2	99 1/2	101 1/2	100 1/2	War Bonds 2 1/2% 1949-51	101	101	2 8 0	20/3	17/3	4 a	6 b	Vickers Ord. 10/-	19/6	18/9	5 6 0	
101 1/2	99 1/2	101 1/2	100 1/2	War Bonds 2 1/2% 1952-54	100 1/2	100 1/2	2 8 0									
101 1/2	99 1/2	101 1/2	97 1/2	Savings Bds. 3% 1955-65	100	100	3 0 0	12/4 1/2	9/6	Nil c	Nil c	Bleachers Association £1	11/6	12/-	Nil	
101 1/2	100 1/2	100 1/2	99 1/2	Savings Bds. 3% 1960-70	99 1/2	99 1/2	3 0 0	25/6	20/6	4 c	4 c	Bradford Dyes Ord. £1	25/3	25/-	3 4 0	
101 1/2	111 1/2	111 1/2	111 1/2	Victory Bonds 4%	111 1/2	111 1/2	3 0 0	32/6	26/1 1/2	Nil c	Nil c	British Celanese Ord. 10/-	30/9	31/3	Nil	
102 1/2	102 1/2	102 1/2	102 1/2	War Loan 3% 1955-59	101 1/2	101 1/2	2 16 6	55/-	44/3	3 1/2 a	5 b	Coats, J. & P. Ord. £1	53/3	52/6	3 6 9	
102 1/2	100 1/2	104 1/2	102 1/2	War Loan 3 1/2% (aft. 1952)	103 1/2	103 1/2	3 7 0	60/7 1/2	51/6	5 b	23 a	Courtaulds Ord. £1	59/-	56/6	2 13 3	
93 1/2	91 1/2	93 1/2	91 1/2	Local Loans 3%	94 1/2	94 1/2	3 3 10	26	21/9	3 1/2 a	4 a	Fine Cotton Spinners £1	26/-	25/6	3 2 6	
101 1/2	94 1/2	101 1/2	101 1/2	Austrian 3% 1935-53	94 1/2	94 1/2	2 17 6	40/4 1/2	3/4	7 1/2 c	7 c	Flax Co. Ltd.	4/4	4/4	3 9 3	
101 1/2	103 1/2	101 1/2	101 1/2	Dom. & For. Govts.	102	102	4 18 0	83/3	72/6	20 c	17 c	Patons & Baldwins £1	82/6	81/3	4 6 0	
101 1/2	103 1/2	101 1/2	101 1/2	Australia 5% 1945-75	102	102	3 8 7									
101 1/2	103 1/2	101 1/2	101 1/2	New Zealand 5% 1946	103	103	2 15 10	113/6	99/9	5 a	15 b	Callenders Cable, &c. £1	112/6	112/6	3 11 9	
112 1/2	110	112	110	Nigeria 5% 1950-60	110	110		34/-	26/9	7 1/4 a	15 b	Crompton Park 'A' 5/-	32/6	33/6	3 7 0	
108 1/2	105 1/2	108 1/2	105	Corporation Stocks	107	107	4 13 6	99/-	88/4 1/2	17 1/2 c	17 c	General Electric Ord. £1	98/-	97/-	4 2 6	
98 1/2	92	94 1/2	93	Birmingham 5% 1946-56	107	107	4 13 6	99/-	88/4 1/2	17 1/2 c	17 c					
100 1/2	99	100 1/2	99	L.C.C. 3%	93 1/2	93 1/2	3 0 0	44/-	39/6	2 a	5 b	County of London £1	42/6	43/6	3 13 0	
106 1/2	104	106 1/2	104	Liverpool 3% 1954-64	99 1/2	100	2 18 9	23/3	18 1/2	3 1/2 a	5 b	Gas Light & Coke Ord. £1	23/-	22/9	4 7 9	
				Middlesex 3 1/2% 1957-62	106	106		35/9	32/6	2 a	4 b	North-East Electric £1	35/-	35/-	4 0 0	
95 1/2	83 1/2	96 1/2	89	Foreign Governments	92 1/2	91 1/2	4 0 0	41/9	39/6	5 1/2 b	3 a	Scottish Power Ord. £1	41/-	41/6	4 2 0	
68 1/2	56 1/2	77 1/2	51	Argentina 3 1/2% Bds. 1972	92 1/2	91 1/2	4 7 1 1/2	34/-	24/4	10 c	10 c	Motor and Aircraft	33/6	29/6	1 14 0	
36 1/2	28 1/2	25	20 1/2	Brazil 5% Funding 1914	76	77 1/2	6 8 0	28/10	22/3	7 1/2 c	7 1/2 c	Austin 'A' Ord. 5/-	33/6	29/6	1 11 0	
60 1/2	49	55	44	Chile 6% (1929)	24	24		41/3	32/3	6 b	4 a	Birmingham S.A. £1	27/9	27/9	7 13 9	
97 1/2	88	94	90 1/2	Chinese 5% 1913	46	54 1/2		18/9	16/9	12 1/2 b	12 1/2 b	Bristol Aeroplane £1	40/9	39/6	3 0 6	
76	56 1/2	74 1/2	65 1/2	Portuguese 3%	90 1/2	90 1/2		82/9	77/9	12 1/2 b	12 1/2 b	Ford Motors Ord. £1	18/4	18/4	8 16 0	
				Spanish 4%	73 1/2	73 1/2		47/-	40/4 1/2	11 1/2 a	11 1/2 a	Hawker Siddeley £1	81/3	81/3	3 14 0	
								112/6	98/9	20 c	20 c	Lucas (Joseph) Ord. £1	46/-	46/-	1 18 0	
												Morris Motors 5/- Ord.	108/9	111/3	3 12 0	
												Rolls-Royce Ord. £1	22/3	22/3	5 8 0	
												Shipping				
												Cunard Ord. £1	22/3	22/3	5 8 0	
												Furness, Withy Ord. £1	27/3	26/9	4 9 3	
												P. & O. Def. £1	43/-	43/-	3 14 0	
												Royal Mail Lines Ord. £1	25/-	25/-	4 16 0	
												United Castle Ord. £1	25/6	25/3	4 0 0	
												Tea and Rubber				
												Anglo-Dutch of Java £1	21/-	21/-	Nil	
												Jokai (Assam) Tea £1	40/6	40/6	4 19 0	
												London Asiatic Rbr. 2/-	3/-	3/-	Nil	
												Rubber Plus Trust £1	26/6	26/-	Nil	
												United Sui Beton £1	37/-	36/6	Nil	
												Oil				
												Anglo-Iranian Ord. £1	124/4	125/7 1/2	3 16 0	
												Burmah Oil Ord. £1	90/9	90/-	2 15 3	
												Shell Transport Ord. £1	86/3	85/10 1/2	3 10 0	
												Trinidad Leaseholds £1	101/3	102/6	2 19 9	
												Miscellaneous				
												Assoc. Brit. Picture 5/-	18/6	18/6	4 14 6	
												Assoc. P. Cement Ord. £1	70/6	70/6	2 16 1/2	
												Barker (John) Ord. £1	68/9	67/6	3 0 0	
												Boots Pure Drug Ord. 5/-	58/-	56/3	2 12 0	
												British Aluminium £1	51/6	51/6	3 18 0	
												Brit.-Amer. Tobacco £1	122/6	122/6	1 15 0	
												British Oxygen Ord. £1	90/7 1/2	89/4 1/2	3 6 0	
												Cable & Wire Hdg. Stk.	84	84	4 16 6	
												Carreras 'A' Ord. £1	157/6	157/6	3 5 0	
												Dunlop Rubber Ord. £1	30/6	30/6	2 12 0	
												Elec. & Mus. Ind. 10/-	36/9	35/6	2 12 0	
												Gaumont British 10/-	22/-	23/-	2 12 0	
												Gestetner (D.) 5/-	39/-	39/-	3 4 0	
												Harrisons & Cros. Def. £1	92/6	92/6	2 3 3	
												Imperial Chemical Ord. £1	40/6	40/6	3 19 0	
												Imperial Tobacco Ord. £1	84	81	2 2 6 1/2	
												International Nickel n.p.	34 1/2	34 1/2	4 11 11 1/2	
												Leaver & Unilever Ord. £1	41/9	42/-	2 8 0	
												London Brick Ord. £1	70/9	70 7/2	2 16 0	
												Marks & Spencer 'A' 5/-	68/-	67/9	2 11 0	
												Murex £1 Ord. £1	105/-	102/6	3 18 0	
												Odeon Theatres 5/-	38/9	38/9	1 19 0	
												Pinchin Johnson Ord. 10/-	42/6	42/6	3 8 0	
												Tate and Lyle Ord. £1	75/6	75/6	2 11 6	
												Triplex Safety Glass 10/-	46/3	45/-	4 0 9	
												Tube Investments Ord. £1	85/6	85/6	2 18 0	
												Turner & Newall Ord. £1	85/6	85/6	2 18 0	
												United Moles Ord. 6/8	39/6	40/-	4 3 4	
												Woolworth Ord. 5/-	70/-	69/-	2 18 0	
												Mines				
												Ashanti Goldfields Prd. 4/-	64/4	64/4	5 4 0m	
												Cons. Glds. of S. Af. £1	62/6	63/-	4 0 0	
												De Beers (Del.) £2 1/2	17	16 1/2	10 8 0	
												Kandfontein Ord. £1	30/-	30/-	9 2 0	
												Rhokana Corp. Ord. £1	7 1/2	7 1/2	3 10 0	
												Rio Antelope Corp. 5/-	11/9	11/10 1/2	Nil	
												Sub Nigel Ord. 10/-	6 1/2	6 1/2	7 0 0	
												Union Cp. 12 1/2 fy. pd.	9 1/2	9 1/2	4 6 0	
												W. Witwatersrand 10/-	12 1/2	11 1/2	Nil	
(a) Interim div. (b) Final div. (c) Last two yearly divs. (d) Yield to end 1960. (e) Unconverted, 3 1/2% basis. (f) Yield 1-6 7/8% basis. (g) Yield basis 6%.																
(h) Allowing for exchange. (i) Yield basis 3 1/2%. (j) Yield 2 1/4% basis. (k) Includes 2 1/4% tax free. (l) Yield basis 80%. (m) Flat yield. (n) Free of tax.																

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000**RESERVE FUND - £3,000,000**Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIATHE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies
The Bank offers a complete Banking Service and provides
exceptional facilities for financing every description of trade with
the East.Deposits for Fixed Periods or repayable at call or at short notice
are received at rates which may be ascertained on application.
The bank also undertakes Trusteeships and Executorships.**Head Office: 38, BISHOPSGATE, LONDON, E.C.2**

West End Branch:

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

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

THE BANK OF AUSTRALASIA

Incorporated by Royal Charter 1835.

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

Court of Directors:

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Manager: G. C. COWAN.

Numerous branches throughout the States of VICTORIA,
NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA,
WESTERN AUSTRALIA, TASMANIA and the DOMINION
of NEW ZEALAND.The Bank offers facilities for the transaction of every description
Banking Business in Australia and New Zealand. Negotiates or
issues Bills, issues Telegraphic Transfers, Letters of Credit and
drafts, also Circular Credits and Travellers' Cheques. Deposits
received at interest for fixed periods on terms which may be
ascertained on application.

NATIONAL BANK OF EGYPT

Incorporated in Egypt

Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

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

London Agency:

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

Branches in all the Principal Towns in EGYPT and the SUDAN

GOVERNMENT OF SOUTHERN RHODESIA

FOUR AND A HALF PER CENT. INSCRIBED STOCK, 1958/68

CITY OF JOHANNESBURG

FIVE PER CENT. INSCRIBED STOCK, 1950/60

NOTICE IS HEREBY GIVEN that in order to prepare the
dividends due 2nd October next the BALANCES of the several
Accounts in the above-mentioned Stocks will be STRUCK on the
night of the 1st September and that on and after the 2nd September
the Stocks will be transferable ex-dividend.For Barclays Bank (Dominion, Colonial and Overseas),
C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C.2. 9th August, 1944.

STUDENT, having completed studies for B. Com., has text and other
relevant books for sale. Apply Box 198, The Economist, Brettenham House,
Lancaster Place, London, W.C.2.Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD.,
at Brettenham House, Lancaster Place, Strand, London, W.C.2—Saturday, August 19, 1944.

BANK OF SCOTLAND

Constituted by Act of Parliament 1695.

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND & BALANCE carried forward	£2,259,161
DEPOSITS & CREDIT BALANCES	
as at 29th Feb., 1944	£62,235,580

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30, BISHOPSGATE, E.C.

PICCADILLY CIRCUS BRANCH, 16/18, PICCADILLY, W.

THE UNION BANK OF AUSTRALIA

ESTABLISHED 1837.

LIMITED

Capital Authorised and Issued	£12,000,000
Paid-up Capital	£4,000,000
Reserve Liability of Proprietors	£8,000,000
	£12,000,000

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

Reserve Fund	£3,250,000
Special Currency Reserve	£1,600,000

Head Office: 71 CORNHILL, LONDON, E.C.3
West End Agency: 15 CARLOS PLACE, W.1Drafts are granted on the Bank's Branches throughout the
Australian States and Dominion of New Zealand. Telegraphic
Remittances are also made. Commercial and Circular Letters
of Credit and Travellers' cheques issued. Bills are purchased
or sent for Collection. Deposits are received for fixed periods
on terms which may be ascertained on application.

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK, LTD.

Head Office: 5 Gracechurch Street, E.C.3

Subscribed Capital	£5,000,000
Paid-up Capital	3,000,000
Further Liability of Proprietors	2,000,000
Reserve Fund	1,785,000
Currency Reserve	1,585,000

Chief Office in Australia:

Collins Street, Melbourne

and many Branches and Agencies throughout Australia.

With its widespread connections, this Bank offers every facility
for the conduct of all classes of Banking and Exchange business
with Australia.

J. A. CLEZY, London Manager and Secretary.

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832.

General Office: Toronto, Canada.	
Paid Up Capital	£12,000,000
Reserve Fund	£24,000,000
Total Assets over	\$400,000,000

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

Address enquiries to

London Branch:

108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £35,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

THE ECONOMIST

ESTABLISHED 1843

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

The End in Sight

THE dramatic freeing of Paris by its own Parisians is not only the token of a great nation freed and arisen. It is the token also of a war that is won, however grim the death-struggle of the desperate foe may be. The fall of Paris, unfought-for, four years ago, was the warning of world defeat, which fate and valour avoided. Its liberation now, and the military scene in which it is set, is the proof of Allied victory in the Second World War.

In 1940, General de Gaulle marked a turning point in history, and the arrest of disaster, when he told the people of France, from Britain alone, that though a battle had been lost, the war had not. In 1944, as he speeds to Paris, with his brave faith and that of all fighting Frenchmen justified, he can tell them that not only a battle has been won, but the war also.

Historians may be surprised to record with what apparent reluctance the rulers and people of Britain looked this victory in the face, after all they had done to bring it about. They will find, perhaps, only one parallel: the refusal of the same rulers and people to recognise defeat four years ago. Then, there were only stout hearts and

faith to go upon. Now, there is the unassailable evidence of fact. Yet, of the Allied leaders, only one has committed himself. Before Paris was freed, General Montgomery had already told his troops—and the world—that "the end is in sight."

The facts speak for themselves. Paris is only the sign and the symbol. A rout of Germans is being pressed northwards in the bloodiest fighting, to and beyond the Seine; and that river has been flung behind the Allied advance at too many places for the enemy to ignore the double threat to his remnants and to the Reich itself. Here, it is reported, the Marne—and all it means—has been reached. There, Sens has been liberated, the Yonne crossed, and Burgundy entered. The Rhine lies ahead. There, the Army of the Mediterranean, with Marseilles taken and Toulon hemmed in, is racing to the Rhone and the Saone, to Lyons and Chalon—and, again, the Rhine.

It is the substance of victory to break an army and to pursue it to surrender. Of perhaps three-quarters of a million hostile soldiers in Western Europe, perhaps half have

been put out of action, with another quarter in flight, beleaguered or cut off. In magnitude of losses both of men and, even more, of material and equipment, this can count as the biggest victory in history. It will not count so, unless the pursuit succeeds—the pursuit not only of fleeing regiments and of the detachments, scattered far and wide over France, but the pursuit into Germany itself as well. It is because these wider possibilities are so crucial, and still hang in the balance, that military wisdom remains conservative and cautious. General Eisenhower put out a discreet warning against "wishful thinking" over a week ago: and Mr Churchill has since repeated his refusal to predict the end of the German war.

But events still march; a decisive battle has been won, and the pursuit goes on, northwards and eastwards. The Allies are leading in the race for Germany: there is no "Dunkirk" this time. Dunkirk was, above all, an escape; and there is no escape for the Germans in France, as Allied columns swing north-west to the Pas de Calais and south-west to Bordeaux, or race from west and south to the ancient gates to the Rhineland. As by giant scissors the ways of escape will be cut. And, when Germany is reached, there is no brave new army to stand on or beyond the West Wall, but only the scrapings of a "too late and too little" total mobilisation and the dull strivings of a people tried already past endurance.

No doubt the Allied leaders are prudent to make no promises. They cannot say the war will end very soon; so they will not say it can. No doubt it is common sense for the people of this country, after so much toil and so many disappointments, to show reserve as they wait for a sure signal to rejoice. They will endure, if need be, though not joyfully, another turn of the year with war and, perhaps, bombardment. Dates cannot be put, in either

direction, to great campaigns; and so much still depends upon the temper of both fighters and civilians—on both sides—upon the quick wisdom of commanders and the wit of statesmen. And, it is feared by some, it should be said, with less than justice, that the British people, given cause for the highest of hopes, might slacken in the work and the struggle.

There are other reasons—reasons of the highest policy—for the official refusal to point to the tremendous chance now so plain. The Allied statesmen are resolved this time to "make an end of it." They still lack complete confidence in their ability to lay the ghost of Dr Goebbels for ever; they hear the quarter-century-old echo of "They will cheat you yet, those Junkers." They will say no word that might encourage any hope in any German, even though nothing whatever might be lost by doing so. They would rather risk extra battles than endanger a single item in the settlement which, they hope, will this time endure.

A great majority of the Allied peoples, on the eve of another year of the war which failure after 1918 permitted Germany to make, perhaps approve this resolution—though in retrospect, when passion is spent, it will seem less certainly right. But the same majority hopes for, looks for and even expects victory before winter comes. They cannot believe otherwise as they watch the unfolding of events in western Europe—and the resumption in the East, at yet another striking-point, of the Russian progress. And they are right: the facts cannot tell any observer, lay or expert, when the last shot will be fired; but from them can only be read the clear possibility that pursuit may secure surrender before the leaves of autumn have finally fallen. It is not an idle optimism that adds to "Paris is free" the rider "The war is won."

A Tale of Two Cities

FIVE years ago next week three nations went to war together against German aggression; and it would be a gross betrayal of all that this war for freedom has meant if the British nation, or the French, were to forget, in the moment of triumph, the terrible fate that has come upon the Polish nation. The bells have pealed out for Paris freed; for Warsaw they must be tolled in mourning. The contrast is heartbreaking.

The peoples of both cities rose to drive out the Germans, and to the aid of the Parisians there came armies of Allies and Frenchmen, working together in swift and sure accord until the citizens and French Forces of the Interior were able to open the gates of Paris to French armour from overseas. All over France the same story has been told of co-operation between Allied soldiers and the home resistance in plan and act. This is the main reason why France is so quickly free.

In Poland, whose people have fought the longest and suffered by far the worst of all the Allies, there is the most tragic of contrasts; and if any possible deed to aid the sufferers has been left undone, sorrow for the suffering must surely be accompanied by anger as deep. Unhappily, there is cause for reproach. For three weeks now, the people of Warsaw have been fighting a vastly bloodier and more desperate battle than the four-day rising in Paris; and, for most of the time, they have been almost unsupported by their Allies, materially or even morally. Instead, they have been rebuked for acting too soon and for failing to wait for Allied orders.

In terms of cold calculation, the Pharisees who wish to make a military offence of this brave, forlorn hope may be partly right. The French risings have been so successful because they were concerted with the Allies. But it is not the resisting Poles who have made it almost sure that the hope is to be forlorn. It is those who have done nothing to help them. It is not the people of Warsaw who have refused to co-operate. The Russian armies are engaged in heavy battles at the gates of Warsaw; but still

no contact has been made between them and the men who fight on their side within the city.

Only from the West, far-off, sporadically, inadequately and at a high cost to Polish and Allied fliers, does any help come by air. Yet there are Allied airfields within easy distance behind the Russian lines, and Allied aircraft and pilots who have already bombed remote enemy oilfields and factories from their Russian bases. This state of affairs is intolerable. The Russians are undoubtedly now doing their utmost to take Warsaw, which would best ensure the expulsion of the Germans. But this battle still hangs in the balance; and meanwhile it is sheer casuistry to withhold other forms of aid which might save many thousands of Poles—and perhaps Warsaw itself, which unlike Paris is being finally destroyed by the Nazis—on the ground either that the Polish and Soviet Governments are, diplomatically, not on speaking terms or that the Warsaw insurgents took matters into their own hands. It is known that the British (who know so well their fighting Polish friends, and their first Allies in the war) and the Americans have pressed for Russian assistance to Warsaw.

The political conflict in Poland is one thing, and there have been grievous faults and blunders on both sides. The Alliance in arms against the Germans is another thing altogether, and an infinitely greater. Mr Churchill and President Roosevelt have never flagged in stressing the paramountcy of the common battle. It cannot surely be less plain to Marshal Stalin. The rising in Warsaw is a glorious contribution to the Allied cause, and cannot be refused. Talks are now going on about aid to Warsaw from near Russian sources, and for the amount of cooperation that the merest military common sense demands. In honour and expediency alike, they should have only one result, and that speedily. But, incredibly, the present prospect is said to be precisely the opposite. To our joy in victory it seems that the Allies may still have to add the ultimate shame of desertion.

Pacific Victory

IN the last three months, the pattern of Pacific victory has been decisively established. Its chief instrument is the United States Pacific fleet, one of the most terrific engines of war ever engaged in battle. Larger than the entire British navy at the beginning of this war, commanding thousands of aircraft and landing craft, able to remain for months at sea supporting itself from its own supply train, this fleet is a veritable floating empire. By means of a vast amphibious advance, the Americans have cleared the enemy from their chief bases in the Mariana Islands, and have launched the attack on Halmahera, off Dutch New Guinea, with a violent air bombardment. Only the islands of Yap and Palau remain to be cleared before the great fleet moves forward to the assault on the Philippines.

Admiral Nimitz has indicated in general terms the subsequent line of advance for his great forces. With the Philippines secured, the way will be open for landings in South China. Formosa will fall, and with naval and air forces established in a wide arc round Japan from Hongkong through Formosa to Bonin Island the Americans will have cut Japan off from all its southern conquests and areas of supply. The blockade of the Japanese islands will have begun. Admiral Nimitz clearly thinks that blockade accompanied by bombing is likely to be decisive, since he is reported to be doubtful whether aggressive landings on Japan itself will be necessary.

At this point, however, the development of the campaign will depend not only on the American fleet but on air operations based on the Chinese mainland. The fleet alone cannot easily complete the blockade of Japan. The Japanese Grand Fleet, which is still in reserve, may yet be an effective deterrent to any straightforward American advance through narrow waters past the Korean Peninsula into the Sea of Japan. If the Japanese can keep control of their inland sea, they will still be in contact with the chief base of their industrial war power, North China and Manchuria. The establishment of an effective blockade demands that the advance from the sea should be supplemented by air attacks based on the Chinese mainland. Here, too, in the last few months, the Americans have started to sketch in the pattern of victory. The new super-Fortress bombers are now undertaking regular raids from Chinese bases on industrial and military targets in Japan and in Manchuria.

There is unhappily a weak link in this chain of advance. The maintenance of bases in China depends on continued and effective Chinese resistance to the Japanese invaders. The Americans have built up bases to the east of the Hankow-Canton railway and Kweilin, capital of Kwangsi, is a centre of American activity. Now the Japanese are pushing along the railway from north and south. In the

north, Hengyang has been taken, after some stubborn Chinese resistance. In the south, the Japanese are pressing in the direction of Shiuchow. Their aim is to seal off the American airbases on the Chinese seaboard and so far, the campaign has gone heavily in their favour. If the bases in South-East China are lost, there will be all the more need to establish other bases within striking distance of Manchuria and Japan. In the north, the areas firmly held by the Chinese are largely under Communist control. It would be possible to build up bases there, but the political consequences of such a move have to be considered.

For the weakness in China is not only in the military sphere. A number of political problems make the position in China unstable. Although negotiations still continue in Chungking between Marshal Chiang Kai-shek's Government and representatives of the Communists, no accord has been reached. The Communists will not abandon their demand for military and administrative autonomy. The Marshal will not modify his denunciation of autonomy as rebellion.

While this division exists and the Chungking blockade of Communist Shensi is maintained, the united struggle against Japan is weakened; and the Americans would face an exceptionally delicate situation if they sought to establish advanced air bases in Communist-controlled territory. The prestige of the Chungking Government has been somewhat diminished by the military defeats of this summer. There is some opposition to the regime inside the Kuomintang itself and military defeat always brings with it sporadic revivals of provincial war-lordism. It is hardly the moment to add to this instability. On the contrary, the need to maintain bases on the Chinese mainland makes it vital that the prestige of the Chungking Government should be supported and even enhanced. The visit of Mr Wallace, the American Vice-President, was well timed. So are the forthcoming visits of Mr Donald Nelson and General Hurley which seem to promise economic and military reinforcement. Nevertheless, China remains the uncertain link in the chain of victory and its internal weakness and disunity might delay by months a complete Allied victory.

The question of bases in China would be less urgent if it were certain that Russia, after victory in Europe, would throw its strength into the Far Eastern balance. The Japanese are naturally concerned about this possibility. They are pursuing a policy of scrupulous non-provocation, on the one hand, and keeping the pick of their armies in Manchuria, on the other. If with massive Allied backing the Far Eastern Red Army were to turn to the offensive, and give the aid of Soviet bases to both the blockade and the bombing of Japan, the defeat of Japan

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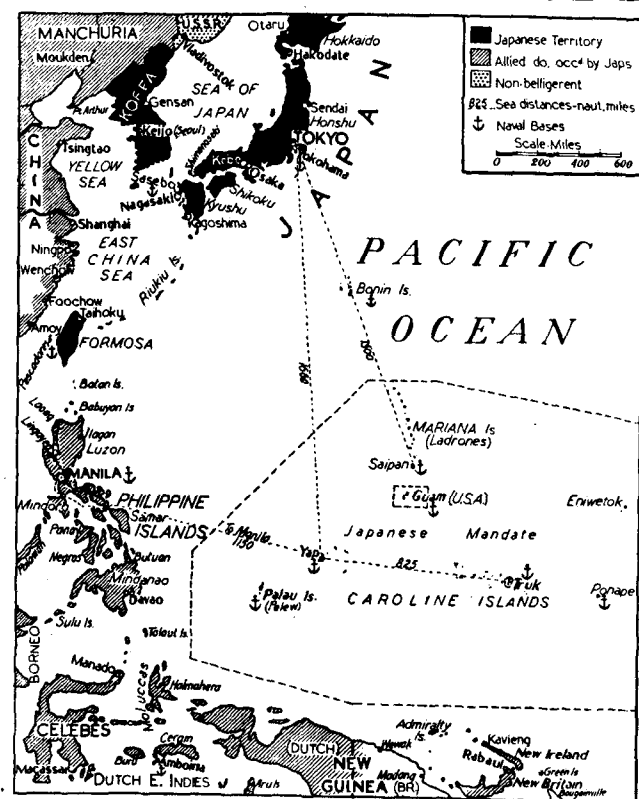
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would obviously be extremely rapid. But nothing certain is known of Russia's intentions. The Soviet Union has suffered, spent and sacrificed prodigious quantities of treasure and manpower in the common cause in the West. It is impossible to argue, after these immense labours, that there is an unqualified obligation upon the Russians to enter another war. Yet Russia is a great Eastern Power as well as an Ally. Military victory over Japan may be possible without Russian co-operation, though it may be so much delayed. But complete victory, with an assured and settled peace, is not possible without that co-operation. The chance that Russia may not enter the Far Eastern war does not only entail certain strong military disadvantages. The political handicaps are quite as great. There is some evidence to suppose that a number of Japanese



statesmen are already convinced of the likelihood of defeat. They pin their hopes of survival, as the Germans have done, on differences and splits within the Allied camp. The creation of a genuine United Nations front in the Far East would put a final end to any Japanese hopes of disunity. It would at once reduce Japan's will to resist.

Russia's absence also makes it very difficult to draw up peace terms for Japan. The policy of "unconditional surrender" must be assumed to mean, in the East as in the West, terms which the enemy must accept without parley, and not a complete absence of terms. This assumption was borne out at Cairo, where the return of Japan's conquests to their original owners was made a condition of peace. In his recent report on his Pacific tour, Mr Roosevelt gave further hints of policy when he said that surrender would not spare Japan a military occupation, and spoke, rather obscurely, of sealing off the Japanese community for a number of years. Yet peace

terms in the fullest sense can hardly be drawn up when one of the greatest Pacific Powers is not party to them.

It would be tempting to argue that the absence of definite peace terms, like the possibility of Allied divergence, is contributing something to Japan's continued will to resist, the one through fear, the other through hope. It is, however, exceptionally difficult to draw any inferences from a possible Japanese reaction to harsh or moderate peace terms. The Japanese reaction to hard or magnanimous defeat is unpredictable, just as is the reaction of Japanese garrisons to extermination or of Japanese civilians to national disgrace. The Western world understands the psychology of Japan too little to dogmatise. The absence of settled peace terms is dangerous, not as a delayer of victory—though it may be so—but as a confuser of the peace.

Terms for Japan are the core of more general terms for the Far East. The kind of peace that is imposed on Japan is inseparable from the question of the post-war relations between the Allied Pacific Powers. President Roosevelt admitted this when he spoke almost in the same breath of the unconditional surrender of Japan and of the securing of United States bases throughout the Pacific. Are the security arrangements for the Far East to be unilateral or joint? Is the disarmament of Japan to be maintained by co-ordinated or single-handed action? In the economic field, is the old American policy of the Open Door to give way to special relationships, say, between the United States and the China of Chiang Kai-shek? If it is to be the Open Door, is it the intention of the Allies to admit Japan or is a cutting off of outside supplies of raw materials to destroy Japan's industrial system and the living of its inhabitants? To whom will the Japanese Pacific Islands be transferred? Are they to come under United States sovereignty? Or is some regional body to oversee colonial rights and welfare?

At the Canberra Conference in January this year Australia and New Zealand made a promising beginning in the joint study of these closely inter-related political and economic problems. They proposed a system of common defence with joint bases, pooled defence schemes and joint staff arrangements for the United States, Australia, New Zealand, Holland, France and Portugal, to cover roughly the area of General MacArthur's South-West Pacific Command. They proposed, too, a South Seas Regional Council for Colonial Welfare and Economic Collaboration. It is not known whether their initiatives have been followed up. The whole shape and future of a Pacific settlement still appears to be as unconditional as Japan's surrender itself.

This, clearly, is not the way to Pacific victory in the fullest sense. It is a disturbing fact that whenever a statesman raises, as Mr Roosevelt has done, the veil of secrecy which hangs over all governmental post-war planning, the fleeting picture is almost invariably one of unilateral, not joint, policy. The absence of Russia from the Pacific Alliance is only one obstacle. The policies of Great Britain and the United States are only relatively more clear. The more convinced Mr Churchill is that a Japanese defeat will follow close on the defeat of Germany, the more confident are Mr Roosevelt and Admiral Nimitz of a speedy and complete victory, the more urgent it is to lay the foundations of Pacific peace.

A Policy for Wealth—II

The Origins of Productivity

IT was suggested in the first article of this series that, in addition to Full Employment and Social Security, the British community needs to give itself a third target of economic policy, Productivity. It was further suggested that a convenient definition of the aim might be to raise the annual rate of increase of productivity per head from the $1\frac{1}{2}$ per cent that has prevailed for many decades to $2\frac{1}{2}$ per cent. This would make it possible to double output

per man-hour within a single generation—an ambitious project; yet the rate of increase would be smaller than has been attained in Russia and the level of productivity reached at the end of the process would still be lower than that already attained in America. Something of the sort, indeed, is necessary if Britain is to keep its place among the richest nations in the world.

That is the aim; but how to secure it? The first task

is obviously to attempt an analysis of the causes that lead to one country being more productive than another. Why is it that the average British industrial worker produces only about half as much in an hour's work as the average American worker? One would have thought that it would have been possible to give an answer that embodied the considered result of intensive research. Strangely, this is not so. Indeed, the ground is cluttered with a lot of popular beliefs which can easily be shown to be false.

For example, the reason that would most frequently be given for the wealth of America is the size of the internal market. But wealth is not a function of size. New Zealand is one of the wealthiest countries of the world per head; India and China are the poorest. (New Zealand, it is true, has access to a very large overseas market; but until 1932 every other country had access to the same market on the same terms.) Natural resources are often quoted as a cause. But Malaya, the Netherlands Indies and Russia are examples of very richly endowed countries where the wealth per head is low. Great Britain itself is an example of a poorly endowed country which, however much ground it has lost, must still be counted among the richest in the world. Transport facilities may have something to do with wealth; but if Britain is rich because of the ease of ocean transport, America must be rich in spite of the handicaps of being a continent. As between Western Europe and, say, Equatorial Africa, climate and racial character may be of importance; but hardly between Britain and the United States. Nor can the system of government be very convincingly pleaded, for if it is the democracies that are the richest, it is the Soviet Union that has recently shown the most rapid progress.

Some or all of these factors may have their influence on a country's wealth, that is, on its output per man-hour. But it seems overwhelmingly likely that none of them is the dominant element. That is almost certainly to be found in the volume of capital. The American worker produces more in an hour because he has more mechanical equipment to assist him. It is strange that this simple truth is not more widely recognised. There would be no dispute that the enormously greater productivity of the Britain of 1944 as compared with the Britain of 1744 is due to the great accumulation of productive capital that has occurred in the two hundred years. The Industrial Revolution has been carried further in the United States than in Great Britain; the Soviet Five-Year Plans are nothing but an immensely accelerated and intensified application of the Industrial Revolution to a country that it had passed by; and the poverty of India and China is at least in part to be explained by the fact that man there labours almost totally unaided by the machine. The formula "Horse-Power per head = Wealth per head" may not be strictly accurate; but it is a most enlightening first approximation.

It is not very difficult to show that capital per head is considerably larger in the United States than in Great Britain, though it is difficult to separate the productive capital of industry from other forms, such as buildings, whose influence on the output of wealth may be less direct. According to some figures of Mr Colin Clark's, capital per head in the United States was already 44 per cent larger than in Great Britain in 1913, and the disparity has certainly widened since then. Confirmation can be derived from figures of the consumption of electricity. In 1937 the total consumption of electricity was 414 kilowatt-hours per head of the population in Great Britain and 771 in the United States. Unfortunately, the statistics do not permit a direct comparison of the consumption of electricity for power, which should be closely correlated with the amount of mechanical equipment in existence. Consumption for power in Great Britain was 224 kilowatt-hours per head. In the United States, consumption for light and power in large establishments (i.e. omitting, by comparison with the British figure, power in small establishments but including light in large establishments) was 398 kilowatt-hours per head.

Without entirely ignoring the other elements in the problem, we can safely conclude that this is the master key. By far the most important reason why industrial

productivity in Great Britain is so far below that of the United States is that each British pair of hands is assisted by a much smaller volume of mechanical equipment. And much the most important way by which the rate of increase of productivity can be speeded up is by increasing as rapidly as may be the amount of horse-power per head.

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This is, of course, only a first approximation. It is necessary to have not merely the right volume, but the right kinds, of capital equipment. It is necessary to use the machines with skill, and to prevent their wealth-creating capacities from being stultified by human foolishness. These are important but subsidiary issues; the main one is to get the capital. This is the truth that Stalin saw, and which entitles him to the title of the world's greatest capitalist, for assuredly no country has ever made such sacrifices for capital or, as the classical economists would have said, practised abstinence on such a heroic scale—and with such triumphant success—as Soviet Russia. Britain, being richer, can find more capital with less sacrifice; and, being further along the road, does not need to travel so fast. The methods of the Russian experiment are, therefore, as unnecessary for us as they would be unpleasant. But we should at least learn the lesson that economic wealth depends upon capital.

The influences that govern the accumulation of capital are many and diverse. But the more important of them can be grouped under six heads:

1. *Supply of Savings.*—If the rate of increase of productive capital is too small, it may be because the community is not saving enough, or because not enough of the community's savings are productively invested, or because the financial mechanism fails to build a bridge between the supply of savings and the demand for capital.
2. *Organisation of Industry.*—It may be that the



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system of organisation, or ownership, of industry reduces productive efficiency and that some reorganisation could effect a change.

3. *Restrictive Practices.*—It may be that the existence of monopoly, on one form or another, has removed the incentive to a constant increase of efficiency.

4. *Labour.*—The growth in the power of organised labour may be obstructing the search for maximum efficiency.

5. *Scientific Research.*—It may be that inadequate atten-

tion is being paid to developments in productive technique.

6. *Quality of Management.*—It may be that the system of education or the social environment or the structure of industry is preventing the emergence of sufficient managerial skill.

And under each of these heads it may be found that the intervention of the state, with its laws, its orders and its taxes, is having an adverse effect.

In the remaining articles of this series each of these subjects will be passed in review.

In Aid of Universities

MOST attention in the present discussion on educational reform is naturally being paid to the middle categories of schooling, to secondary schools and to methods of continuing study in the adolescent years. This is the main theme of Mr Butler's Education Act, and it is based upon the very right assumption that unless secondary schooling can be made accessible, suitable and progressive, for all children and for all capacities, every other branch of education will be a blind alley. It is also necessary, however, to look below and above the secondary stage. The primary school is, and will continue to be, "education" to the great bulk of citizens-to-be; it is the base and fundament of the tapering pyramid. And at a higher level, it is upon the products of universities and advanced institutions, fittingly fed by the reformed secondary schools, that the British society and economy must rely for the special contribution that education in the fullest sense can make to the community's welfare.

It is therefore welcome that a deal of earnest consideration has lately been given to the rôle of universities and colleges in post-war Britain. Much of what the universities have to do to better the quality and the results of their work, they must do themselves in their own way. There is a whole range of pressing topics, such as methods of teaching, the range of courses, the character of staffs and the scale of payments, which must be decided by them at an early date, in the light of their traditions, their aspirations and their duties, both social and educational. Nothing would be more disastrous than a policy of reform which adopted a slum clearance principle and ruthlessly uprooted the tradition and continuity of so many years of growth. But there is another range of problems, upon which these internal decisions themselves depend, that involve crucially the relation between the universities and the state.

It is the purpose of this article to look briefly at some of these issues of reconstruction which must become matters of public policy: to pick out one obvious need—the expansion of universities; to examine one obvious implication of this expansion—increased financial aid from public funds; and to consider one obvious danger of this development—a loss of essential independence.

There are two immediate reasons why the work of universities must be extended. One is the requirements of demobilisation which will arise soon, when many men and women, baulked by the war of their chance of a university education, will come back to start again. Secondly, the developments in higher education projected in the Butler Act imply early and considerable calls upon the facilities and the output of the universities. To these two may be added a third and less measurable reason for expansion: the certainty that, to hold its own, British industry will require a much increased number of higher technicians and scientific researchers—as well as much more of the kind of research that can only be done in university laboratories.

During the last war, university education in Britain virtually ceased; but by 1920 the number of university students had risen to over 48,000 compared with fewer than 30,000 in 1914. About 13,000 of the post-war students were ex-Service men, assisted by Government grants. This time the universities have not suffered so

severely; a proportion of their work has continued, especially in the scientific department. But the war has already lasted considerably longer than the last one, and the number of students seeking entry when it is over are likely to be much more numerous than in 1918. There will be the accumulation of six years normal recruits seeking entrance in a few months. In addition, there will be thousands of men and women, who might not otherwise have gone to universities, anxious to take advantage of special Government schemes. The Association of Scientific Workers has suggested that the number of university students may reach the pre-war figure of 50,000 by the first autumn term after the end of the war with Germany, and that if accommodation allows, these figures may be doubled by the fourth post-war session.

Indeed, if the need for more teachers and for more professional and scientific workers of all kinds is to be met, an even greater multiplication of numbers may be indispensable. The universities must be in a position to draw fully upon an ample pool of secondary school pupils if the reforms at present proposed are to be carried through. In the past, more than a third of the best elementary school children have been denied promotion to secondary schools, for many diverse reasons. Of the children passing to secondary schools, only a half of those who have succeeded in obtaining Higher Certificates have gained admission to universities. A series of bottlenecks has blocked opportunity and wasted correspondingly the nation's resources. The new order in education is designed both to widen these bottlenecks and to end this waste. If the Butler Act is in effective operation by 1946 or 1947, the number of university students will be increased further and very considerably by this factor alone by the early fifties.

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It is plain, therefore, that the universities must be greatly and quickly expanded, if this can be done without diluting the quality of their work, which must be their constant concern. Quantitatively, there is a remarkable difference between Britain and the United States in the provision of university education. In 1938 the United States, with a population of some 130 millions, had over a million students, compared with 50,000 in this country with a population of 48 millions; there were twice as many university teachers in the United States as Britain had teachers. Qualitatively, it is true, American university education has suffered, except in a number of special instances, from the extent and rapidity of its growth: but, on balance, the American community has benefited. In American industry, for instance, the responsible and influential positions are normally held by university men and women, while in this country this is the exception. Sir Ernest Simon has pointed out that in the cotton industry

there are hardly any university men in important positions; and largely for this reason very few of the firms are scientifically equipped to make full use of the results of the excellent work of the Cotton Research Association.

Nor, as already pointed out, is it, or should it be, solely a question of staffing industrial and business concerns; public administration and professional work, no less than

manufacture and trade, require the aid of the highest education, suitably contrived. Finally, there is the overriding need for the achievements of democratic advancement to be properly reflected, as they conspicuously have not yet been, by corresponding achievements in the broad field of education and culture.

The main problem turns on the consequences that ought to flow, and those that ought not to flow, from the increase in public aid that is inevitable if this expansion is to take place. The universities draw their money from three main sources; fees, endowments and grants. The following table, taken from Sir Ernest Simon's "The Development of the Universities" compares the total university income of Great Britain and the United States for the year 1938-39.

	U.S.A. (in £ million)	Great Britain (in £ million)
Fees	34	2
Grants from all government authorities	32	3
Endowment income, gifts and sundry	31	1.5
	97	6.5

The university student at present contributes between a quarter and a third of his total training; but the current trend is such that this fraction is more likely to fall than to rise. As their number grows, students will be drawn more frequently from poorer families and the proportion of fees paid from public funds will tend to increase. Moreover, the relative importance of income from fees in the total income of the universities will fall steadily and considerably if the physical equipment and amenities of the universities are brought up to the desired standards. Inevitably the finances of the universities will be increasingly dominated by public grants.

This is all the more probable because the part of university income derived from endowments is also likely to diminish. The prospect of a long period during which interest rates will be low will affect the returns from existing endowments. The gradual drying-up of the source from which private endowment came is likely to go on. Contemporary levels of taxation are reducing both the size and the number of private fortunes. It is true that some mitigation of this tendency may follow from the state's decision to provide completely for these social services which in the past have depended largely upon public charity; the schemes for a National Health Service and for Social Security may divert considerable sums from these purposes to education. Moreover, there have been recent signs that corporate or institutional endowments, such as those given by large industrial firms out of their large profits, may, to some small extent, take the place of private bequests. But this development is not likely to prevent the downward trend of total endowments—and it carries with it some danger of sectional controls or influences over university policy.

It is, therefore, to public funds that universities must now look for the greater part of their capital and their income; and it is the extraneous control or influence of the Government or the local authorities that they must most watch with care. In 1938-39, the total income of the universities was £6,712,067. Of this, £605,957 was contributed by local authorities and £2,400,402 by Parliamentary grants. There was provision for university independence. Government funds were made available through a Treasury University Grants Committee, made up largely of academic personnel and charged with duties of administration and advice, rather than control; and for many years this machinery has worked very well indeed. The UGC has succeeded in dispensing a large grant without infringing the basic freedom of the beneficiaries; it has set minimum standards, but it has not imposed uniformity. The essential variety remains, though in 1935-36 the Parliamentary grant represented 48.5 per cent of the University income of Wales, 38.8 per cent in Scotland and 32.4 per cent in England.

It would not be true, however, to say that the policy and development of the universities have not been markedly influenced already by certain state financial aid. Of the total university population before the war,

many students were pledged to be teachers and in receipt of fees and maintenance grants from the Board of Education. Some of the smaller university institutions were largely dependent upon these teaching candidates for their solvency, and in several, the Professor of Education was a more important personality than the Principal himself; these colleges ran the danger of being largely annexed to the teachers' training departments, whither the majority of their graduates passed for their fourth post-graduate year.

The reason for this peculiar distortion of university development was two-fold. In the first place it was necessary, because of the profession's unattractiveness, for teachers in training to be subsidised. Secondly, as a consequence of this, teaching was the only subsidised avenue to a university education, which meant that many students promised to be teachers merely in order to go to college. The result was bad for the universities, for the students and for the teaching profession. The danger that university accommodation and university budgets will be more than ever overloaded by grant-aided teachers, because of the greater requirements of the schools after the war, is very real.

The other source of public aid to the universities was local. Very largely, it was for technical and other services rendered, though in part it was also given in the form of grants towards the fees or maintenance of likely students. Where universities confer benefits—as they should confer benefits, direct as well as indirect—upon the townspeople and trades of particular places, it is equitable that there should be a corresponding contribution in local cash, and a corresponding representation of local views in university government. The trouble in the past has usually been to limit the amount of local control over university policy that should be permitted in return.

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The expansion that is inevitable after this war will render acute these questions of public aid and public control. The magnitude of the additional aid required from taxes and from rates cannot yet be calculated. But some estimates have been made. Generally, the special committee of the British Association has recommended that the Treasury grant should be doubled at once, with the rider that "mere doubling will not suffice for long." More specifically, the Association of Scientific Workers has concluded that:

The annual expenditure of the universities is likely to rise to £15 million within five years, and to £20 million after ten (at 1939 values). Most of this will have to come from the State. The Government grant should be doubled in the first full academic year after the war and increased to quadruple (£9,000,000) in the fifth year.

It is, of course, most important that these calculations should be properly and exhaustively made and that the cost of expansion and improvement should be determined and apportioned. But it is even more important that, in this process, the right relation should be devised between the universities and public bodies. The UGC, with its minimum standards, its authoritative personnel and its wise and understanding advice (from Treasury officials as well as academics) is the right model for regional and local, as well as central, co-operation. It must clearly be recognised by the universities that they are in large part public institutions, not only because they depend, and will increasingly depend, so much on public funds, but also because they have a public duty to perform. That duty is to provide the education and to produce the graduates that the community requires. They will be tested by the results they achieve; and, whatever must be claimed for independence and cultural standards, the tests here must be material ones. If only because the supply of skilled researchers and of research facilities is scarce, it is essential that independence and "healthy competition" should not prevent the utmost co-operation between all the universities in their work and the closest contact with industry itself. Industry and trade must have their voice in the work of financial and administrative co-operation;

but if the directors of the universities can see their tasks in the right light, then there is no need for interference or control by outside bodies, central or local, in these matters any more than in the steady flow of "education for education's sake."

It is the right of the universities that they should be left free to pursue education along all its paths in the way that they know best. If they must accept, as indeed

NOTES OF THE WEEK

Roumania Changes Sides

On Wednesday night, King Michael of Roumania broadcast from Bucharest the announcement that his country had broken with the Axis, had ceased hostilities against the United Nations and had accepted an armistice offered by the Allies. He also made it clear that Roumania, like Italy, wishes to become a "co-belligerent" on the Allied side; and soon after the King's broadcast, fighting between the Roumanians and the Germans was reported. A government of National Union under General Senatescu has been formed. The majority of the new Ministers are generals who served under Marshal Antonescu, but Antonescu himself, according to some reports, is not among them and has fled to Germany. The Liberal leader, Bratianu, the old leader of the peasants, Maniu, as well as representatives of the Communist Party, have joined the Cabinet as Secretaries of State. "The dictatorship has come to an end and with it all oppression," said the King, and added the warning that

anyone who opposes the decision we have taken and who takes justice into his own hands is an enemy of our nation.

The strategic significance of Roumania's defection from the Axis is clear. Like Bulgaria's break with the Central Powers in 1918, it lays bare the German flank in the Balkans. Little is known about German strength in Roumania. But it is safe to assume that it has been decisively drained by the recent needs of the Baltic and Polish fronts. The fact that King Michael was able to make and announce his decision in Bucharest is encouraging. Now the fresh Russian advance from Bessarabia and the capture of Jassy are likely to be followed by a quick occupation of all Roumanian territory to the west of the Carpathians. As an immediate consequence of such an advance, the Germans would lose the Ploesti oilfields and the Bulgarians would break with the Axis. Once the Russians have advanced to the Bulgarian frontier, the Bulgarian Premier, Bagryanov, is certain to realise that the time for bargaining has gone and that the retention by Bulgaria of Western Thrace or of other occupied Allied territory is a forlorn, and impudent, hope. Yugoslavia and Greece are already largely controlled by their Partisan forces. Thus Hungary alone seems to offer the Germans any hope of continuing allegiance. But the Iron Gate to Hungary may soon be thrust open, while the Russian advance towards Cracow threatens to outflank Hungary from the north.

Generous Armistice

Two political questions arise from the Roumanian armistice. "Unconditional surrender" in the case of Roumania has been interpreted in a generous spirit. Not only is the Roumanian army to remain in being; but the United Nations, if King Michael is to be believed, have also committed themselves to restoring Transylvania to Roumania. This has undoubtedly speeded up the Roumanian decision. Secondly, "the United Nations have guaranteed the independence of Roumania." No confirmation of this statement has yet come from Washington, London or Moscow. If true, the statement would suggest that Russia has claimed no exclusive strategic and other interests in Roumania. The question must therefore again be asked why Russia should insist on the exclusiveness of its strategic interests in Poland and why Allied policy should appear to acquiesce in this demand. The situation becomes even less understandable when one recalls that Poland is the faithful ally of the United Nations, while Roumania until yesterday was Hitler's satellite and a direct aggressor on Russian soil.

Dumbarton Oaks

The United Nations have taken another step along their sylvan path to world order. After Hot Springs and

they must, the duty to furnish, with public aid, the maximum amount of equal access and opportunity in their classes, and the further obligation to supply the nation with men and women of the needed skill, training and outlook, they must clearly insist upon their long privilege to foster all the arts and all the sciences in the liberal and unbiased fashion which is their great legacy from centuries-old beginnings.

Bretton Woods comes the Conference at Dumbarton Oaks, where representatives of the United States, Russia and Great Britain have gathered to hold informal and exploratory discussions on the pattern of post-war security. Their conclusions are to be communicated to China, and later the rest of the world will receive a draft for general discussion. The plans of the three delegations broadly resemble each other and also have a strong family likeness to the old League of Nations, for the simple reason that when drawing up a constitution for a world of nation states it is difficult to play many variations on the original League theme. There will be Genevan ghosts behind every oak and Genevan whispers from every bough. This is not, however, a matter for melancholy. Nor is it merely nostalgia. It is not often that history repeats itself sufficiently exactly and quickly for the same generation to be able to learn from its own mistakes. The Great Powers have apparently considered the failure of Geneva, and there is general agreement that the League failed not from inherent faults of structure, but because the Great Powers did not make it work. Each of the three Powers at Dumbarton Oaks accepts this time the responsibility for making the new experiment effective. As Sir Alexander Cadogan pointed out at the outset of the Conference, responsibilities must be commensurate with power, and the Great Powers alone wield sufficient force to back a functioning security system. They alone can make the final decision of war and peace, and this responsibility needs to be formulated in some special provision. One suggestion is for a Council of Four as the final Executive in international society.

Good Neighbours?

Unfortunately the military and industrial strength which makes the Great Powers the essential foundation of world order is precisely the ground for the anxiety of smaller Powers about their rights and status. The fears of a Four-Power world hegemony which Mr Dewey saw fit to express on the eve of the Conference, and Mr Hull's assurances that full national sovereignty was not in question, both turn on a real dilemma in world order. The Powers whose force is needed to make a security system are distrusted precisely because of that force. It is useless to pretend that there is any merely institutional or functional way out of this dilemma. World order rests in the last analysis not only upon Great Power responsibility but also upon Great Power magnanimity and moderation—in other words, simply on their will to keep the peace. No amount of constitution building will alter the power relationship between, say, the United States and Mexico, Britain and Eire, Russia and Poland. If in their relations with the small Powers, the Great Powers behave like tyrants, and not like guardians of the law, no legal forms or institutional commitments will transform their policy into anything sweeter than disguised or undisguised aggression. The chief role of international institutions is thus to express their good intentions towards their neighbours. The Great Powers can underline the moderation of their policies by closely associating other nations with the work of world order. For instance, joint bases and joint staff arrangements between Great and small Powers would tend to alleviate the anxiety of the weaker members. Again, the setting up of a World Council on which smaller Powers have seats, some held permanently and others in rotation, would underline the fact that war is only the very last arbiter in international society and most difficulties and disputes can and must be solved before they are ripe to be handed over to the final military Executive of the Four Great Powers. Finally, functional organisations can be developed to express the varied content of international life—trade, communications, international investment, agriculture and food. It is perhaps an augury of success that the United Nations' Interim Commission for Food and

Agriculture set up at Hot Springs has been able, during the Dumbarton Oaks Conference, to present its plans for a World Agricultural Authority. International economic co-operation—freedom from want—can never be a substitute for an international security system—freedom from fear; but the habit of co-operation, which economic collaboration between Great Powers and small Powers helps to engender, can at least abate the fears and suspicions which Great Power predominance inevitably creates.

Terms of the Oil Agreement

The text of the Anglo-American oil agreement—signed by Lord Beaverbrook, Lord Privy Seal, and by Mr Edward R. Stettinius, Acting Secretary of State of the United States—has now been published. The two countries recognise,

- (i) that ample supplies of oil are essential for the security and economic well-being of all nations,
- (ii) that supplies are adequate for the foreseeable future,
- (iii) that supplies should be derived from the various producing areas of the world, with due consideration of such factors as available reserves, sound engineering practices, relevant economic factors and interests of producing and consuming countries, and with a view to provide full satisfaction of the expanding demand,
- (iv) that supplies should be available in accordance with the principles of the Atlantic Charter and in order to serve the needs of collective security,
- (v) that the adoption of these principles can best be promoted by an international agreement among all countries interested in the petroleum trade, either as producers or consumers.

As a first step to the conclusion of an international agreement, the two Governments are to set up an International Petroleum Commission. Its members are to be appointed in equal numbers by each Government. The Commission's duties will be partly fact-finding and partly advisory; its recommendations are to be designed to give practical application to the principles underlying the agreement. Eventually, it is to be superseded by an international agreement, and to this end the two Governments are to formulate plans for an International Conference. The new agreement will enter into force on a date to be agreed when each Government has informed the other of its readiness to adhere to it.

Oil Diplomacy

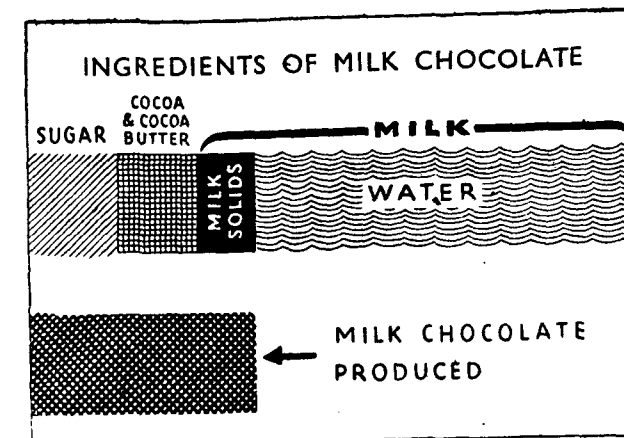
If the art of diplomacy consists in disguising intentions, then the Anglo-American oil agreement is a masterly document. It completely defies interpretation or, rather, it offers too wide a choice of interpretations to make any interpretation possible. It is not surprising that its publication was followed in the United States by the demand for an inquiry by the Oil Committee of the Senate. This is not the occasion for a detailed analysis of the world facts about oil or for any exhaustive speculation about the policies of the oil "empires" and their Governments. But three points in the agreement may be selected for brief comment. First, the British and American Governments are to respect the principle of equal opportunity in the acquisition of exploration and development rights in areas not now under concession. The countries in which Britain and America are to enjoy equal opportunity are not defined; on one interpretation the area of equal opportunity seems to lie outside the United States and countries under its jurisdiction, as well as outside the British Colonial Empire. If this interpretation is correct, the agreement accepts an important principle by treating Britain and the British Colonial Empire as a unit. The definition of equal opportunity itself has not been attempted. Secondly, the clause in the agreement about the supplies of oil to be derived from various producing countries, and their relation to national reserves and national interests, requires a great deal more elucidation. The prospect after the war is not one of an oil shortage, but a tendency to over-production that may tend to depress prices. In order to avoid a glut and falling prices the intention may be to prepare for a production, marketing and, possibly, price control agreement; if a cartel agreement of this sort can be justified, on what basis are production and marketing quotas to be allocated? How are prices to be controlled? And where do Russia and Holland stand in this matter? Thirdly, the agreement provides that the construction and operation of refineries shall not be hampered by restrictions imposed by either Government or by its nationals. The distribution of

refineries is no less important than the control of crude oil resources, but hitherto Britain has imported the bulk of its oil in the finished form. Since, for a variety of reasons, it may be desirable for Britain to engage in the process of refining, will this country have the right, under the agreement, to establish refineries even if this would involve, as in the United States, the imposition of a tariff on refined products? Without answers to these and other questions it is quite impossible to discuss the merits of the agreement. It is hardly possible that the long discussions between representatives of the British and American Governments were confined to platitudes. It may be that the agreement was restricted to a statement of general principles in order not to prejudice free discussion at the forthcoming International Conference. The approach to oil and the difficulties are, in fact, similar to the approach to civil aviation and its difficulties. But the approach is, in both cases, equally questionable since it inhibits informed discussion about a problem the manner of whose solution will vitally affect British interests.

Resurgence or Reaction in Italy?

For some weeks now confused rumours of unrest have reached the outside world from Italy. It is difficult to know the inner meaning of the rumours, for little genuine political reporting appears to be going on in liberated territory. The tenor of all the stories is, however, the same. The British and American authorities are said to be dissatisfied with the Bonomi Government, and to have played with the idea of its reconstitution. Some American newspapers hinted at the return of Badoglio as Minister of War under the premiership of Señor Orlando. Other papers were not so precise, but let it be understood that possible changes would be towards the Right. In point of fact, no Ministerial reshuffle has occurred. On the contrary, the prestige of the Bonomi Government has actually been increased by the transfer to its jurisdiction of several Italian provinces, including Rome itself. Nevertheless, the undercurrent of disquiet remains. Many Italians feel that the British and

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Americans are not giving anything like wholehearted support to Italy's struggling return to democracy. The Bonomi Government has to "cap in hand" to the Allies for all its requirements, and the return is felt to be all too grudging. It is difficult to understand the reason for such reservations as the Allies may have *vis-à-vis* the Italian Government. They cannot surely believe that Marshal Badoglio would give better military support, for it is obvious that the greater part of Italian resistance to the Germans has been offered by the partisans, all of them anti-Fascist and most of them strongly to the Left. It may be, of course, that it is precisely this fact that disturbs the Allied leaders. If so, they are going the worst way about dissipating their fears.

General Alexander's View

The forces of resurgence among the Italian partisans can be canalised into democratic channels provided they are accepted, encouraged and backed by the Allies. The most successful Allied leader in Italy, General Alexander, has apparently grasped this fact. Properly handled, the Italian partisans are a guarantee of political stability and efficient administration. In Florence, they had a complete structure of local government ready, and had even had the foresight to raise an internal loan for reconstruction several months before liberation. If Allied policy is guided by General Alexander, there can be little doubt that the democratic trend will not be frustrated. In a recent proclamation, the General greeted the patriots with high praise for their "courage, skill and endurance," and told them that

The Allied Military Government in no way concerns itself with political parties and factions in Italy except that it will not treat with Fascist traitors. Its only purpose is to aid the Italian people in their own interest. Italian patriots and all good citizens in the newly liberated areas can be of great assistance to Allied Military Government by organising a representative committee to meet with the officer of Allied Military Government as soon as possible after his arrival. They should be prepared to report fully on conditions in their community . . . the Allied Military Government cannot stay here. It must move forward to help others. It will leave the administration of the community in the hands of good citizens, who will no longer be under the domination of Fascist tyrants.

Mr Churchill is in Italy. He has lunched with Señor Bonomi. Less understandably, he has lunched with Marshal Badoglio as well. As a result of these contacts, will he be prepared to make a gesture to the Italian Government, to the patriot forces, to the people of Italy? Will he address a few "kindly words" to them in their struggle to relearn the ways of liberty?

Mr Curtin's Defeat

The refusal of the Australian electors to transfer powers for post-war reconstruction from the individual State Legislatures to the Commonwealth Government is the climax of a constitutional debate that has been going on now for nearly two years. Indeed, it has been going on, in various ways, ever since the colonies came together in the Commonwealth forty-odd years ago. The referendum held last Saturday turned on the question whether there should be added to the constitutional powers of the Federal Government the power to legislate on fourteen new subjects related to the economic and social reconstruction of Australia after the war—when some central guidance, however arranged, of employment, trade, production and finance will be indispensable. In October, 1942, Mr Curtin, who had then been in office for just a year, introduced a Referendum Bill to Parliament containing a draft of these proposals. The matter was then referred to a Constitutional Convention to which representatives of all parties, together with the Premiers of the individual states, were invited. The proposal was unanimously adopted by the Convention, and the state Premiers were committed to do everything possible to get the Bill through their Legislatures. When it came to the point, however, only New South Wales and Queensland agree unconditionally to the transfer. Of the other four states, Tasmania rejected it completely, Victoria made acceptance conditional on its being passed by the other states, and South Australia and Western Australia could only agree to about three-quarters of its provisions. This method of approach having failed, Mr Curtin was then constitutionally obliged to ask Parliament to refer the matter to the electors if he still wished to obtain the transfer of powers. By a good majority in the Commons and a small one in the Senate, Parliament agreed to this, and prepara-

tions were made for the referendum. The leaders of the Opposition parties were quick to resolve the issue into one of party politics, notwithstanding the full support they had given to the proposed alteration in the Constitution at the Convention of 1942. On this basis, Mr Curtin, with a majority obtained last year of 2 even in the Senate and 26 in the Lower House, might still have expected success. But Mr Menzies and Mr Fadden, both ex-Premiers who well understand the difficulty of Federal Government under changing conditions and with restricted powers—the former's advocacy of increased Federal powers will be remembered in this country—opposed the measure on the grounds that such powers were certain to be used by a Labour Government for "socialistic purposes"; and, aided by strong provincial feeling, which, in Australia, is even more deep-set and partisan than party sentiment, they carried the day. When the vote was taken a clear majority of 227,132 was opposed to the transfer of powers over the 1,506,846 electors who were in favour. Moreover, there was not the majority in four out of the six states that is necessary for a constitutional change of this kind.

Referendums and Democratic Government

Mr Curtin's defeat in the referendum must now be accepted as final. Technically, it is a constitutional rather than a political issue, so that there need be no question of the Government resigning. The Prime Minister will be obliged, however, to choose between attempting to prepare for peace-time conditions with powers which he considers, quite rightly, to be totally inadequate to his task—as indeed his chief opponents regard them also—or giving the opportunity to the Opposition to produce their own plan for dealing with the many problems that are bound to arise. The fate of the referendum has shown up the weaknesses of this particular piece of constitutional machinery. The habits of electors and politicians have been formed by the general election and the clash of policies, and it has proved impossible, in this case as in others before it, to divorce a change in the organ of government from the change in policy that may result. The fact that, in this particular instance, the validity of the transfer was limited to five years, and that a clear guarantee was included of the freedom of expression and religion and of the Parliamentary scrutiny of regulations issued by the Federal Government, counted, apparently, for little or nothing. Included in the list of powers to be transferred to the Federal Government were the right to legislate on employment and unemployment and on the production and distribution of goods. To employees of all kinds this could be made to seem like the threat of bureaucratic direction and the conscription of labour. To employers, the right of a Labour Government to legislate on company law, monopolies, foreign exchange, investments and loans, on profiteering and prices, was as good as a threat of post-war socialisation of industry and commerce. Fears such as these, assiduously fanned, were evidently strong enough to overshadow the significance of the checks and balances provided by a Parliamentary system of government. It may be that much of the result of the referendum can be ascribed to the particular circumstances and the balance of parties at the moment. Nevertheless, the unreliability of a method which, on paper, appears as a safeguard of democracy and the sovereignty of the people has again been demonstrated. It may, perhaps, provide a timely example for those European countries where the nature of the constitution by which the people are to govern remains still in doubt. There, too, the problem will arise, in an acute form, of providing for Governments which, while fully popular and democratically controlled, will be strong enough to do their job properly in modern (and post-war) conditions.

Balkan Differences

The political truce in Greece and Yugoslavia has now been concluded for good. In Greece, the EAM has at last decided to join the Greek Government on the basis of the terms laid down in the Lebanon Charter. The EAM gets control over five key departments. Professor Svolos, who enjoys the confidence of all Greek parties and groups, is to take over the Ministry of the Interior. The other four departments to be controlled by EAM are Agriculture, Finance, Labour and Transport. The Left will be able to enhance—or to compromise—its position by shaping Greek economic policy. In return for this, the EAM leaders have

now agreed to serve under M. Papandreou, whose dismissal they demanded a few weeks ago. The controversy over the fate of the monarchy is to be shelved until the end of hostilities. In Yugoslavia, the agreement between Marshal Tito and Dr. Subasitch, now published, provides for the co-existence and co-operation of the National Committee of Liberation with the Royal Government. The first is to act as the temporary home administration, the latter is to represent Yugoslavia abroad. In the words of the agreement,

The National Committee of Liberation considers that it is not necessary to give prominence and exacerbate at the moment, the question of the King and the Monarchy, as this does not at present constitute an obstacle to the collaboration between the National Committee of Liberation and the Government of Dr. Subasitch.

In the Balkans the constitutional controversy has not been thought to be sufficiently important to make impossible collaboration between the Governments who claim for themselves legal and constitutional continuity and the Communist influenced Committees of Liberation. In Poland, however, the controversy over the constitutions of 1921 and 1935 has been considered as giving sufficient ground for the assuming of all governmental functions in the freed Polish territories by the Soviet sponsored Committee of Liberation. This striking difference is not due merely to independent and divergent tactical decisions taken by the committees themselves. The Russian viewpoint is a decisive factor in determining their various tactics.

Progress to Report

The Planning Bill and the Housing (Temporary Accommodation) Bill are only pieces in the much larger pattern of replanning and rebuilding. They may work badly, or even be unworkable, without the backing of wider and more general legislation on these crucial questions. But at least it can be said that, until they are passed, local authorities cannot even begin the preliminaries of rehousing. The Government intends to rush these two measures through Parliament as soon as it reassembles. It has no option if a serious housing crisis when the war ends is to be averted. But this can only be done if, meanwhile, some compromise is reached with the Bills' main critics, and, conspicuous among them, with the local authorities, who are still boggling at the cost to be put upon them. Official discussions over the Planning Bill are centering on the memorandum submitted to Parliament by the five associations of local authorities, and Mr Morrison has held meetings with all of the associations concerned. Apparently no decision has yet been taken over the strongly voiced demand that "blighted" (obsolete housing) areas should receive the same Treasury grants as "blitzed" ones. Probably the Government should make up its mind to concede this very reasonable (in view of the great need for replanning such areas) and moderate (in view of the sums involved) request. On the other hand, local authorities should surely cease their complaints about the injustice of paying adjusted 1939 prices for land. On balance, though some details could be changed, the injustice is definitely to landowners. The necessity for speed is still more obvious in the case of the Housing Bill, since, as Mr Willink himself has pointed out, at least six months will be needed for local authorities to select and prepare sites and for the necessary jigs and tools to be assembled before mass-production of the Portal bungalow (and any other standardised type that may be accepted—the absence of alternative types is still a point of grievance) can get under way. The first step has been taken with the issue by the Ministry of Health of a circular asking the larger housing authorities to state the number of temporary houses they would like to obtain. They are also asked to estimate what land is already in their possession which could be used for this purpose without prejudicing their "permanent" housing programme, but which again should, probably, be suitable for conversion to "permanent" housing sites in ten years' time, and which should be large enough to accommodate at least 100 (or, in the case of smaller authorities at least 50) temporary houses. The answer is likely to be—very little.

The Voluntary Hospitals Protest

It is now the turn of the voluntary hospitals to give their view on the White Paper on the health services. As expressed in a memorandum by the British Hospitals Association, this view amounts to a condemnation of the pro-

posals for a hospital service, because, particularly those relating to administration and finance, they "would result in the disappearance of the voluntary hospitals." The memorandum points out that, under the White Paper scheme, the joint authorities, which in effect means the local authorities writ large, would have complete control of the hospital service within their jurisdiction and of the consultant service. They could influence the voluntary hospitals' expenditure and, by encouraging "regimented standardisation," preclude that "complete freedom in the treatment of their patients by the medical staff" which is the hallmark of the voluntary hospital; they could hamper their research work; and they could cancel contracts with individual hospitals, thereby destroying them. Instead, therefore, of the administrative set-up proposed in the White Paper, the memorandum suggests the establishment at the centre of a Central Hospitals Board, consisting of equal representation of the local authorities and the voluntary hospitals and with representatives of the consultant service. Locally, there should be Regional Hospitals Councils which would be composed in the same way as the central organisation and like it would be statutory bodies; they would be charged with the duty of planning the hospital and consultant services for their areas. These areas would be large, generally far larger than the joint areas of the White Paper, and where possible should include at least one university teaching hospital or centre. But, in order to give local interests some say in the planning and administration of the service, there should be Local Hospitals Councils composed on the same principles as the regional and central bodies. Financially, the Association proposes that the voluntary hospitals should receive a direct grant from the Exchequer for their services instead of through the local authorities and that they should be able to apply to the Government for the whole, if need be, of the capital expenditure required for rebuilding and extensions.

Clearly these proposals cannot simply be dismissed as reactionary or partisan. The vehemence with which most of the medical profession, and now the voluntary hospitals, oppose any form of control by any form of local authority strengthens the opinion, already expressed by *The Economist* on financial grounds, that the health services might be best transferred wholesale to central control—though the local authorities' case, which is not a weak one, has still to be heard with the same effectiveness as the voices of their critics. There is much to be said for having wide areas for the hospital service and for allowing a patient as free a choice of hospital as facilities allow—if necessary by the continuance of the voluntary contributory schemes. The voluntary hospitals so far are in much the same position as the direct grant and public schools. But their insistence on virtual autonomy, even when in receipt of public funds, including a 100 per cent grant for capital expenditure, makes their demands more like those of the Catholic schools. And though they insist that the patients' interests are paramount, there is precious little sign of the patient having a voice in the administration of the voluntary hospital. It is too easily assumed in the memorandum that the high standards of the teaching hospitals are characteristic of all voluntary hospitals. They can be very, very good; they can also be horrid.

Russian Trade after the War

Russian trade policy is ceasing to be, as Mr Churchill once said in another connection, "a riddle wrapped in mys-

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tery inside an enigma." Self-sufficiency will no longer be the guiding Soviet principle, at least in the post-war period of reconstruction. At Hot Springs and at Bretton Woods the Russian delegations pursued a most active policy to gain for their country as many vantage points as possible in the world economic field. These are to be used not for economic expansion abroad, but for obtaining the assistance of foreign capital in the work of Russia's domestic reconstruction. The range of the assistance which Russia will need in the first years after the war will be very wide indeed: machine tools for the renovation of Russian industries; tractors and harvester combines to re-establish the technical basis of collective agriculture; cattle to replace the destroyed cattle population of Russia's western lands and the depleted stocks of the other republics; and, finally, foodstuffs and clothing. No doubt the import of producers' goods will still be the chief consideration of Russian trade policy. But, in the short run, for a year or two after the war, an appreciable priority will also be given to the import of consumers' goods. How will the Soviet Union pay for these purchases? It is difficult to say what quantities of goods Russia will be both anxious and able to export after the fighting stops. Surpluses in some of the staple articles of Russian export—oil, timber, perhaps wheat, manganese, furs—ought to be available fairly soon. But Russia will only be able to trade with the world if the means are provided to tide over several years of an adverse balance of trade, and if help is made available for reconstruction by long-term investment credits. The quota in the International Monetary Fund which Russia has received under the Bretton Woods agreement—\$1,200 million—has provided her with a very wide margin of means by which to overcome short-term fluctuations in her balance of payments. With a pre-war share in the world's trade which was only one-thirteenth or one-fourteenth of the British share, the Russian monetary quota is now almost equal to the British. This striking promotion of Russia in the world's economic councils does not, however, do away with the possibility that Russian export capacity immediately after the war may be so reduced and Russian import requirements so high that this quota may be exhausted relatively early. In any case, the quota gives Russia a considerable "mass of manoeuvre" for trading, partly on a cash basis, and for trading with selected countries. Another resource will be provided by Russia's considerable gold reserve. Here, however, it is not known just how considerable this reserve is or to what extent the directors of Russian trade will be inclined to draw on it for trade purposes.

The Question of Credits

The main key to open the Russian market is, however, long-term credit. The "ideological" obstructions to long-term credit have now apparently been overcome, both at the "Socialist" Russian end and at the foreign "capitalist" end. The United States undoubtedly holds the credit key firmly in its hands, and arrangements for the export of American long-term capital to Russia are fairly advanced. The International Bank for Reconstruction and Development will certainly be the chief instrument in the promotion of loans to Russia, since those loans are certain to be classed as "safe enough to meet the Bank's standards and yet not safe enough to float on their own merits." What is not clear is to what extent the Bank will act merely as a guarantor, and to what extent it will participate in granting the loans. Should the Bank directly participate, this would perhaps create some opportunity for other nations, besides the United States, to carrying credit operations at a time when their own balances of payments would make it very difficult for them to act independently. On the American side there have, in the meantime, appeared symptoms of a tendency to use the credit-key to Russian markets more or less exclusively. A recent speech in Moscow by Mr Eric Johnston, of the US Chamber of Commerce—of which only a few irrelevant sentences were quoted in the press—contained an implicit appeal to the Russians to discard any thought of trade with the countries of the Old World. The response of the Soviet Commissariat of Foreign Trade to this plea has not been reported, though it can be guessed. In the long run, America is certain to enjoy the advantages that follow from being chief creditor and leading industrial producer in the world; and, in the shortest run, when the nations of the Old World will still be struggling with the economic aftermath of the war, America's advantages may be more or less exclusive. But,

in the not so short run, the Old World is hardly likely to fade from the picture. Mr Johnston may, of course, have been very impressed by his geographical discovery that in the Bering Straits the USA and the USSR are neighbours "only three miles apart." But the fact remains that the frontier between the Old World and Russia runs along hundreds of miles on land, and this, too, is a fact that is not without its economic significance. Mr Johnston may not have known—as M. Mikoyan, the Soviet Commissar for Foreign Trade certainly does know—that, before the war, the United Kingdom alone used to buy not much less than one-third of the goods which Russia exported—and buying from abroad remains the least developed of the United States' very great potentialities. It may be that after the war the importance of Britain as a buyer of Russian goods will not be relatively as big as before, if the volume of Russian trade increases, and the different shares of different countries in Russian trade change. But even so, it would be an illusion to think that the focal point in the world's trade has shifted to the Bering Straits, or that there will be an Open Door into the United States for Russian goods. It would, on the other hand, be equally erroneous for British businessmen merely to rely on the comfort to be drawn from the figures of Anglo-Russian trade before the war, when Russia's share in the world's trade was not more than one per cent of the total. Russia's entry into world markets may to some extent revolutionise international trade relations; and in this country regrettably little concrete thought has so far been given to the ways and means which would enable British exporters—and importers—to play an active part in that revolution.

Labour Costs on the Farm

In an article in the 1943 Report of the Long Ashton Agricultural and Horticultural Research Station, Mr C. V. Dawe gives some interesting statistics about farm labour costs, based on an analysis of 118 farm accounts. The conciseness of his presentation means that the critic must also be a detective to draw correct—and consistent—inferences. What do these most interesting figures actually mean? In the five wartime years since 1938-39 the labour bill has risen so as to absorb 32 per cent instead of 24 per cent of total farm costs, which have, of course, also risen. Labour's share of total farm income (also increased) has remained roughly constant at about 24 per cent. This indicates, satisfactorily enough, that the labourer is getting his fair share of the farmers' increased prosperity, which is obtained entirely through a rise in receipts relatively to his other costs. More puzzling to analyse is the rise in the productivity of labour. For every £100 of labour cost total farm production was £316 in 1938-39, rose as high as £451 in 1939-40, and was £420 in 1942-43. The calculation is made in monetary terms, and would only provide an index of physical output if prices and wages had moved together. In fact, the rise in wages has tended to outstrip the rise in prices—so that the wartime increase in the actual output per head of labour is, apparently, still greater than the figures suggest. Mr Dawe confirms this conclusion by stating that, whereas the standard rate of men's wages has increased by 91 per cent in the last five years, the cost of labour per acre over the four years to 1942-43 had risen by only 57 per cent. How is this undoubted increase in labour productivity to be explained? Mr Dawe himself is undecided whether to give most credit to the farmers or the workers (very considerably diluted by all kinds of unskilled wartime recruits). But, surely in addition, much must be allowed for improved methods of farming and for increased mechanisation.

Figures and Facts

All labour statistics, however, tend to be thrown out of gear in war-time by the changed composition of the labour force. This is certainly no less true of farming than of manufacture. The eager but motley throng of harvest volunteers, schoolboys, prisoners of war—and even the much more professional Women's Land Army—can surely not hope to compete in output with the quietly knowledgeable regular labourer. The colourfulness of this array has, perhaps, given a false impression of its numerical strength, much more so of its importance, which can be truly gauged only by the farmer, whose opinion would not flatter the perspiring volunteer—necessary as his aid is. If

then productivity of the total farm labour force has gone up as much as most evidence suggests, then—for all the improvement in methods and for all the new machines—the regular farm labour must have worked wonders. The pre-war bill per farm for all types of casual labour amounted to only £23; in 1942-43 it was up to £97, but even this figure only represented one-thirteenth of total labour cost. Truly, as Mr Dane points out, "the output of food depends primarily upon the mutual understanding and co-operation of the farmer and his regular staff."

The Burden of Rent

The current issue of the *Bulletin* of the Oxford Institute of Statistics contains an informative article by Mr J. Goldmann on rent expenditure—based on an enquiry carried out in May of this year by the British Institute of Public Opinion. The method of this investigation is as interesting as its results. Of the total of 1,337 effective interviews, 1,011 were with "renting" families and 326 with house-owners. About 12 per cent of the answers were unsuitable for tabulation, chiefly because they lacked details of total income. The regional distribution of interviews was proportionate to the regional distribution of population, while the socio-economic structure of the sample was in accordance with that of the representative regions. The social status of each contact was deduced from a combination of income and occupational characteristics. Contacts were selected at random in the street or by house to house canvassing. When the results of this representative sample are checked against official information a high degree of consistency is evident. Since the subject of rent restrictions is due for Parliamentary consideration these new findings are extremely important. Last year an Inter-Departmental Committee was set up to consider the subject of rent control. There are demands from many quarters that the rent restriction scheme should be abolished, but the degree of control to be substituted for it is a matter of acute controversy. The National Federation of Property Owners and the Law Society have recommended that restrictions should be relaxed. The National Institute inquiry has shown that rent restrictions have preserved an uneconomic and unfair system of rating assessment. After the last war many of the new houses built were bought by owner-occupiers, and were assessed for rating purposes by comparison with existing rented houses. The inequitable burden of rent is augmented by a system of rating assessment that penalises the in-

Net Family Income £ per Week	Percentage of Families in Income Group	Average Rent Paid by Renting Families	Percentage of Net Family Income Spent on Rent	Proportion of Families Renting their House in Income Groups
Up to 2	4.6	8.7	29.0	87
2 to 3	7.9	10.9	21.8	91
3 to 4	17.9	14.0	20.0	87
4 to 5	18.7	15.8	17.6	81
5 to 6	18.5	17.7	16.1	73
6 to 8	14.2	20.0	14.3	76
8 to 10	7.6	22.0	12.2	70
10 to 12	4.0	24.1	11.0	51
12 to 15	3.1	25.7	9.5	
Over 15	3.5	29.4	8.9	
	100	Av. 16.6	Av. 15.6	Av. 75.5

habitants of older dwellings and the citizens of declining districts. In the table above the term "rent" includes rent, rate and water charges; income is net (after income-tax deductions). The table shows that while absolute expenditure on rent increases with rising family income, the expenditure on rent as a percentage of family income falls. Rent payments rise at a diminishing rate as family income increases. These results are in agreement with the findings of pre-war surveys, so that it is clear that changes in the wartime distribution of incomes have not materially affected the regressive character of rent expenditure. In the higher income groups only about 50 per cent of families pay rent. If there were any uniform increase in rents the burden on lower incomes would be disproportionately heavy actually and relatively. Not only does rent take a smaller fraction of net income from the upper income groups, but the fraction is paid by fewer families. Rent constitutes one of the largest single items of national expenditure. The real burden of rent cannot be alleviated until building costs have been substantially reduced.

The Madge Enquiry

Some two years ago an investigation was conducted, under the auspices of the National Institute of Economic and Social Research, into the incidence of the war savings habit among wage-earning families. An article in *The Economist* (February 6, 1943, p. 170) summarised and commented on the findings of this inquiry, which showed a remarkable concentration of National Savings in a small percentage of the working-class families interviewed. Eighteen per cent of the families, it was estimated, contributed 76 per cent of the total national savings involved, and 3 per cent contributed 31 per cent. Together with other data, this indicated a tendency for the major savings to be accumulated by families with "excess incomes" of £2 10s. or more over and above the expenditure required for primary necessities. National Savings tended to absorb an increasing proportion of wage-earners' income as income rose. Dr. H. W. Singer has now published a critique of Mr Madge's enquiry, in which he questions the reliability of both the evidence and the conclusions. Among Dr. Singer's grounds for criticism is the defectiveness of the method employed by which an instantaneous picture is recorded of weekly savings, without taking into account the small accumulations which are made before a round sum is actually invested. A second complaint is against the representative character of Mr Madge's sample, which, it is true, is far smaller than the Rowntree survey of York, for instance. The final results of the enquiry are condemned as inconsistent and incomplete. Dr. Singer's attack is searching, and gives the impression of scoring every possible point. On the other hand, in constructing his criticisms, Mr Singer himself is sometimes inclined to make assumptions equally as dubious as those of Mr Madge. Complete reliability was never claimed for the Madge enquiry, and even if the weaknesses pointed out by Dr. Singer render some of its conclusions open to doubt, there is no reason to suppose that its major contention, that war savings are by no means evenly spread over the population, is thereby invalidated. Indeed, it is doubtful whether the labour and skill of either Mr Madge or Dr. Singer were really needed to demonstrate this truism. The problem can obviously only be settled by means of a much wider survey of the total savings accumulated in individual families. Meanwhile, the Madge enquiry probably served a useful purpose in revealing, even if not with impeccable accuracy, the fact that post-war economic policy cannot rely on National Savings as a widely—or proportionately—spread reserve of purchasing power. Their greatest usefulness has been in the restriction of wartime consumption. It is as a secondary result only that some families and individuals have been able to accumulate a nest-egg, under particularly favourable conditions, for use after the end of the war.

Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,980	3,474
Sept.-Dec., 1940.....	22,282	28,522	50,804
Total, 1941.....	20,863	21,839	42,702
Total, 1942.....	3,221	4,149	7,370
Total, 1943.....	2,357	3,462	5,819
Jan.-May, 1944.....	1,561	2,916	4,477
June.....	1,935	5,906	7,841
July.....	2,441	7,107	9,548
Totals to date.....	56,154	75,881	132,035

Those killed in air-raids during July included 1,022 men, 1,187 women and 232 children under 16.

Road deaths during June totalled 497, compared with 380 during June, 1943. Last year, 5,796 people were killed on the roads, compared with 8,272 in 1939.

Increases have been made in the pay of whole-time members of the Civil Defence General Services, the National Fire Service, Civil Defence Reserve, and local authority Fire Guard, and they will be retrospective to June 1st. The rise for men is 2s. a week and for women 1s. 6d., raising basic rates to £4 0s. 6d. and £2 16s. 6d. respectively. Service pay in the basic grades for three years' whole-time service now amounts to 12s. a week instead of 7s. for men, and 8s. instead of 5s. for women.

AMERICAN SURVEY

Mr Dewey's Doubts

Governor Dewey created a great stir last week by appearing, on the very eve of the conference at Dumbarton Oaks, to throw the whole foreign policy debate back into the political cauldron from which Mr Hull has worked so long and so patiently to rescue it. In a widely publicised statement, he said that recent reports

indicate it is planned to subject the nations of the world, great and small, permanently to the coercive power of the four nations holding this conference

and he went vigorously to the defence of the equality and the rights of the small nations and minorities. Drawing a deep distinction between the job of keeping Germany and Japan disarmed (which he agreed was the primary responsibility of the main victors), and the organisation of permanent peace, Governor Dewey urged that the principles for which the war is being fought must not be lost in a "cynical peace by which any four Powers dominate the earth by force." Mr Hull immediately issued an unequivocal denial that any such intention was entertained by the Administration or the other Governments participating in the conference. But for a few days speculation was intense as to the significance of Governor Dewey's unexpected intervention. It was regretted that doubts concerning American unanimity on the issue of the world peace structure should have been reawakened. The Democrats alleged that this was merely a bid for the votes of the American minorities, and even that Governor Dewey, at the behest of the obstructionists in his party, was imitating Senator Lodge's example of defeating a peace by flanking movements rather than frontal assault. At the very least it was assumed that the Republicans, having their doubts as to their ability to carry the election on domestic issues alone, had determined to attack the Administration's management of the peace discussions. All this speculation now seems wide of the mark. Subsequent developments showed that Mr Dewey wanted, not to pick a fight, but to be brought into the circle. The Secretary of State has expressed his willingness to exchange views with Governor Dewey; and Mr John Foster Dulles, Mr Dewey's adviser on foreign affairs, has been chosen to represent him at the Conference. By telegram the Republican candidate assured Mr Hull of his fullest co-operation.

Bi-Partisan Agreement

There is no reason to doubt the honesty of Governor Dewey's concern about the character of the peace or the treatment of the smaller nations. His anxiety is not unique. In recent months, it has been identified with the name of Mr Sumner Welles, to name only one prominent figure among the sceptics. It will be no bad thing to have Mr Dulles' vigilance exercised in behalf of the small nations. Nevertheless, it looks as though the issue was raised largely to remind the Administration that a "bi-partisan" peace policy must be more than the work of one party. If the Republicans are to co-operate in keeping foreign policy out of the campaign they very naturally want a share in the credit. Mr Hull's ready response proves once again, if that be necessary, that political calculations have no part in his steady and devoted progress toward the creation of a bi-partisan foreign policy. Mr Hull has patiently striven to carry Congress with him in the negotiations by regular conferences with a Senate group. He is equally ready to share information and responsibility with Governor Dewey to the end that ratification of the settlement may be assured. It is said by the Albany correspondents that the inclusion of the Republican candidate in the consultations will eliminate from the election campaign the argument that continuity of foreign policy is only possible through the re-election of the Roosevelt Administration. This may be only a hope. But certainly it is a wise precaution to secure the responsible participation of a man who may have to carry through the plans for a security organisation. Even if Governor Dewey is defeated, his influence may affect the Senate stand on ratification. The extension of this practice of bi-party consultation has taken place so gradually that its extraordinary

character goes almost unnoticed. Heretofore it has been unknown in American history for two rival candidates to collaborate in advance, no matter how urgent continuity of policy might be. This drawing together of the parties in the field of foreign policy is possibly the most striking result of the war. To how great a degree it has been forwarded by political embarrassments on the Opposition side, and therefore how solid the structure will prove, is another matter. Such an unusual gift horse should not be looked too closely in the mouth.

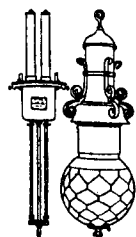
Taking up the Slack

Before leaving for his mission to China, Mr Donald Nelson has put into effect the fourth step of his programme for limited increases in civilian production. This lifts the ban on making 79 classes of civilian articles where local surpluses of labour and machinery permit. In the list of preferred items are such articles as kitchen utensils, including tin-openers, typewriters, sewing machines, electric ranges, vacuum cleaners, alarm clocks, food processing machinery, and maintenance equipment. Mr Nelson admitted that at present the increases could not be large; and he put his main emphasis on the value of providing a mechanism for the partial conversion of industry from wartime to peacetime production. The increase may well be less than Mr Nelson hoped to achieve before the Service Departments and Mr Byrnes entered their strenuous objections. The War Manpower Commission seems to have acquired the functions of a Service watch-dog, in the fear that Mr Nelson's regional officers may be carried away by

BENEFACTORS OF MANKIND



CHARLES FRANCIS BRUSH (1849-1929)
His outstanding work was in the field of light, a subject, akin to life itself, which still engages the seeker after scientific truth, and awaits final definition. In his great old age he was described as "A Pioneer of Light". Could any epitaph be more honourable?



Pioneering

THIS brilliant American scientist interested himself in the study of gravitation and molecular physics, but his great obsession was electricity. He lived through the progressive stages of candle light, lamp light and gas light, and then he contributed the electric arc lamp to the amenities of civilisation, bringing noon-day light at midnight to city squares, boulevards and broadways. His inventions include a dynamo, and he claimed the lead storage battery as one of his original conceptions. The Brush Electrical Engineering Co. Ltd., which bears his name, sprang directly from his activities, and has carried on the tradition of his pioneering through half a century of progress.

The BRUSH
ELECTRICAL ENGINEERING CO. LTD.
LOUGHBOROUGH, ENGLAND.

TURBO-GENERATORS, TRANSFORMERS, E.H.T. and M.T. SWITCHGEAR, A.C. and D.C. MOTORS and GENERATORS, CONVERTERS, ELECTRIC TRUCKS, BUS and COACH BODIES

their enthusiasm. Under the revised ruling, they may not authorise increased civilian production until labour checks have been made, and the area representative of the Manpower Commission has certified in writing that it would not interfere with either local or inter-regional recruitment of labour for war production.

In the Goldfish Bowl

Messrs Baruch and Hancock, in their report on reconversion, insisted that all sales of surplus Government property should take place "in a goldfish bowl." It is now possible to see just what the goldfish bowl is likely to contain. A special committee of the House has just released a report on the Colmer Bill, dealing with the disposal of surplus property. It estimates the value of such property at from \$50 to \$60 billion, compared with a total war output, from July, 1940, to June, 1944, of about \$130 billion. About half of the surplus will be ships and aircraft. Guns and munitions constitute another fourth, leaving only about a quarter in goods suitable for civilian resale. But of this remainder it is believed that about half will be abroad, and probably will be sold there. The value of the goods to be disposed of on the domestic market is put at about \$6 billion, about six weeks of retail sales in the United States before the war. They consist mainly of clothing, textiles, motor vehicles, food, raw materials, machinery and tools. In this grand sale, the most keenly debated issue is the protection to be afforded the small businessman. Champions of the little man, like Mr Ickes, and Mr Maverick, head of the Smaller War Plants Corporation, insist that this is an opportunity to recompense him for his "decimation" during the war. They put the number of small businesses which have gone under at about 500,000. Mr Clayton, head of the Surplus Property Administration, is on record as favouring the sale of war goods with a view to aiding small business and discouraging monopolies. This will be easier in the sale of bicycles and lorries than in the disposal of Government plant. About \$2 billion of Government-owned plant is of value mainly to the companies which now operate them, in conjunction with their privately owned plant. Of the remainder of the \$15 billion Government investment, a very large part is in plants of the white elephant size. Three-fourths consist of projects of \$10 million or more, and nearly one-third is in units of \$50 million or more. The problem is to find a way of breaking down these vast agglomerations, Mr Maverick has suggested a multiple rental scheme, by which one factory would house, say, six tenants. But it will hardly be the smallest of businessmen who will be able to afford a sixth of even a \$10 billion plant.

Cornucopia

The biggest wheat harvest in American history is just around the corner. Mr Marvin Jones, the War Food Administrator, has just returned from an inspection trip, and predicts that the wheat crop will be 100 million bushels larger than the biggest crop ever before produced. A great Panzer division of combines has been shipped south, and is now following the harvest northward to the Canadian border. There is too much wheat to store. It has been piled in the fields, along the railroad sidings, stored in temporary bins, and in one small town Mr Jones saw a paved street topped off and piled high with wheat. This is a far cry from the Wheatless Wednesdays of the last war, and the requirement that to buy wheat flour, one must buy an equal quantity of wheat substitutes—corn meal or grits, oatmeal, and rice. On July 1, 1918, the wheat carryover was 40 million bushels. In 1944 it was 350 million. The corn harvest also is expected to be good. The immediate significance lies in the use of both cereals as feed grains. Corn, however, is by far the most important, and on the size of the corn crop depends the amount of milk, meat, and eggs that will be available in the next two years. It looks now as though the heavy reduction in livestock which was thought to be the inevitable result of the feed shortage, could be avoided; and that the use of wheat for livestock feed, a result of the corn shortage, could be reduced. Both livestock and grain farmers can count on a continuation of the boom days. The uses to which farmers are putting their bigger incomes is shown, in part, by the repayment figures of the Farm Security Administration. Over seven years, the FSA has granted \$212 million of long-term farm ownership loans.

Although it was expected that only \$32.7 million would have been repaid by the middle of 1944, actually \$43.4 million has been received. The FSA's Rural Rehabilitation Loans, designed to provide operating capital for farmers unable to obtain commercial credit, have been almost entirely cleared off. This is the bright side of the picture. The darker is a recent warning against the characteristic wartime tendency of farmers to buy more land at inflated prices. It is suggested that a land-inflation comparable to that of the last war is in progress, and that it may be followed by a similar collapse.

Bargains in the Bases

The demand for bases has been raised again. The theme is capable of endless variations, like those musical exercises in which a simple tune is played "in the manner of various masters." Strummed by Senator McKeolar, it is harsh and insistent. Taken up by Senator Reynolds, it is played in thunderous double forte with patriotic embellishments. Islands, including Bermuda, must pass to Uncle Sam, not only for his defence, but in repayment of the debts incurred in the last war and for Lend-Lease in this. When Senator Connally, the chairman of the Foreign Relations Committee, renders the tune, it is muted, and much more graceful—"We just can't go out and take bases," he declares, "but the question will undoubtedly be dealt with in the Peace Conferences." When the President, the Paderewski of them all, comes to give his variation of the theme, all is harmony and sensitive ears affrighted by the Senate performers are soothed again. Mr Roosevelt sees the problem as one of joint defence and of common interest. Apprehension over occasional ebullitions in the Senate need not be too serious as long as the leader of the orchestra continues to perform with such statesmanlike moderation.

Philippine Dilemma

The courage and the loyalty of General MacArthur's Filipino troops in the defence of Bataan have become an integral part of the wide and deep-rooted American Pacific legend. The loyalty of the Filipino population was given as the main reason for the recent advancement of the date upon which independence might be granted to the islands. It comes as a surprise, therefore, to find the usually well-informed *Washington Post*, in an article published last month before President Quezon died, issuing a warning about the difficulties of re-establishing a native government. According to its correspondent, Bill Costello, virtually every Philippine official became a Japanese collaborator as soon as Corregidor had fallen—on the naive assumption that the Americans would never return. If this is true, there will be a few men eligible for public service when the islands are liberated. Mr Costello suggested that President Quezon, when he went to the Philippines, might wish to welcome back his former supporters, now deeply compromised by collaboration with the Japanese, and that this might easily provoke civil war. With President Quezon's death the dilemma seems to have been heightened. His successor, President Osmena, formerly Vice-President, has nothing of Manuel Quezon's commanding qualities, and it is impossible to predict what sort of a following he will enjoy when his government returns. The State Department's rich experience in the thorny problems of recognition may once more be put to the test in the near future.

Books Received

- The Tragedy of European Labour, 1918-1939.* By A. Sturmhthal. (London) Gollancz. 288 pages. 7s. 6d. net.
We Are 115 Millions. By A. Plutynski. (London) Eyre and Spottiswoode. 130 pages. 7s. 6d. net.
Education Handbook. Edited by E. W. Woodhead. (Norwich) Jarrold and Sons. 120 pages. 5s. net.
Faith, Reason and Civilisation. By H. J. Laski. (London) Gollancz. 203 pages. 6s. net.
The Road to Serfdom. By F. A. Hayek. (London) Routledge. 184 pages. 10s. 6d. net.
Your M.P. By Gracchus. (London) Gollancz. 110 pages. 2s. 6d. net.

Letters to the Editor

Terms for Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—Your article "Terms for Germany" indicates that you are embarking upon a campaign for a "Just Peace" which does not concern British internal politics only—in which case I would not think of writing any letter to the Editor—but deals with a matter of vital concern, not only to the Continent of Europe, but to the peace of mankind.

I belong to the rather rare species of Czech liberals. I wish very strongly that Great Britain's influence on the Continent should grow, that its liberal traditions, its political institutions should be shining examples for the Continent, and I wish especially that Great Britain's ties with my own country should be strengthened still more so that it may succeed in its task of becoming the solid bridge between East and West.

Your views on the treatment of Germany, however, seem to me the best way for Great Britain to lose its influence on the Continent, including Germany.

What is your argument for moderation towards Germany? That a moderate peace only will be enforceable in 15-20 years' time, and that Germany must be treated fairly in order to prevent the reoccurrence of violent campaigns for revision.

It is a new kind of appeasement you are preaching, based on the naive belief that a "fairly" treated Germany will be a better safeguard for peace than a "badly" treated one.

Do you really believe that a beaten Germany—even if treated as you suggest—will ever forget its defeat, and will not try its revenge again? Do you think any concessions can make the Germans forget that they were beaten? And don't you know that the Germans will try—following their national instinct—in any case, to undo defeat? And that the only policy to prevent it is to keep Germany as long as possible as weak as possible? And that your suggestions will not only fail to preserve peace, but hasten the next war?

If your proposals would have been adopted in 1919 this war would have started years earlier, because the Germans could have saved the time which was necessary for the "preliminaries," like the introduction of conscription in Germany, the occupation of the Rhineland, etc.

Every country is responsible for its leaders. Great Britain for Churchill, Germany for Hitler. The Germans have to realise that a Hitler as their leader pays still less than a Wilhelm. The problem of Germany is a problem of social criminology, and it cannot be solved with reference to the psychology of the police as you do by stressing the probable reaction of the British public in twenty years' time.

You say: "If the German campaign for revision has to begin with a naked demand for bombers and tanks, it stands a good chance of being resisted by even the crassest isolationist or the blindest idealist." Do you want to base the peace of the world on a "chance"? Do you really think Germany will ever make "a naked demand for bombers and tanks"? Did it ever make it before this war? It produced them under the noses of the former Allies, and there is nothing to guarantee that the Allies will this time exercise a better control than last time, and especially that they will be less split in their attitude towards Germany. And this is the *punctum saliens*.

Don't you realise that the whole of Europe hates the Germans as no Englishman can probably ever hate? Do you want to be regarded as Germanophiles? Do you want to repeat in your relationship with Russia what you did with France between 1919-1939? Or do you think you will ever be able to recover from a "fairly" treated Germany all the money you put into it in the first appeasement period?

May I impress upon you that the surest way for Great Britain to lose the sympathy of Europe is to plead in favour of Germany. The peoples of Europe know their Germans; you don't.—Yours faithfully,

DR ALFRED DRUCKER.

Czechoslovak Legal Council.

[Dr Drucker's views are worthy of the closest attention; but it is unfortunate that he has not read our article more carefully. Moreover, Dr. Drucker, who is a distinguished Czech, and knows very well what the attitude of *The*

Economist has consistently been since 1933 (and, most conspicuously perhaps, in 1938) towards the Germans, and their unhappy victims, is surely most disingenuous—and perhaps ungenerous—when he accuses us of "appeasement," in whatever form. The following points are worthy of his notice:—

(1) There was no hint of a plea in the article that the peace should be "just" or "fair," no trace of any suggestion that Germany should not be "badly treated"; for this reason alone Dr Drucker's criticisms almost all fall at once to the ground. Our argument was, in fact, that the peace should be as "strong" as possible—that is, as strong as would be enforced, absolutely, by us and others ten years or a generation from now. It is a question not of anything that is due to Germany, but of the obligations that we and our children are likely, in our fallibility, to be prepared to honour. We must not promise what we will not perform.

(2) Does Dr Drucker (or, for that matter, the British Minister of Information, who has made a similar criticism of *The Economist* in a less direct and less straightforward manner) really believe that our proposals for the rigorous punishment of war criminals, for physical reparations and for absolute disarmament, add up to "soft words" towards Germany?

(3) Finally, is Dr Drucker (or the many other distinguished European exiles who speak so confidently for Europe in these matters) quite sure that he does, automatically, echo every accent of the authentic voice of his own and the other European peoples? Does a study of the various underground presses entirely bear this out?—EDITOR.]

TO THE EDITOR OF THE ECONOMIST

SIR,—I quite agree with the general thesis that our ability to enforce the Treaty is the prime consideration. Schwartzchild in his book, "World in Trance," though he writes from an obviously French point of view, brings out in a most forcible manner the way Germany got point after point of the Peace Treaty altered, incidentally making nonsense of the idea that either Hitler started Germany on her aggressive campaign or that the unfortunate Conservative Party were solely responsible for appeasement.

While agreeing, however, with the general thesis, I am not sure that I go all the way with the article in its denouncement of the territorial readjustment. For instance, I should say that there was a strong case for making all Germans in the Sudetenland opt either for a return to the Fatherland or for becoming unhyphenated Czechs. Even if *The Economist's* policy is pursued, I can see very difficult times in this country and the USA in ten or fifteen years when the Idealists (I should call them woolly-headed sentimentalists!) join with the Isolationists and those out for an easy life in modifying the peace conditions in favour of Germany.

Incidentally, is it not rather a misnomer to talk about our possibly having a Carthaginian peace? The slogan in those days was "*Carthago Delenda Est*," and it was carried out in drastic fashion. Does the most fire-eating Allied national really propose to go to these lengths with Germany? Also one cannot forget that the Carthaginian peace was an entirely successful one. I do not know how many peace settlements in the world have been as successful. Should not somebody write a companion book to Creasey called "Decisive Peace Treaties of the World"?—Yours sincerely,

L. J. CADBURY.

TO THE EDITOR OF THE ECONOMIST

SIR,—In a leader you argue that a Carthaginian peace will lead to another war. May I suggest, with very great respect, that the history of the last 25 years does not bear you out.

For the Carthaginian treaty of Trianon has lasted, while the moderate treaty of Versailles has broken down.

Is there not a chance that another moderate treaty may be wrecked in exactly the same way as Versailles was wrecked? On the other hand, a really tough treaty would break the hearts of the Pan-Germans and leave our own Isolationists and Idealists (what a strange alliance) without a focus for their misguided endeavours.

THE ECONOMIST, August 26, 1944

To those who still attach great importance to language and "race," I would point out that Hitler and Henlein had much trouble in manufacturing even a façade of discontent among the three million Austrians placed under Czech rule by the Treaty of Trianon, for they were members of an enlightened democracy.

If the trade unions are strong, and the "two hundred families" weak in the new France, I cannot help feeling that German workmen west of the Rhine will soon make good Frenchmen.

Again, unless he is unique, the Pomeranian peasant is more interested in land than languages. Whether he makes a good Pole or a bad one depends mainly on what the new Poland does about land tenure, marketing and money-lending.

Your article does not mention the coming resurrection of France, which seems to me of the greatest importance. For, even if England and America neglect their duty, France and Russia together should easily be able to uphold the treaty, provided it is a strong one and not a second Versailles.—Yours, etc.,

Oxford.

H. B. BARWISE.

TO THE EDITOR OF THE ECONOMIST

SIR,—Many of your readers must disagree with your leading article, "Terms for Germany," in *The Economist* of August 12th.

We know that the peace of Versailles left the German will for war unimpaired, and that its moderateness did not, in fact, make its guarantors willing to fight in support of its terms; indeed, they could hardly have been less so. But there is a good chance that the Germans may be sickened of war by the severe terms which you discuss, and it may be remembered that the Carthaginian peace at least ensured that Carthage never rose again.

In your "moderate" peace you propose to "concentrate everything on disarmament," while admitting that it is "by no means to be taken for granted" that the Western Powers will be prepared to enforce this provision in, say, 1965. Let us assume that by this time Germany wishes to start another war and that we are unable to prevent her rearming: then whereas the "moderate" peace would leave her strategic and industrial position as strong as ever, the "Carthaginian" terms proposed will have deprived her of much of her industry and of the bulk of the territory from which she could have mounted a direct assault on her victim.—I am,

Sir, Your obedient servant,
Boars Hill, Oxford.

HUGH SISAM.

TO THE EDITOR OF THE ECONOMIST

SIR,—Your article "Terms for Germany" in your issue of August 12th seems in some of its arguments to be very illogical. If "it is probable that both the American and the British peoples will accept the heavy burden of permanently enforcing the absolute disarmament of Germany," this being, as you say, "a moderate aim," how will it be possible for Germany to embark on another war to recover, say, the Rhineland, Westphalia or Pomerania?

Perhaps you think that future wars will be carried on without armaments. This is surely as fantastic a notion as is your implied faith in Germany's future peaceable intentions, providing she is given a "moderate peace."

No matter what are the terms of peace imposed, moderate or Carthaginian, Germany will do her utmost to start another war, and will succeed unless she is permanently disarmed. If she is, then, so far as future peace is concerned, it does not matter, though the terms of peace are Carthaginian, which Germany's record richly deserves.

Every possible effort must be made in the years to come to maintain in the people of Britain and America a united inflexibility against any easing of the terms, and with this object in view such men as Lord Vansittart will, it is sincerely hoped, play a vital part. Such horrors as the shooting in cold blood of RAF prisoners in Germany should never be allowed to fade from our memories.

In short, only by perpetuating the present hatred felt by the big majority of our people for the Germans and their foul deeds, and by a recognition of the fact that the whole German nation will always be ready to give its support to any leader who will make the enslavement of its neighbours by war its be all and end all, will there be any chance of permanent peace.—Yours faithfully,

Winchmore Hill, N.21.

J. P. MIDGLEY.

TO THE EDITOR OF THE ECONOMIST

SIR,—Surely your contentions regarding the terms to be imposed on Germany are answered in your own article. You admit that the Treaty of Versailles was a reasonable one; but that, and the fact that the Germans were very soon readmitted into the comity of nations, made no difference to their schemes to start another war.

I edited the English edition of Stresemann's Papers, and believed him a man of good will. I find, on later evidence, I was deceived. I trust the nation will not again be deceived.—Yours faithfully,

E. SUTTON.

United University Club.

Books Received

England's Road to Social Security. By K. de Schweinitz. (London) H. Milford. 281 pages. 15s. net.

Effectiveness of Unemployment Benefits in Maintaining Purchasing Power. By S. Arnold. (Columbus) Ohio State University. 71 pages. No price stated.

Latvia. By L. Eklis. (Washington) Press Bureau of the Latvian Legation. 112 pages. No price stated.

Miller's Excess Profits Tax. Third (1943) Edition. By W. Miller. (London) Eyre and Spottiswoode. 449 pages. 45s. net.

The North American Indian To-day. Edited by C. T. Loran and T. F. McIlwraith. (Toronto) University of Toronto Press. 361 pages. No price stated.

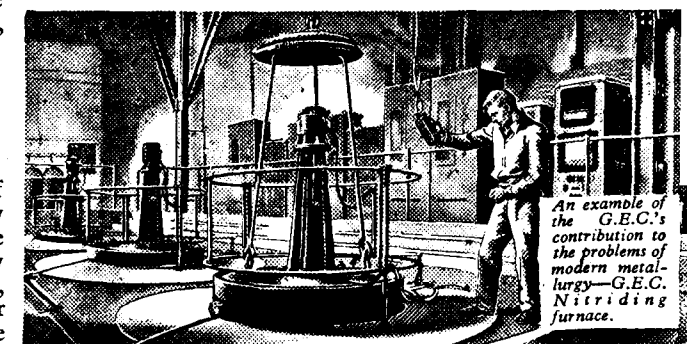
Empire in Africa. By A. Campbell. (London) Gollancz. 160 pages. 6s. net.

The Price of Social Security. By G. Williams. (London) Kegan Paul, Trench, Trubner and Co. 199 pages. 12s. 6d. net.

The Development of Public Services in Western Europe, 1660-1930. By Sir Ernest Barker. (London) H. Milford. 93 pages. 5s. net.

War-time Labour Developments in Australia. By O. de R. Foenander. (London) H. Milford. 177 pages. 17s. 6d. net.

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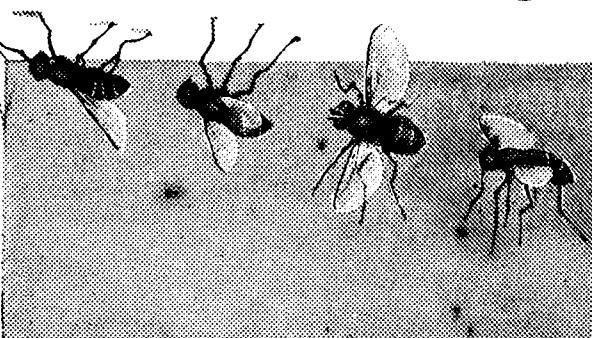
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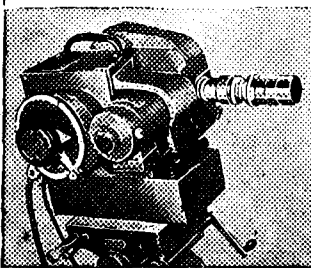
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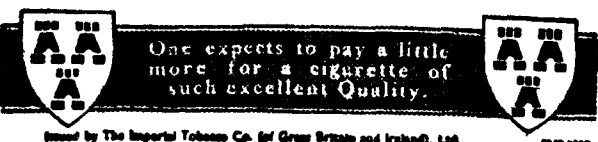


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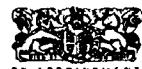
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INSURANCE IN WAR AND AFTER

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The Future of British Insurance

ONE of the articles in this survey of insurance in and after the war is on the important subject of British insurance as an invisible export and some of the difficulties with which the industry must grapple in its efforts to retain and extend its overseas markets. The remaining articles go more specifically into the position and prospects of the individual branches—life, fire, accident and marine. It is characteristic of British insurance, as of so many institutions in this country, that it is held in greater esteem abroad than at home. Its case is not always well presented in discussions in Parliament and elsewhere; moreover, the ability of an industry to develop overseas cannot be entirely disassociated from the measure of understanding and support which it enjoys at home. From every point of view, therefore, the creation of a more informed public opinion should be one of the first tasks of leaders of the industry in the world of to-morrow.

To a considerable extent the views held by the community in relation to any industry are formed by its contacts with the industry's representatives. Insurance education has been good for at least 20 years; plans are being formulated to make it even better after the war and to enable men whose studies have been interrupted to make good the loss during working hours. This will ensure that the industry is maintained at a high level of technical efficiency. But under the present agency system the public has little contact with the trained full-time employees of the companies; its associa-

tions are with men whose main occupation is not insurance and whose interest in it is a subsidiary, and often quite trifling, one. The agency system is a relic of times when insurance offices operating for one class of risk only, could not afford their own full-time representatives, and therefore selected people in other walks of life who seemed best suited to their purpose—the banker or solicitor for the life office, the auctioneer or estate agent for the fire office, the railway booking clerk for accident insurance, the garage proprietor for motor insurance, and so on. In modern times it is a complete anachronism. The difficulties involved in making a change are formidable, and legislation would probably be needed; it is believed that the industry is working on the problem, and it is to be hoped that concrete proposals will soon be forthcoming.

If, as seems possible, the industry should lose the handling of workmen's compensation—a question further discussed in the article on fire and accident insurance—there will be a powerful stimulus to make good the loss by expansion in other directions. The assumption by the State of provision for the basic needs of the people still leaves a wide field for private enterprise in ministering to requirements above the statutory minima, and it is here that British insurance will find one of its greatest opportunities in the post-war world. The development of civil aviation will also provide a new field for private insurance, which in course of time may well attain substantial dimensions.

Life Assurance

WAR is diametrically opposed to the well-being of life assurance. It destroys life in its normal course, and therefore the very basis of the mortality tables on which life assurance is designed. It creates difficulties in the investment of funds by destruction of trade and property, by closing the ordinary avenues for investment, and substituting other and—from the direct viewpoint of policyholders' interests—less desirable ones. It also brings high taxation. The value of money tends to lose its stability; this makes for discouragement of long-term engagements. The peace-time activity of disseminating further life assurance itself gives way to more warlike pursuits. Yet as the war approaches its end the condition of life assurance offices in this country cannot be regarded as other than highly satisfactory. True, their condition is not comparable with what it would have been in the absence of war. Nor would it be correct to say that the war period has been one of "suspended animation"; the departure from normal investment principles, for example, will need many years to rectify. But, in the absence of further trials, the offices will be well placed to resume the phase of vigorous expansion which was interrupted by the war.

How is it that life offices have been able to ride the storm of war so well? Taking first the question of mortality, this nation has happily been spared a repetition of the slaughter of its young life on the battlefield which occurred in 1914-18. This has to some extent been offset by civilian war casualties,

but many of these have been older lives, and the strain on life assurance funds is not nearly so great on the death of a policyholder who is nearing the end of his normal span as it is on the loss of a young life. Civilian deaths from ordinary causes have been lower than before the war, largely, perhaps, because of the more equitable distribution of food between the poor and well-to-do classes. The result has been that many offices have been able to shoulder the burden of war deaths without having to meet a greater aggregate liability than that provided for in the tables of mortality. In November of last year the influenza epidemic brought a severe increase in deaths, but fortunately it was rapidly surmounted; the possibility of further outbreaks of disease during the war or immediately afterwards cannot be ruled out, but the nation's health is in general so good that the outbreak of any epidemic, such as that which occurred after the last war, seems less likely this time.

Next, there is the investment problem. This has two aspects: first, an office needs to maintain the values of its investments so that when the time comes to realise, it can do so without loss, and, secondly, it desires to earn for its policyholders the maximum rate of interest on its funds. The outstanding feature of war-time investment has, of course, been the placing of all available funds in Government securities at low rates of interest; how far this has gone to alter the character of life offices' investment portfolios is illustrated by one office with Government securities

representing no less than 52.8 per cent of total assets. Investment values generally, although subject to substantial depreciation in the crisis of 1940, are now for the most part above book values. In the uncertainty of the post-war period, the holding of large sums in Government securities should be a source of strength rather than weakness; they are redeemable at fixed values and definite dates, and intermediate fluctuations are unimportant so long as—a remote contingency—the office does not have to realise before maturity. Nevertheless, it is clear from the speeches of many chairmen that the offices are eagerly looking forward to a return to their principal normal investment function, which is the provision of long-term capital for industry. There has been much discussion lately of the part the banks will play in post-war financing of industry, but little has been heard of the plans of life assurance offices. In general, the deposit banks prefer to have their assets in a form realisable at short notice, and are therefore best suited to the provision of working capital. Life assurance offices, on the other hand, need a long-term outlet for their funds, which in consequence are best employed in financing capital projects. It remains to be seen whether the offices will in course of time return to their pre-war policy of investing part of their funds overseas.

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In the meantime, the continued investment of new funds in Government securities at a net return of less than 2 per cent is reducing still further the average rate of interest earned by the offices on their total funds; but there is a tendency for the rate of reduction to slow up, due no doubt to improved yields from properties and variable interest securities. One or two offices actually show an improvement in net yield in 1943, but the reason has in each case been adjustments of tax. As, even before the war, the trend in interest rates was downward, a return to higher yields after the war seems likely to be a gradual process; the net position will be largely affected by the decisions of the Exchequer on the question of income-tax, fixed at 7s. 6d. in the £ on life assurance funds while the standard rate remains 10s. in the £. The majority of offices have been steadily strengthening their valuation interest rates to correspond with the lower earnings, and the lead established by the United Kingdom Provident Institution in reducing the rate to 2½ per cent has been followed by two other offices.

A feature of the past year has been the tendency towards more generous bonus distributions. It will be recalled that on the outbreak of war the allocation of reversionary bonuses was discontinued. Interim bonuses on policies becoming claims by death or maturity, however, were maintained by most offices at moderate rates, but some took the ultra-cautious view and suspended these also. The adverse effects of the war having proved less serious than was feared, and with substantial surpluses showing up at valuations notwithstanding more stringent reserves, there has been a steady retreat from the policy of the early war days, and some offices have made distributions of reversionary bonus on a scale as liberal as two-thirds of that before the war; in one or two cases this has involved reopening settled claims on which no interim bonus had been paid. Quite a number of offices, however, are still refraining from making distribu-

tions—probably a wise course, since after the war it will be possible to make much fairer allocations between the different groups of policyholders.

An interesting legal case bearing on the question of bonuses (*Sun Life of Canada v. Jervis*) was decided in the Court of Appeal in July, 1943. At the time the policyholder effected the contract he was presented only with a proposal form for completion and an "Illustration" designed to show the amount payable on maturity, the words, "The examples given are based on the assumption that the 1929 dividend scale is maintained throughout the life of the policy" being added in small print. Later the profits fell off considerably and a much lower dividend was declared during the years the policy was running. It was held by the Court (one of the judges dissenting) that the proposal form related to the particular insurance set out in the illustration, and on acceptance by the company these documents formed the contract between the parties, the policy to be rectified accordingly. The case was taken to the House of Lords, but as the company had already settled with Mr Jervis their lordships decided that they could not hear the appeal. It is, of course, fully understood by the majority of policyholders that bonuses must vary with the profits actually earned, and most offices take care to bring the position clearly to their notice.

★

New business in 1943 was remarkably well maintained in view of the many war-time handicaps and the elimination, following the recommendations of the Kennet Committee, of staff engaged wholly or for a substantial part of their time in the quest for new business. The aggregate for all offices of 68 per cent of the pre-war (1938) total of ordinary life assurances was actually a slight gain on the previous year. This ratio was not uniform for all types of office. The industrial-cum-ordinary offices had a larger ratio at 85 per cent of pre-war and the specialist offices a considerably smaller one at 42 per cent, the composite offices keeping roughly in line with the 68 per cent average; the reasons for these varying ratios are inherent in the impact of war on the different types of organisation, the industrial-cum-ordinary and composite offices being much better placed than those specialising in ordinary life assurance because of their need to maintain organisation primarily for other purposes, but available incidentally for producing new business.

Although the industrial-cum-ordinary offices held their ordinary new business in 1943 at about the 1942 figure, their industrial new business fell by at least 10 per cent to something like three-quarters of the pre-war level. The conclusion seems justified that the industrial offices are intensifying their efforts to persuade their clientele to effect policies in the ordinary rather than the industrial branch, a procedure which cannot but earn commendation in view of the much smaller cost of handling ordinary business. The industrial offices also report increases in the average sums assured under industrial policies. Both industrial and ordinary offices show surrenders much below pre-war figures, a feature chiefly arising from relatively stable employment in war-time. It remains to be seen whether this improvement will be maintained after the war.

Fire and Accident Insurance

IN comparison with the earlier war years, 1943 was relatively uneventful for fire and accident insurers. The special problems of wartime operating had already been largely overcome, and the "standstill" agreement discouraging transfers from one insurer to another must have been a help to an industry working on a minimum staff. Premiums were higher in the fire departments and—contrary to expectations—held their own in accidents. Profits were exceptionally good, rather better than in 1942 for fire and for accident again at the high level of the previous year; these profits were largely absorbed in home and overseas taxation and did not, therefore, result in the large increases in balances carried forward which would have been a feature in similar circumstances in peacetime. The influences of war are not entirely harmful to insurance companies; in fact, certain factors, such as the high level of industrial activity and employment, and the reduced motor traffic, have in some ways been beneficial. It may well be that the adjustments involved in a return to peacetime conditions will

involve problems more difficult to surmount than have been those of war; especially is this likely in the accident department.

Examining first the results in fire insurance, the year brought an increase of about 6 per cent in premiums against 1942; since the last pre-war year (1938) fire premiums have now risen nearly 25 per cent. The reason for this upward movement is, of course, the general increase in values of property and goods; the process of bringing sums assured into line with present-day prices is still far from complete, as many chairmen have emphasised in their addresses to shareholders, with the result that insurers have sometimes to invoke the average clause—providing that in case of under-insurance the sum paid shall be only that proportion of the loss which the sum assured bears to the full value—in loss settlements.

Loss ratios on home business were lower than in the previous year, due to a smaller number of heavy losses; it is impossible to prove that the improvement resulted directly

from the publicity campaign of the Fire Officers' Committee aimed at reducing the national waste from fire loss, which began to get into its swing early in 1943, but the association in time was, as one observer put it, "at least a welcome coincidence." Unfortunately the improvement has not been maintained in the current year. The figures collated by *The Times* show estimated fire losses for the United Kingdom and Eire for the first six months of 1944 at £6,814,000, an increase of 41 per cent on the figure of £4,830,000 for the corresponding period of the previous year, although less than that of £8,552,000 for the first half of 1942. *The Times* figures are arrived at by estimating the cost of fires causing losses of £1,000 or more and adding a flat 60 per cent to cover smaller outbreaks. This method undoubtedly exaggerates the fluctuations, since the smaller fires will tend to be more constant in the aggregate than the larger ones. Also, the larger total to some extent reflects increased values, so that the increased physical destruction is not proportionate. Nevertheless, the figures make it clear that the scourge of fire waste needs continued watchfulness, and the Fire Officers Committee's campaign has been and is serving a valuable purpose in constantly stressing the importance of personal care.

In fire insurance overseas, the year 1943 brought heavy fire losses in the United States; according to the National Board of Fire Underwriters they rose by 21 per cent on the previous year. British offices generally report a deficit or at best a trifling profit on the year's operations in that field. The upward trend continues in 1944 in spite of energetic counter-measures taken under the aegis of the American National Fire Protection Association. The situation in the United States should be less difficult than in Great Britain, since there is not the hazard of the black-out, and war-strain is less advanced than here; on the other hand, the concentrations of risk at individual locations are greater. In other overseas territories British insurers enjoyed a good year in 1943, but the current year may prove less satisfactory in reason of the serious bush fires in Victoria (Australia) in January and the explosion at the Bombay docks in April.

The maintenance of premiums in accident insurance at the level of 1942 was a feature of both home and overseas operations, further reductions in motor premiums being offset chiefly by higher income from workmen's compensation, and also to some extent by increases from miscellaneous types of risk such as burglary, where, as in fire insurance, influences calling for additions to sums assured make themselves felt. Loss ratios in motor insurance were excellent. Claims are costing more to settle individually, but the number is very much reduced because of the lesser density of traffic on the roads, so that even with the 20 per cent war-time discount at home and similar concessions overseas the business was profitable. In workmen's compensation insurers have assumed the additional liabilities under the temporary war-time measures, involving an increase in benefits in comparison with pre-war estimates at 75 per cent, without rating adjustments; but they have had the *quid pro quo* of higher wage rolls, so that with strong inducements to workpeople to remain on duty the experience has not been unsatisfactory. Burglary insurance, which at one time began to develop badly because of the increased marketability of stolen goods and the absence of many people from their homes, improved in 1943 as people returned from reception areas; a further deterioration will doubtless result from evacuation caused by the flying bomb.

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Looking now to the post-war prospects of fire and accident insurers, the outlook in the former branch seems very much more favourable than in the latter. Provided that Government measures for maintaining economic stability and avoiding trade depression are successful, there do not appear to be any special problems facing fire insurers apart from the reconversion of industry from a war to a peace basis, a process which can be performed at greater leisure, and should be less hazardous than, the reverse movement. These remarks do not, of course, apply to the liberated countries, where conditions may be expected to be difficult for some years. Fire premium income, at present 25 per cent above pre-war, should continue to rise as sums assured are brought into line with the level at which prices are eventually stabilised, a level which is expected to be not less than 50 per cent above pre-war. In motor insurance, on the other hand, the return to peace will bring a large increase in the frequency of road accidents which, applied to the higher cost of settling the average claim, may be expected to produce a total loss expenditure at least half as much again as before the war.

The 20 per cent war-time discount is likely to be rescinded immediately, and adjustments of insured values will bring some premium increases. Whereas in fire insurance, however, adjustments in values carry proportionate premium increases, in motor insurance increases are very much less than proportionate. Upward revisions of the basic scales of motor insurance premiums may therefore be necessary, and past experience suggests that, in this country at least, such revisions will not be easy of accomplishment. Mere striving for higher premiums will in any case prove a bankrupt policy unless efforts are also made to improve road safety. This is primarily an official matter, but insurers with their specialised knowledge can do much. The assurance given by Mr E. B. Ferguson in his presidential address before the Insurance Institute of London in March this year, that "the practice of the science of fire and accident prevention will be greatly developed in the world of to-morrow, and the insurance industry will be found ready to play the full part that essentially and properly belongs to it," is therefore a very welcome one. An essential pre-requisite of such action in accident insurance is co-operation between all types of insurer, tariff and non-tariff companies and underwriters at Lloyd's. In fire prevention matters the companies' members of the Fire Offices Committee have been able, by virtue of their strong market position, to take the lead without waiting to secure the support of other insurers, but similar action in accident prevention matters the companies' members of the Fire Association, the corresponding tariff body, is not possible.

★

Apart from the difficulties which will arise in adjusting motor insurance rates to meet the reduced value of money, accident insurers will also go through an anxious period until all their claims on old commitments have been run off. It seems likely, for example, that there may be considerable outlay after the war through delayed and reopened claims under workmen's compensation policies.

Overshadowing all else in the post-war accident insurance outlook is the threatened permanent loss of workmen's compensation business in Great Britain, coupled with the possibility of some loss in public liability premiums, motor



and otherwise, in the event that the introduction of social security for all should lead to some amendment of the law of civil wrongs. The loss of their workmen's compensation portfolios may not be a very serious matter for composite companies—in 1938 it constituted only about 8 per cent of their combined world-wide accident incomes—but they will naturally relinquish with regret a sphere of activity in which they have taken an important part for over 25 years. The offices in general have discharged their obligations faithfully and well within the framework of the existing system. If there is a lesson to be learned it is that the

Marine Insurance

INDUSTRIES which have been connected most closely with the war will be most affected by the coming of peace, and for this reason the marine underwriter is likely in the near future to have many special problems to solve. What is likely to happen to the marine market under the impact of peace?

Perhaps the most convenient way of searching for an answer is to picture a man who has been invited in August, 1944, to become an underwriting member of Lloyd's and to join an established well-managed reasonably successful marine syndicate. He will, if he accepts, start underwriting in January, 1945—a date that may fall either a little earlier or a little later than the collapse of Germany, so that his underwriting career would lie outside—let us hope permanently outside—the era of European warfare. He is a man of average enterprise and average caution willing to run reasonable risks, not overawed by the thought of post-war taxation, and ready to welcome a new source of income if the chance of making it is not unfavourable. Being a prudent man he takes advice, and goes to two expert friends of his for their opinion of the future. He finds that their opinions differ widely from each other, friend No. 1 recommending him to wait, friend No. 2 advising him to close with the offer and start from the first of January next. Let us put down in black and white the arguments with which the two men would be likely to support and justify their respective views.

You must first bear in mind, says friend No. 1, that the marine market for nearly five years has been living under very artificial conditions. Underwriters have been doing well enough. Their premium incomes have been large and the percentage of profit—so far as in the present unnatural circumstances it can be ascertained—is satisfactory. But the bulk of it comes from war risks which will disappear; much of it is already dwindling even before the war ends; voyage risks are rated by agreements which after the war will be most difficult to keep in being; time risks, profitable enough on pre-war standards of calculation, are an unknown quantity because of deferred repairs, deferred returns, and the cost of ship repairing; and over all hangs the great question mark—what will happen to international trade on which alone the marine underwriter can live. Are the trade barriers coming down after the war? Or will they be built up, raised and reinforced?

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Take first the time market. The essence of time underwriting is to apportion rates to the cost of repairing damaged steamers, not as it is now but as it will be twelve months, eighteen months, two years ahead. That cost has risen since 1939 by about 150 per cent and has not stopped yet. If you begin writing "time all risks" next January you will, in effect, be betting on where the increase in the cost of repairs will have got to by 1946 and 1947. Do you think your prospective underwriting agent so clever that you will trust him to guess rightly on that vital and perplexing point?

When we came to voyage underwriting the problem is different. Risks run off more quickly and it is not so necessary to be right on the long view. What is important with voyage risks is for the underwriter in the face of competition and against the pressure of merchants to keep his rates up to the paying level. Unless the flow of business to the market is well maintained that is never an easy task; and after the war it is likely to be more difficult than ever. For years now voyage underwriters have been working on a scale of rates ordained voyage by voyage by a small committee of underwriters which decides what surcharge an underwriter must add to his basic voyage premium. He is free to quote any basic premium he likes, but the sur-

charge is fixed for him. The result is inevitable. The competitive underwriter will attract business by cutting the basic rate and will rely for his profit on the surcharge. That that has been happening is beyond question and if the compulsory surcharge were removed to-day and business were written at the current basic rates there would be no profit. After the war if international trade expands it may be possible to keep the surcharge going. But if competition for business is keen, something drastic will happen to the surcharges. Whether international trade expands or not depends on many factors. Freedom is the breath of life to the marine underwriter and especially to the Lloyd's underwriter who has always got his business by giving his assured something better than he can get anywhere else. If the course of trade is to be dictated by the plans now resting in departmental pigeon holes (adviser number one might say) the underwriter may well find himself left with the dirty end of the stick; for in nine cases out of ten a departmental plan, however honestly intended, has had an egg laid in it by some interested party before it sees the light—and that interested party is not usually a Lloyd's underwriter.

So much for adviser No. 1. Number 2, taking a more cheerful line, would probably use the following arguments. There never has been, he would say, a time when the market croakers did not take a gloomy view of the future of underwriting, and some of the most prosperous periods in our marine history were heralded by just such gloomy anticipations as your friend is producing now. His theories about economic barriers may sound impressive, but experience shows that marine insurance, though it obviously depends on the volume of trade flowing, can look after itself better than some other departments of the insurance industry. It is easy enough, for example, for a protectionist Government to pass laws forcing their nationals to insure against fire in the home market. It is much less easy for it to prevent importers and exporters from placing the insurance of their cargoes in whatever market offers them the best terms. Unless a government is prepared to ban c.i.f. imports and enforce c.i.f. exports it cannot say to its merchants, "You must not insure your cargoes there but must insure them here." In marine insurance the wind bloweth where it listeth, and so long as international trade continues—as it must continue—the bulk of the insurance will drift to the strongest and most favourable market. If you want proof of this, consider the inter-war period, when economic nationalism was rampant, and you will see how British underwriting flourished in spite of all the barriers and all the restrictive legislation of all the governments in the world.

As regards the cargo rates agreements in which your friend sees so great a peril, they are nothing but a war-time expedient which will vanish as soon as peace is restored. But it is not true to say that they will leave a legacy of embarrassment to underwriters. Surcharge or no surcharge we shall be quite capable of quoting rates on cargo that will be fair to both parties, and this time we shall be free of at least one troublesome obstacle which after the last war was a nuisance and did no little harm. Then we had to compete with a number of mushroom companies that went all out for cargo business at any rates they could get, and for five or six years after 1918 were a bother to everyone—merchant and underwriter alike. If there are any such companies to-day (and they are very scarce) they are living on reinsurances and their competition can be neglected. This is a point of great importance when we compare 1944 with 1918.

Finally, Time. What your friend says about delayed repairs and the rise in costs is perfectly true, but he is not the only man who has seen the truth and it has not been

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NEW BUSINESS	-	-	£20,662,439
ANNUAL CASH SURPLUS			
DISTRIBUTED	-		£1,826,367
PROVIDING			
REVERSIONARY BONUSES OF	-		£3,118,000

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The Chairman, Sir Ernest Benn, in his speech at the 1944 Annual Meeting, said:

"I have always held that our primary object is to provide against the contingency of death of the policyholder and to provide for the needs of the family that then arise—in a word, to take some thought for future generations. The national good will be served by all those who have the wisdom to defer their spending until the tendency to boom and boom prices has evaporated—and life assurance is the very highest form of deferred spending. The benefit is national as well as personal, for a premium paid to an insurance office, like a deposit in a bank, adds to those large accumulations of resources without which much necessary reconstruction cannot proceed. I therefore ask the public to be more 'Insurance-minded.'"

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(1943 Accounts)

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overlooked by the leaders of the time market, on whom the whole time structure largely depends. An experienced and watchful underwriter is not going to run headlong and unprepared on to such an obvious danger as this and if, as he watches his settlements—which at present are much better than the normal—he is satisfied that he has enough in hand to cover a reasonable estimate of outstanding

liability, he is probably right. It is not often that the whole market is wrong on such an elementary point of underwriting as this. Your friend's argument is really a bogey.

So having balanced the opinions of his two advisers, the prospective underwriter must decide what to do for himself.

The Export of Insurance

CONSIDERABLY more than half of the combined fire, accident and marine business of British insurers is derived from overseas. Insurance is an old-established export industry that has its roots back in the eighteenth century. It would be wrong, however, to suppose that the industry is one which developed in the era of British commercial predominance and has since been carried along by its own momentum. The process of expansion has, in fact, been fairly continuous; even during the twenty years preceding the present war, when the free flow of international trade was progressively restricted, the industry continued to develop; loss of business in the fire and marine branches was more than made good by expansion in accident insurance. After the outbreak of war a substantial income from European territories over-run by the enemy was temporarily lost, and this situation was aggravated by the entry into the war of Japan and by the consequent loss of Far Eastern markets. Nevertheless, business elsewhere has shown remarkable resilience, with the result that there has been no reduction in the contribution made by the industry to Britain's invisible exports—a very welcome state of affairs at a time when income from overseas investments and from other export trades has been shrinking rapidly.

The amount of premiums on overseas contracts of British companies and underwriters at Lloyd's has been variously estimated at between £80 and £90 million annually, and the net contribution to the balance of trade—that is to say, the premiums less losses and commission and expenses incurred locally—is of the order of £12-15 million. A large part of this business comes from the United States, and the Dominions also contribute a substantial share, but in the aggregate it is the product of a vast network of branches and agencies situated in almost every country in the world; one of the larger groups of companies may issue policies in as many as a hundred different countries. Most of the work is performed by nationals of the countries concerned, a feature which tends to identify British insurers with the business life of the countries in which they operate; it has also enabled the industry to function with a minimum of British manpower during the war. But highly-qualified British staffs are needed both at the head offices and overseas—resident or travelling—to handle the complicated problems of administration, underwriting and investment which such a far-flung business involves. Its value to the national economy was officially recognised in 1939, when the Treasury departed from its established principle of not insuring Government property in order to avoid the heavy loss to the market of premiums on insurances of food and supplies which would otherwise have resulted, and which would have been used by the enemy as propaganda material

for the purpose of damaging British interests in neutral countries.

The financial principle on which the overseas development of British insurance has been based has been that of maintaining a strong central fund, the resources of which can be used in any country in the event of need. In many calamities the generous settlements of British insurers have been of great value in relieving distress, the classic example being the San Francisco fire of 1906, when gross claims estimated at £15 million were paid—a large sum against the scale of operations at that time. During the period between the wars the conduct of operations on these lines has been made increasingly difficult by the more onerous deposit requirements in many countries. Deposit legislation may take two forms; it may require a fixed deposit of moderate dimensions in order to prevent the establishment of concerns of little substance, on the lines of the Assurance Companies Act, 1909, or it may compel insurers to maintain in the country technical reserves commensurate with the scale of operations. It is legislation of this second character which chiefly handicaps the conduct of operations on traditional British lines. British insurers point out that under no system can the deposits maintained locally be adequate to meet the losses which would arise in the event of a catastrophe, and the local deposits, being established at the expense of the central fund, merely serve to reduce the general security.

In such a vast area of operations as the United States, the scale on which business is done is now so great that there is a tendency for the area to become self-supporting; in these circumstances the need for a central fund tends to weaken. It has also been contended that modern methods of building construction and improved methods of fire-fighting render occurrences such as the San Francisco fire increasingly unlikely, and there is doubtless much truth in this. Nevertheless, calamities of one kind or another do continue to occur; at the time of the great economic depression of 1929-32 British offices had to remit substantial sums to meet their United States obligations, and as recently as 1942 there was considerable outlay from the London marine market on account of American war risks insurances. The need for a strong central fund is therefore still in evidence, even in support of such a large market as the United States, and the same consideration applies *a fortiori* in smaller fields. It is chiefly a feature of fire and marine insurance, but also has some relevance to accident business. Life assurance is, of course, conducted on quite different principles.

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So long as deposit legislation is not intended to discriminate against foreign insurers, there is little that can be said beyond pointing to the consequences already discussed. In many countries, however, the device of deposits has been used as a means of discouraging foreign competition and conserving the market for domestic insurers, a policy which proves short-sighted when a period of adverse experience is encountered. Deposits have also been employed for the purpose of compelling foreign insurers to support national loans. These are practices which it may justifiably be hoped to see removed in the world of freer trade to be established after the war. Another means of keeping funds within national barriers which was gaining popularity before the war was the device of "reinsurance banks," that is to say, national reinsurance offices to which insurers are compelled to cede a proportion of their business; in at least one country insurers were also obliged to accept a share of the business retroceded by the "reinsurance bank," whether good or bad. In one country—Argentina—a discriminatory premium tax of 7 per cent—against 1.4 per cent for national offices—was levied on foreign insurers, notwithstanding the provisions of a Commercial Treaty between Great Britain and Argentina. Exchange restrictions, too, were becoming an increasingly serious handicap to British insurers in the pre-war period.

One of the first tasks to be undertaken after the war will be that of renewing connections in liberated territories. In the impoverished condition in which many countries will unhappily find themselves, the reappearance of British insurers should be a valuable factor in re-creating confidence. It seems likely that one way in which help can best be given will be by reinsurance support of domestic offices, especially on the sudden removal of German reinsurance concerns. A great deal of reinsurance has always been effected with British insurers and at Lloyd's, but the preference of British offices generally has usually been for contracts subject to annual cancellation, long-term commitments being avoided. Since business can hardly be expected to be profitable in the immediate post-war period, it may

be that circumstances will dictate some modification of this policy. It is to be hoped that the conditions being imposed by the French National Committee on companies re-entering French overseas territories are not a foretaste of what may happen when Metropolitan France is liberated. Companies have been obliged to reconstitute deposits originally made in Paris, to lodge security for outstanding claims under old contracts, to cede business to pools, to modify tables of limits and to furnish complete lists of re-insurers. The latest moves are the establishment of an *Office des Assurances Privées*, which is to be the organ for supervision of private insurers while at the same time engaging in business on its own account, and a requirement that foreign insurers must centralise all their operations in French overseas territory in one controlling office, a requirement which would be found difficult to fulfil. It may be that these excessive measures of control are merely the reflection of present conditions, and that when France is liberated wiser counsels will prevail.

The traditional avoidance by British insurers of long-term contracts perhaps explains why life assurance has not been extensively developed overseas. In the United States, for example, where British insurers transact a large volume of fire, marine and casualty insurance, there is not a single British office transacting life assurance—although it was a British office, the Pelican (now merged in the Phoenix), which introduced the level-premium method of life assurance to America in 1807. Nevertheless, a moderate volume of business has for many years been transacted, chiefly in the Dominions and India. The terms of the Versailles Treaty concerning life assurance were not of a kind to encourage Continental development, but among offices which transacted business on the European Continent at the time war broke out were the Norwich Union and Gresham. The chairman of the Prudential stated at the last meeting that his office has been developing life assurance overseas during the past 20 years, and in 1943 had a premium revenue of £2½ million from this source. A settled post-war world would offer good prospects for further developments in this sphere of activity.

THE BUSINESS WORLD

Equities after the War

BY using an express service after the Battle of Waterloo, and buying heavily on the Stock Exchange, a famous financial house sizeably increased its fortune. The Battle of Normandy, 1944, will rank as an equally decisive military engagement, but only the bear operators have so far benefited from its effect on market prices. That, in itself, is not surprising; for the present-day function of the stock markets is less to react to major developments than to anticipate them. Security values started to rise in Europe's darkest hour at the end of June, 1940, and investors have been discounting Allied victory by buying shares "for post-war recovery" for the last couple of years at least. Moralists, therefore, may spare their strictures when the imminent possibility of the happening of something the markets have been anticipating for so long—in other words, the return of peace—releases a moderate amount of profit-taking. So it was, in happier times, when the announcement of a correctly anticipated increase in a company's dividend was the signal for a drop in its shares.

The economist and investment expert may, nevertheless, read into the present air of indecision which pervades the entire Stock Exchange a real, urgent and intricate problem. What kind of Britain will emerge from the war? What sort of world will be created for investors to live in? So long as "discounting victory" merely meant buying shares in as "discounting victory" merely meant buying shares in industries depressed by war, which could not fail to benefit by the return of peace, under any conditions, the investor's task was easy. Now, however, when the post-war picture may soon have to be filled in, and success will depend on the accurate forecasting of its details, investors are finding that their judgments are painfully incomplete and the material on which to form them depressingly scanty. The Government has disclosed little concrete information about its post-war plans, beyond a fairly full list of chapter headings. The average investor feels, vaguely, that this country will be poorer, more heavily taxed, shorn of most of its overseas investments, and burdened with increased internal costs after the war. Arguing from history after the last war, he tends to look for a relatively brief re-stocking boom and, afterwards, a stern era of scraping.

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It happens, moreover, that, at the present moment, the messages given by students of neo-Stock Exchange astrology are cautionary rather than expansive. Those who believe that market charts know all, reflect everything and are never wrong are indubitably impressed by the fact that the present rise in share values has nearly exhausted what, under normal conditions, would be deemed its allotted span. The great bull market of the 1930's started in June, 1932, and reached its peak in November, 1936—that is, after rather less than 4½ years. The present upward movement started in June, 1940, and, on the same time-table, would be due for a reversal of trend this autumn. According to the *Actuaries' Index* (December 1928=100) ordinary share values in the 1930's rose between the extreme figures of 43.8 and 91.6—that is, by 110 per cent. The present rise has carried prices from 38.9 to 86.7—that is, by 123 per cent. Yet, the average yield on ordinary shares is still higher to-day than at the peak of 1936. According to the *Actuaries' Index*, it was 4.08 per cent at the end of last month, against 3.54 per cent then. But it is now less than 1 per cent higher than the yield on "riskless" consols (in November, 1936, the margin was 0.6 per cent), and it has fallen this time, by 5 points, from a 1940 maximum of 9 per cent; at the end of 1936 it had declined only by 2½ points from a record 1932 level of 6 per cent. Here is a planetary conjuncture which, to diviners by chart-analogy, suggests danger for those who contemplate a long Stock Exchange journey after the next few weeks.

To express the opposite opinion—that the omens favour

a very considerable rise in ordinary share prices in the post-war period—demands, perhaps, a certain steadfastness of faith in the future of this country and in the vision and resourcefulness of the framers of its economic policy and a belief that the lessons of history will be learned, not repeated. It is a view which, nevertheless, is gradually increasing its adherents among more thoughtful market opinion, and it is based on assumptions about British post-war national income to which economists, as a whole, would assent. As propounded in *The Financial News* (where its statistical background has, perhaps, been analysed in the closest detail), it starts from the unchallengeable axiom that the basic determinant of share prices in the money value of the national income and that at least three factors are likely to maintain that level at a considerably higher figure after the war than before. The first is the rise in technical productivity, which in the past has tended to increase at an average annual rate of about 3 per cent and in the economy as a whole at about 1½ per cent per annum. The war has given a great impetus to technological progress, and it is suggested by some holders of the optimistic view of post-war share prospects that an increase of something around 15 per cent between 1938 and, say, 1946 or 1947 (the "transitional" post-war years) may not be an excessive estimate.

The second factor will be the post-war level of national employment, and the third the level of general prices. If it is assumed that the unemployment ratio is maintained below 10 per cent and that the eventual price level, after the elimination or reduction of food subsidies, will be around 45 per cent above pre-war, then, on the basis of the White Paper estimates of the Central Statistical Office, the national income (at "factor cost") of a notional post-war year would be of the order of £7,500 to £7,750 million, against £4,600 million in 1938—an increase of 68 per cent.

The particular figures are of secondary importance beside the central fact that, by all available evidence, the money value of the national income must be considerably higher after than before the war. Readers may attach whatever co-efficients they choose to the three main factors, according to their own views of the success or otherwise of the Government's full employment policy, the attitude of organised labour, and all other matters which are the basis of discussion in the series of articles on "A Policy of Wealth," which are appearing elsewhere in *The Economist*. But, once the relevance of the different factors has been admitted, and some working figure however approximate has been attached to each, the relative orders

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Total Business in Force	£163,143,503
Assets increased to	£62,941,047
New Policies issued for	£11,212,436
Payments under Policies, Annuities, etc.	£4,596,098
Surplus Funds and Special Reserves	£3,305,337

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of magnitude disclosed come out on much the same lines, whatever adjustments and refinements are introduced into the argument. For example, it has been suggested that, if allowance is made for increased "real" Government expenditure on a scale over 70 per cent greater (in money terms) than in 1938, a national debt interest of £600 million against £200 million and other "transfer payments" by the Government to individuals of £400 million against £278 million—then private incomes after taxation would show an increase of slightly over 60 per cent, compared with the assumed rise in national income (at factor cost) of 68 per cent. Again, presuming only a moderate relaxation of taxation which, like EPT (or whatever its post-war equivalent, if any, may be), falls directly on equity profits, and a tendency on the part of companies to plough back a sizeably increased total of undistributed profits through reserves, the resulting estimates of property incomes (on the White Paper definition) show a rise of the order of 75 per cent and those of profits (including rent and interest) received by persons a rise of 60 per cent to 65 per cent over 1938. The results, in fact, are independent of the precise statistical procedure; however the changes are rung, the fact remains that the "national equity" will be worth considerably more after than before the war.

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Investors in ordinary shares, so far, have been ready to acknowledge the relevance of each of the three main factors in the post-war prospect for ordinary shares, but have hesitated to accept what they add up to, doubtless because of the extreme difficulty of putting a precise value on any one of them. Of the three, the concept of increasing productivity is least familiar, explicitly, to investors as a body, though implicitly they have acknowledged its existence and persistence in the most appropriate of all possible ways; representative ordinary share values rose 2½ times in a couple of generations before this war. Recognition of the validity of the assumption of reduced unemployment after the war is implicit in the general admission that to allow the army of unemployed workers to reach the dimensions of the 1930's will be fatal to any Government after this war. Finally, the prospect of some further price "inflation" has

been a topic of market discussion for months past. But for such inflation, properly so-called, the national income estimates quoted above made no allowance at all. The general price increase they assume reflects merely the completion of the process of adjustment to prevailing price, wages and cost of living levels after the post-war removal of existing factors which have "enshrined" them. Fresh "inflation," of the type the market has been freely discussing, would involve a scaling up, *pro tanto*, of the national income estimates previously suggested.

In 1938, about a quarter of the total profits of 2,389 companies, whose figures were examined by *The Economist*, was absorbed by debenture and preference service. This "gearing" of company capitalisation would, of course, tend to increase the ordinary shareholder's equity more than in proportion to the suggested rise in total income after profits, after the war. All in all, it would seem that the markets, by over-concentration on the immediate difficulties and uncertainties of the post-war transitional period in Great Britain, may be in danger of overlooking the essential fact that total profits available for ordinary shareholders after the war may render comparisons of share prices with those of 1938 beside the point. It may be that after the war the ordinary share market, as a whole, will continue to have the broad rhythm, up and down, which it has always had, though its fluctuations may be confined within narrower compass if endeavours to smooth out the industrial trade cycle are even partially successful. But if the bases of the views expressed in the present article are sound, then the mean level around which post-war share prices fluctuate should be appreciably, and perhaps quite considerably, higher than in pre-war days.

It is certainly not beyond the bounds of possibility that the trend of existing share prices may turn downward in the near future. But sooner or later, adjustment to a changed national income will have to be made. Its incidence will vary, industry by industry and even share by share. But it would need the decisive intervention of some *deus ex machina*—by way, for example, of confiscatory Government policy on a scale which present omens do not justify—to vitiate the conclusion that ordinary shares as a whole, at anything like pre-war prices, may appear greatly undervalued in two or three years' time.

Intra-European Payments

(By a Correspondent)

THE clearing arrangements between the enemy and enemy-occupied countries on the Continent have now been in operation from four to ten years. With the progress of the liberation of Europe the question arises whether parts of the existing machinery could with advantage be maintained and carried into the post-war system of intra-European payments.

In essence, the Continental clearings represent an attempt to transfer to the field of international payments the principles and practices of the clearing-houses for cheques. A comparison with one of these institutions, the London Clearing House, will bring out the accomplishments and shortcomings of the Continental clearings in their present form.

The functions of the London Clearing House can be divided into three stages. First, 11 member banks, holding altogether about one million cheques (approximate daily average) meet and exchange their cheques, one bank with another on a bilateral basis, leaving each member with 10 balances, some credit and some debit. Secondly, 110 balances (55 credit and 55 debit) are reported to the Clearing House and summed up for each member. This is a multilateral operation and leaves each member with only one final surplus or deficit in relation to the Clearing. Thirdly, 11 final balances are ultimately settled by transfers to and from the accounts of the members with the Bank of England. The whole process is one of reducing the number of outstanding claims from about one million to 55, 11 and 0 respectively, and the result of the day's transactions is that the deposit of each member bank with the Bank of England rises or falls according to its final balance at the Clearing.

The same three stages and principles can be discerned in a system of free international payments, even if they are not

so distinctly separated. The innumerable transfers by individual customers through their banks correspond roughly to the first; the banks' covering of their positions in the open market to the second; and the transfer of funds between central banks or exchange equalisation accounts to the third stage.

Under the bilateral clearing system on the Continent all payments between the clearing partners are concentrated in the Clearing Office of each country. The outstanding characteristics of the further procedure are that the transfer forms are exchanged between the clearing partners on a bilateral basis and the resulting balances left unsettled inside the clearing machinery. Under this system only the first principle of cheque clearing is applied. It is the absence of any further machinery for the adjustment of balances on a multilateral basis, and for the ultimate payment of each country's final balance, which constitutes the main weakness of the bilateral system.

Although not necessarily an advantage to the member countries, the introduction of the Berlin Central Clearing was in one respect a technical improvement on this state of affairs. Countries participating in this arrangement have discontinued their direct clearing connections, each country sending instead all its payments to the other members through its clearing with Germany to the *Deutsche Verrechnungskasse* in Berlin. Here the transfer forms are sorted according to the several countries of destination and forwarded to these countries through their respective clearings with Germany. The result of this procedure is that the balances owing by and to each country are adjusted, leaving only one final balance with the Berlin Central Clearing. This corresponds to the result arrived at in the second stage of cheque clearing. The Berlin Central Clearing goes no further, the final balances of member countries being

left unsettled inside the clearing machinery at this stage.

At first glance it may seem a rather cumbersome method to send all the individual payments through the Berlin Central Clearing, instead of letting member countries exchange their payments direct, and merely report the totals or balances to Berlin for entry in the books. However, taking into account Berlin's central position among the countries concerned, and considering the necessity for Germany to censor the payments, it is quite possible that the procedure adopted is as simple as any other. (The Berlin Central Clearing system is, of course, only being judged on its merits as a means of regulating payments. Like other technical devices, it can be utilised for good or ill; but this is another matter.)

The chief deficiency, technically, is the lack of appropriate means for settling final balances in the third stage of payments. According to the Joint Statement on the Establishment of an International Monetary Fund, it is contemplated that this function will be performed in future by the transfer of gold or foreign exchange reserves in the same way as under the old system of free payments, with the additional assistance only of the facilities to be offered by the proposed International Monetary Fund.

Next in importance comes the need to substitute some other machinery of the multilateral adjustment of balances (on clearing or other kinds of accounts) for replacing the Berlin Central Clearing in the second stage. This institution would presumably at an early date be split up into the separate bilateral clearings of which it is composed. According to the Joint Statement the adjustment of balances should in future be carried out in the foreign exchange market, again in precisely the same manner as under the old system of free payments, but without any assistance from the Monetary Fund. In the original White Plan the Stabilisation Fund was granted a somewhat wider scope, as it was expressly allowed to act also as an international clearing-house for balances of this kind. Whatever the final decision on this point may be, there will hardly be any difficulty in finding after the war one or more suitable institutions—

whether new or old and whether operating inside or outside the market—to exercise this function.

Last in order of urgency comes the need for finding other forms of transmitting individual payments in the first stage, to replace the present clearing accounts. There are plenty of alternatives: registered accounts, special accounts, area accounts, free accounts, and so on. The Joint Statement does not declare itself in favour of any particular alternative, nor, indeed, does it demand any change at all in this respect, if only the balances on clearing accounts can be disposed of in some way or other.

On the Continent clearing accounts and exchange control are closely linked together, so much so that to many people the two terms have acquired a nearly identical meaning. But even if it is appreciated that it is perfectly possible to separate the two, it does not follow that it is wise to do so. There may be a good case for maintaining in the first stage of payments the now existing intra-European clearing accounts, firmly established and smoothly running as they are, until such time as exchange control can gradually be relaxed.

In sum, it may be said that it is not only desirable, but necessary, to introduce new forms of adjusting bilateral balances (on clearing or other kinds of accounts) and of settling the final balances owing by or to each liberated country. On the other hand, it is not necessary, and in the first transitional period probably not even desirable, to make radical changes in the operation of the bilateral clearing accounts themselves. Each country can safely be left to choose for itself the kind of accounts best suited to conduct its foreign payments. It may well be that a country with a backward banking organisation would feel obliged to uphold complete concentration and rigid supervision of payments in one clearing office, while a country with an advanced banking organisation and highly trained bank staffs may choose to share the responsibility of exercising control with certain specially authorised banks. An entirely free system of payments cannot be contemplated so long as the necessity for exchange control exists.

Business Notes

Currency in Liberated France

The agreement signed between the United States and British Governments, on the one hand, and the French Provisional Government on the other, grants the latter complete authority for the issue of currency in liberated France. The agreement is made retrospective to D-day, and, therefore, the Provisional Government has taken over responsibility for the "tricolour" military notes issued in France by the American and British military authorities. It is probable that these notes will as soon as possible be exchanged for other currency printed in the United States some time ago for the Algiers Committee. As yet the Provisional Government has not put its monetary policy for liberated France into operation. There has been no wholesale attempt to call in the present circulation of Bank of France notes, and to exchange it for other currency, or to block bank accounts and other assets, or to put into effect the other items of fiscal policy, the details of which had been worked out and settled before the liberation of France began. What has been done on the initiative of M. Coulet has been to block two categories of bank accounts in liberated territory. The first of these are the accounts of persons temporarily residing in German occupied territory. Their accounts cannot be freely operated, not because there is any ultimate intention of sequestration or other penalising measures, but as an obvious security measure designed in the main for the benefit of the French holder of the account in question. The second category of blocked accounts are those of active collaborators and other suspect persons whose assets have been immobilised pending fuller judicial inquiry into the activities of the owner. In such cases the blocking has been tempered by special concessions allowing funds to be withdrawn up to specified modest maxima to provide for the maintenance of the owner's dependants. The basis of any satisfactory settlement of the currency problem in France must be an effective control of prices and wages in the liberated territories, and after an excusable interregnum during which developments in this respect were unsatisfactory the position is now rapidly

improving. A good deal of evidence is accumulating that a serious compression of fixed prices will have to take place if the rate of exchange of 200 franc to the £ is to be made permanent. The immediate intention in fixing that rate, namely, the limitation of the purchasing power in the hands of Allied soldiers in France, has been wholly realised. It has more recently been reinforced by the tightening up of the system of food rationing in the liberated territories, and by restricting the serving of meals in restaurants to those able to produce food cards. In this way a good deal of military competition for the available supplies of food-stuffs has been satisfactorily excluded.

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Bombay Silver Deadlock

The situation on the Bombay silver market has been abnormal since July 27th, when normal silver trading was suspended. The cause of the deadlock was a serious "bear squeeze." Normally this would have been solved by the natural device of declaring the bear speculators defaulters, but it has caused a complete deadlock owing to Court injunctions restraining the Bombay Bullion Exchange from enforcing its sanctions against defaulting speculators. Bear speculation in silver began to develop in Bombay when news broke of the large silver purchases made by the Indian Government first from Persia, then from the United States. The operators assumed that these purchases were a prelude to official sales of silver, and that these sales would have a depressing effect on its rupee price. By June 20th the spot price of silver (per 100 fine tolas) had fallen to Rs.127/8, against a high record of Rs.143 reached on April 24th; the forward delivery price had slumped to Rs.121/8, the discount on forward being such as to indicate a dangerously strained position. The hopes on which the bear sales had been made were not realised as rapidly as the speculators had expected; no official sales of silver were made. By June 20th the bears were being squeezed. There was said to be a short position of about 6,000 bars,

or rather more than 6,000,000 ounces. The bears were unable to deliver the silver they had sold, and their attempts to cover themselves in the market led to a steady bidding up of the spot price which had risen to Rs.135 on July 27th.

*

Meanwhile the Bombay Bullion Exchange Board had applied a penalty of Rs.1 per 100 tolas for the extension of contracts due to the non-delivery of silver by the bear speculators. This is a penal rate, though it should be noted that these arrangements for carrying over contracts hardly comply with the Defence of India rule prohibiting speculation in silver. These arrangements did not satisfy the bulls, who began asking for their pound of flesh, that is, for actual delivery of the silver they had bought, and not for penalties, however severe they might appear when expressed in terms of an annual percentage figure. As the market was short of silver, this demand for actual delivery would have sent the price of the metal rocketing, and would probably have involved the failure of some important firms in Bombay. The "bulls" were in an exceptionally strong position, and a leading operator suggested a rate of Rs. 139 at which the open accounts might be squared. One firm was actually declared a defaulter by the Bullion Exchange, but then obtained an injunction from the courts restraining the Exchange from enforcing this resolution. At this point, on July 27th, the Exchange Board suspended silver trading until further notice. The Reserve Bank then came to the belated rescue of the bears, but did so in rather hesitant manner. It began making silver available to the market in daily quotas of 200 bars, which were first offered at Rs. 131, the price gradually rising to Rs. 131/12. The position is gradually being eased by these official sales; meanwhile there are improving prospects of agreement between the various parties concerned on the figure at which the remaining open contracts should be settled. By Thursday of this week the position had become sufficiently normal to allow a resumption of official dealings in silver. Spot was quoted at Rs. 131 and forward at Rs. 130.

* * *

US Coal Mission

A commission of American technicians and economists has recently examined production and distribution methods in the British coal industry. Its report to the Coal Committee of the Combined Production and Resources Board has not been published. This is a pity, for the detailed views of American technicians on British methods would have been of special interest because of the much higher productivity of the industry in the United States. The summary of the report issued on Tuesday is colourless, inevitably perhaps. It records that the machinery supplied by the United States has been put to good use. With the aid of American machinery it should be possible to raise the output of open-cast coal from the current rate of 10 million tons to 18-20 million tons a year and deep mine production by about 12 million tons a year. The report emphasises the scope for the adoption of new methods of exploitation. In its view, 40 million tons of the current rate of deep mine production of 190 million tons could be mechanised immediately, with a resultant gain in efficiency and economy of manpower that "can be a major contribution to the war effort." Moreover, a large part of the remaining 150 million tons could be mechanised gradually,

after major changes have been made in transportation preparation and methods of dealing with difficulties of converting from complete longwall operations to complete room and pillar systems of mining.

Obviously, as the Mission points out, American equipment does not work as well in British as in American mines because of different geological conditions. The report, even in its summary form, once more underlines the need for speedy technical reorganisation.

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A United Effort

In his statement to the shareholders of Amalgamated Anthracite Collieries, the chairman, Mr F. A. Szarvasy, emphasised the need for the introduction of modern mechanised technique in coal mining. He recorded two difficulties. First, the greatest difficulty which his company has experienced in introducing new methods has been in finding adequate labour to prepare the pits for the installation of modern plant. Secondly, while the leaders of the miners realise that technical reorganisation is essential to the progress of the industry and the well-being of its workers,

there is a reluctance on the part of the workmen themselves to change from the older methods and they have not a clear perception that the new methods, although they may mean revolutionary changes, are really for their benefit and in fact the only security for the continuation of high wages under good conditions for labour.

One of the obstacles in the way of reorganisation in the past has been resistance to change, not merely by coal-owners but also by workers. However, Mr Szarvasy's strictures apply with no less force to the owners. Of course, there have been exceptions on both sides. A united effort will be required if the coal-mining industry is to be brought into line with modern technique as speedily as this is necessary.

* * *

An Institute for Distribution

A conference presided over by Dr. Leslie Burgin was held last week, and attended by a number of Members of Parliament, scientists, economists, business men, and representatives of trade associations, who agreed that an institute whose main object would be the scientific study of distribution was needed. Constitutional and organisational plans will be considered at a further meeting in September. It is proposed that the Institute's principal objects should be to obtain a census of distribution and the setting up of educational courses, scholarships and chairs of distribution at universities. It would also follow and advise on legislation, collect information and statistics, publish pamphlets and periodicals and co-operate with other bodies. Membership would be open to companies, trade associations and individuals on a wide basis, and the Institute would have scientists and economists on its permanent staff. It is hoped that since the Institute would be scientific in character it would qualify for a Government grant towards its research. It would, in addition, be financed by the subscriptions of members. The meeting felt, quite rightly, that the Institute should be independent of party politics and control by vested interests.

* * *

Research in Distribution

There is no doubt that the complexity and cost of distribution have grown. There is in existence no single organisation which concerns itself with the problem of the industry as a whole, although there are a number of specialised associations, whose interests are confined to those of their members. It is unfortunate that, whereas there have been a fair number (although too few, as has been recognised) of research bodies serving manufacturers and industrialists, no such body has yet been formed to assist distribution, either wholesale or retail. In this respect, this country is far behind America. Research in distribution is no less needed than research in production. New methods might be found to simplify distribution so that costs can be reduced, while at the same time the functions performed by the various distributors who provide the links between producers and consumers can be retained and possibly extended. An institute dealing with the problems of distribution can be of immense value in dissecting problems and suggesting improvements on scientific lines. This would be of benefit, not only to commercial practice, but also to distribution in its wider aspect. In all the Institute's work, one thing is essential above all others: it must be unbiased. Its approach must be completely uncoloured by any preconceived notions on the merits of any particular type or process of distribution. No vested interest or retail cartel must be allowed to influence the conclusions drawn as a result of any piece of research. The Institute should represent every aspect of distribution, and concern itself with every type of business in the trade, whether it be department store, chain store, co-operative society, mail order business, independent trader, market stall or trolley-

man. The interest of the consumer should be clearly appreciated in all the Institute's work, since in the last analysis all distribution exists to serve the ultimate consumer. If the Institute is prepared to work on these lines, it will receive support from disinterested observers, and the Government should be generous in recognising its claims on the Treasury.

* * *

Bulk Purchases

The method of purchasing in bulk, and for a period ahead, raw materials and foodstuffs in war has obvious advantages. It is designed to ensure supplies by providing a guaranteed market to producers; it prevents an undue rise of prices in a period of scarcity; and it has certain administrative advantages at a time when supplies of raw materials and foods have to be rationed to manufacturers and consumers. But the fact that the method of bulk purchase is advantageous in war does not mean that it will be equally beneficial in peace. During a period of plenty, when there is no need for rationing, there is no need to ensure supplies by bulk purchases, and the use of the system has less administrative advantages. Nor will they necessarily ensure lower prices than a free market. During a recent address to the British Federation of Commodity and Allied Trade Associations, Mr Harold Johnstone, Secretary of the Department of Overseas Trade, expressed the hope that Government bulk purchases would end as soon as adequate supplies of commodities are available, on the ground that the operations of the commodity markets can ensure foreign produce in better quality, in greater variety, and more cheaply than any bulk contracts. This does not mean that the system of bulk purchases should be discarded completely. Exceptionally, they might be used to provide a guaranteed market for producers; they might also be used as a means of price control in conditions of monopoly. But there seems to be no case for their general substitution for free markets in primary products.

* * *

Journalist Brokers

The question of the relationship between Stock Exchange personnel and the press has long been closely exercising the Stock Exchange authorities. The crux of the matter lies in the fact that at certain (and fairly limited) phases of market activity, the press is a potent factor in influencing prices by its comment and recommendations. Insofar as these comments and recommendations are the responsibility of journalists unconnected with the Stock Exchange, the authorities have little power to check the occasional abuse of a privileged position which may occur; the public's safeguard must rest in the moral integrity of financial journalists, and on the vigilance of their employers. When, however, members and others directly connected with the Stock Exchange, and under the jurisdiction of its Committee, add journalism to their professional activities, the Committee is clearly within its rights in taking cognisance of their journalistic activities. Just how far control and surveillance should go is a very moot and very difficult point. The Stock Exchange and the financial press are mutually dependent on each other. To suggest, as has been done, that the only effective course is to impose a complete embargo on the journalistic activities of House personnel would not only be a serious interference with the liberty of members; it would impair the efficiency—and the freedom—of the financial press. Nor could the embargo be in fact effective. Having doubtless considered all these points, the Committee has contented itself by stipulating that when a member, or a clerk, writes regularly or performs other services for the press on a professional basis, he must first obtain official consent in writing, such consent to be subject to annual renewal and terminable at any time. The Committee, in fine, wishes to "keep tabs" on journalist-members. That is reasonable enough. Yet there may be a sting in the apparently innocuous ruling. Provided that the Committee knows which of the members is also acting as a journalist, it can already use sanctions against misconduct first by means of a warning, and if that fails to have effect, by expulsion from the House. Yet under Rule 93A, it would be possible for some future Committee, less sympathetic towards the press than the present body, to withdraw "permission to write" from a member whose only offence was perhaps to write unkind words about the Committee. The new rule is typical of the loosely-knit regulations by which the Stock Exchange is governed. However

suitable such widely drawn regulations may be in other directions, it would seem that in this matter compulsory disclosure of duality of interest, coupled with the existing very effective sanctions against unprofessional conduct, would have been sufficient safeguard.

* * *

The Tinplate Industry

Richard Thomas and Company continue to ride a favourable tide, and the full accounts for the year ending April 1, 1944, show the gross profits of the group higher by nearly £300,000, and past the £4,000,000 mark, while the net profits of the parent company are over £100,000 up at £740,000. The ordinary dividend, as already announced, is raised from 10 to 12½ per cent, and it is stated, in what could be taken as an optimistic aside, that this step is not inconsistent with the policy of maintaining a relatively stable dividend. Figures for the last three years are given on page 297. Taxation adjustments, due largely to the granting of wear and tear allowances in respect of furnaces—a factor which will continue to better the company's taxation position—make available this year an extra £325,200, which is used to write down the book value of subsidiaries. It is pointed out that much of their plant is becoming obsolete. This is in line with the company's aim of further modernisation of the tinplate industry which, it is pointed out, will involve heavy capital expenditure, for which purpose strong liquid resources have been conserved. Insofar as this outlay is to be directed to technological improvements, it is very much to the good. The company's strip mill at Ebbw Vale is already an example of efficient mass-production in an area affected by industrial decay, and during the war this plant has handled a rapidly increasing share of the country's total output of tinplate. It is well known that the industry is faced with considerable redundancy. Last November a scheme was submitted to the Board of Trade, and subsequently three-quarters of the interests concerned set up a company, "Tinplate Processes, Limited," to solve the problem on a co-operative basis. Although final agreement within the industry has still to be reached, Mr Lever, the chairman of Richard Thomas, in his annual statement, restates his belief in a co-operative solution. Everything hinges on what form this is to take. The payment of heavy compensation in respect of redundant plant would not only, by diverting liquid resources, slow up the process of modernisation. It would prevent consumers getting the benefit of the cheap and efficient plant now in existence. It would handicap exports—although here the position is in any case complicated by the question of a return to international control. Finally, shareholders of Richard Thomas may wonder whether any scheme of compensation can benefit them, since they own such good plant as the industry possesses, as well as the liquid resources to improve it further.

* * *

The Hill Empire

The death of Mr Philip Hill at the age of 72 not only closed one of the most remarkable careers the City has seen (not until he was over 50 did he come into real prominence with the Beecham's Pill-Covent Garden deal); it has caused considerable conjecture about the future of the many companies with which he was connected. This conjecture is understandable when the catholicism of Mr Hill's interests is recalled. In addition to Beecham's Pills and Covent Garden Properties, he was connected during the last twenty years with the financing of, or transactions affecting, Woolworths, Hawker-Siddeley Aircraft, Timothy Whites and Taylors, Ranks, Scribbans, Olympia and Odeon Theatres, to mention only the more important. The very breadth of his interests, however, emphasises that it was mainly as a provider of capital for industry that he func-

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tioned; remarkable man though he was, he could hardly have been a technical expert on such varied matters as cakes and hurricanes, films and laxatives. His death is likely to have little, if any, effect on the many companies with which he was associated. The gap it leaves in the machinery for financing industry may possibly be filled east rather than west of Temple Bar. His issuing house business was conducted through Philip Hill Investment Trust and its subsidiary, Philip Hill and Partners; and this week it has been announced that Sir Edward Mount, Bart., becomes chairman, and Mr Hubert A. Meredith managing director, of these companies.

Price Control in Cotton

The movement in favour of price control in the cotton industry after the war—this was advocated by the Cotton Board Committee's report on the industry's post-war problems—not unexpectedly, is gaining strong support within the industry. Last week a meeting of spinners of Egyptian-type cotton—this section comprises more than a third of the spinning section of the industry, with some 15 million spindles—came out in favour of the establishment of price control after the war. The view is expressed that price control is a necessary preliminary to reorganisation. It is certain that price control will fail without reorganisation and the adoption of the most productive methods in manufacture and marketing. It will fail because overseas consumers will only buy British cotton goods in large volume if they like the goods and if they are offered at competitive prices. The Government cannot provide the industry with a large and guaranteed overseas market; it can only press for a system of world trade that gives the industry access to overseas markets on equal terms with other exporting countries.

United Molasses

The delayed accounts of United Molasses for the year to December 31, 1943, show little change in the profits of the group, which amount to £834,781 gross and £344,952 net. The same appropriations are made as last year—an ordinary dividend of 20 per cent, plus a cash bonus of 2½ per cent, tax free, paid out of capital reserve, and the transfer of £100,000 to general reserve. It is stated by the chairman, Mr Kielberg, that income from molasses, over which the company continues to act as sole agents for the Ministry of Supply, continued to decline, so that it represents less than 10 per cent of the year's consolidated earnings. On the other hand, if the increased prosperity of Tankers (in which the group have a majority holding) is a reliable guide, the group's shipping business has not done badly. The most interesting feature disclosed by the accounts is the increase in net liquid assets, which for the group as a whole amount to £5,766,264, against £5,045,323. They are, in addition, more liquid with a big increase in Government securities and a fall in debtors. Capital reserves of the group are up by over £550,000 to £2,465,000 odd. Of this increase, £112,917 represents the profit on investments realised during the year, which is credited direct to capital reserve, and does not appear in the profit and loss account; by con-

trast, the payment of the 2½ per cent bonus required £48,866 from capital reserve. Mr Kielberg points out that the re-employment in the company's trade of the large liquid assets now accumulated will be a major responsibility in the years to come, and that this is the motive behind the recent directorial appointments. In view of this statement, and the company's strong position, a new move to extend its interests, along the lines indicated by its unsuccessful bid for Lamport and Holt, would not come altogether as a surprise.

Boom in Beer

The full accounts for Watney Combe Reid for the year ending June 30, 1944, show that the increase in the deferred ordinary dividend from 18 to 20 per cent is well covered by over £250,000 rise in gross earnings from £1,720,000 to over £1,990,000, and by a rise in earned for ordinary capital from 21.3 to 29.3 per cent. Full figures for the last three years are given on page 299. In each of the last three years a total of £450,000 has been allocated between the reserve for deferred repairs and the reserve for property improvement and contingencies, but considerable variations in the respective appropriations indicate the optional nature of a particular year's distribution. This fact tends to distort the figures for earned for ordinary, which are struck after deferred repairs. These allocations represent a considerable strengthening of the company's reserves, which are further augmented this year by a provision of £53,765 against future taxation. From the accounting viewpoint, this year's best feature is the emergence of a consolidated balance-sheet, which does not, however, include comparable figures for 1942-43. The explanation of the rising profits can presumably be only the still rising thirst of the public, under pressure of another year's war strain and the further dwindling of competing attractions. Beer, like films, has enjoyed an expanding war-time market. Doubts are being expressed, however, about the industry's post-war prospects, when there will be a widening field of alternative enjoyments. It is possible that there is a sufficiently solid core of demand for beer to guarantee to the industry a reasonable prosperity over the next decade; and, who knows, there may even be a reduction in the beer duty.

Seaweed in Scotland

Seaweed is a source of supply for chemicals used in the making of textiles, transparent paper, plastics, food-stuffs, sizing materials and medical materials. The Ministry of Supply, the Scottish Council on Industry and the Scottish Agricultural Organisation Society have realised that the collection of seaweed might well be developed to provide a profitable part-time occupation for crofters. To discover the potentialities of this new industry, the Scottish Seaweed Research Association has been established. It will have three divisions. The survey and littoral division will make surveys which will indicate where and when seaweed should be collected. The engineering division will maintain the *Prospecto*, a ship specially equipped for the survey and collection of deep-sea weeds. In addition, this division will develop equipment for collecting seaweed, and investigate the possibilities of pressing, drying and milling equipment. The chemistry division will study seasonal variations in the constituents of the various Scottish seaweeds, and provide information to those engaged in the extraction of chemicals and to those who use it for animal feeding stuffs and for fertilisers. As a fertiliser seaweed has been used extensively in some parts of the British Isles for centuries. The Association will work on these lines for two years, and has up to £50,000—derived from private and public funds—at its disposal. Whether a flourishing industry can be established will depend largely on the results of the Association's research. If large quantities of seaweed can be assured regularly and obtained at economic prices, then chemical industries will be developed near the place of collection to eliminate the heavy transport costs which would otherwise be involved. Scotland's established rivals in the industry are mainly in the Pacific, where extensive and easily harvested weeds are found.

Potatoes

The potato is the only food in which this country is completely self-supporting, and the acreage grown has been

nearly doubled during the war. Acreages under potatoes in England and Wales have been as follows:—

1939	454,327 acres	1942	898,385 acres
1940	537,186 "	1943	957,043 "
1941	777,307 "	1944 (approx.)	950,000 "

Potatoes are now grown on 233,000 farms in Great Britain, and 60,000 in Northern Ireland. The increase has been achieved partly by compulsion but mainly as a result of fixed growers' prices, the guaranteed market, and the £10 per acre payment which has been made since 1942. The general principles of the scheme have been followed since February, 1940, although adjustments have been made from time to time. Potatoes are sold through normal trade channels, limited only by price, grade, transport (there is a zoning scheme) and other regulations. The Ministry of Food buys potatoes from growers and holds stocks for end of season distribution and to cover temporary shortages. When surpluses arise, they are dried or sold to stock-feeders. The Ministry is responsible for supplying the Forces overseas and for exporting seed potatoes—last season, 90,000 tons were sent to the Dominions and to the Mediterranean. Every effort is made to increase potato yields. These vary from the 10 tons per acre achieved by good growers, down to only 3 tons per acre. The aim is to make the average of 7 tons the minimum yield per acre. The Ministry of Agriculture advises growers on how to raise their yields. One way is to use good seed, and Scotland, Northern Ireland and Wales have expanded their acreages of certified seed. So far as the consumer is concerned potatoes have been available in sufficient quantities with scarcely a gap, and in the face of shortages of other foods, consumption has risen steadily. Prices have been kept at a pre-war level by means of subsidies, the cost of which has been as follows:—1940-41, £200,000; 1941-42, £14,400,000; 1942-43, £23,000,000; and 1943-44, £28,000,000.

Potash

Developments in fertiliser production during the last war radically changed the international supply position of the two main groups of fertilisers. Germany, isolated from Chilean nitrate supplies, began to produce synthetic nitrogen, while the United States, cut off from German potash supplies, developed domestic resources. A Note in *The Economist* of July 29th last (page 162) indicated that the international nitrogen industry has undergone further changes in this war. The wartime expansion in potash production has been as important as that of nitrogen. Although United States production rose from 4,374 short tons of low-grade potash salts in 1915 to 546,757 tons of high-grade salts (containing 312,201 tons of K₂O) in 1939, it was still one of the best customers of the European suppliers. Since the war, the United States has become an exporter. Details released by the US Bureau of Mines show that output has expanded year by year since 1939. In 1943 production totalled 1,428,480 short tons of potassium salts with a K₂O content of 739,141 tons. A further increase is expected this year. The Bureau of Mines points out that "present producing capacity is more than enough to care for normal domestic requirements under postwar conditions." In addition, other countries have expanded their production. The expansion has been on a large scale in Russia, where, it is believed, the world's largest undeveloped potash resources are to be found. Palestine has extended production from Dead Sea brines. Spain has reorganised its own young industry which was hit by the Civil War. New minor sources have been worked in Chile, Australia and India. Although the potash industry will end the war with a larger productive capacity than ever before, large quantities will be needed by many countries to replenish potash reserves in the soil. The weakened position of the former German-controlled cartel will be an advantage in achieving this object.

Shorter Note

The consolidated statement of the International Nickel Company of Canada and subsidiaries for the first six months of 1944 shows that the reduction of profits, already revealed, for the first quarter of this year has been repeated in the second quarter. Altogether, the company's net profits for the half-year to June 30th amounted to \$13,686,390, representing, after paying the preferred dividend, 87 cents a

share on the common stock, which compares with earnings of \$1.04 for the first half of 1943 and \$2.00 for the whole of 1943—exactly sufficient to maintain the usual quarterly dividends of 50 cents throughout 1943. The quarterly dividends in 1944 have, however, fallen to 40 cents, and it was announced on August 8th that the third quarter's dividend would be at the same rate.

Company Results

Richard Thomas.

	Mar. 28, 1942	April 3, 1943	April 1, 1944
<i>Consolidated Figures:—</i>			
Trading profits.....	3,542,159	3,720,980	4,002,006
Depreciation†.....	836,531	917,749	937,778
Taxation.....	1,425,000	1,527,526	1,730,153
Debt interest and redemption.....	519,552	485,758	450,383
Fees.....	10,400	11,410	10,730
Staff funds.....	48,141	78,827	79,864
War damage.....	95,000	44,013	30,000
Outside shareholders.....	22,113	21,816	21,930
Special charges§.....	100,000	100,000	87,210
Preference dividends.....	156,017	156,017	156,017
Earnings.....	329,405	377,861	497,941
Paid on Ordinary.....	121,875*	243,750	304,688
Earnings %.....	13.5	15.5	20.4
Paid %.....	5	10	12½
General reserve.....	100,000	113,522	100,000
Carry forward.....	633,751*	654,343	747,596

<i>Consolidated Balance Sheet:—</i>			
Net fixed assets.....	15,174,856	14,230,275	13,459,661
Trade investments.....	200,962	181,759	190,609
Net liquid assets.....	4,804,711	5,300,408	6,470,068
Gross liquid assets.....	10,441,063	10,340,741	12,095,580
Tax reserve certificates.....	500,000	902,475	1,550,000

† 53 weeks.
 † Includes amounts written off—£15,031 in 1942, £18,249 in 1943, and £11,278 in 1944.
 § In 1942, £100,000 to writing down 'Redbourn Coke Ovens'; in 1943, £100,000 to depreciation reserve of controlled company; in 1944, £386,521 to writing down book value of parents' investments in subsidiaries and £59,481 to writing off goodwill of parent company; but this sum net, except for the £87,210 stated, out of retrospective taxation recovery of £325,200 and depreciation reserve, no longer required, against a subsidiaries' investment of £33,592.
 * Includes £1,741 distributed on shares held outside the group.

The 6s. 8d. ordinary shares, at 12s. 6d. ex dividend, yield 6 13s. 4d. per cent.

(Continued on page 299.)

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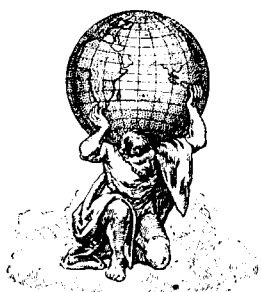
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COMPANY MEETINGS

BRISTOL AEROPLANE COMPANY, LIMITED

MR W. G. VERDON SMITH'S
STATEMENT

The thirty-fourth ordinary general meeting of the Bristol Aeroplane Company, Limited, was held, on the 24th instant, at Bristol, Mr W. G. Verdon Smith, C.B.E. (the chairman), presiding.

The following are extracts from the chairman's statement circulated with the report: After providing for depreciation and excess profits tax the amount available is £1,108,224.

During 1943 production was again maintained at a high level. Bristol aircraft and Bristol engines have operated in every theatre of war with every Royal Air Force Command and with the Fleet Air Arm. In addition to continued deliveries of Beaufighter aircraft and Hercules engines, newer types of aircraft, engines and armament have begun to make their appearance. Beaufighters have now succeeded Beauforts in the production factories of the Australian Commonwealth. Progress has been made with the design and development of our large Type 167 Transport aircraft (sometimes referred to as the Brabazon Type 1) and an increasing proportion of design effort is now being devoted to this project. Meanwhile Bristol Pegasus engines in the Empire flying boats have throughout the war been giving service which compares very favourably with the much publicised American claims for reliability and performance.

POST-WAR AIMS

The unmistakable signs of victory at last justify even those most closely concerned with the provision of essential war equipment in devoting considerable thought to the post-war period. The course of our technical progress is well defined. British design and construction can challenge the world and our company intends to be in the forefront of the challengers. I have mentioned our big transport aircraft. In addition, an extensive programme of other developments, both of aircraft and of aero engines, is in hand.

Looking forward, conditions of modern industry demand increasingly long-term planning. This is particularly true of the aircraft industry; each year is marked by intensely rapid progress: it is useless to take part in the race for technical supremacy without a programme for a number of years ahead. But the planning of industry is impossible without the previous determination of Government policy, without which the aircraft industry cannot be progressive and at the same time establish that measure

of stability and organised control which alone makes possible the practical realisation of the Government's own programmes of employment and social security.

If reasonable stability can be achieved there exists today the opportunity for industry to be the means of obtaining continuity of employment and broadened interests for the community as a whole. It is our determination that our company will be enabled by its initiative in post-war years not only to give a fair return to those who have by their investment made possible the position which we hold today but also to devote ourselves still further to welfare and working conditions generally.

Finally our primary duty for the present is to contribute our maximum effort to the war; when that is done we must apply ourselves to the transition from war to peace; we must push forward our new projects, reopen our foreign markets and, above all, return to the fundamental principles of industry and commerce which war conditions have for so long overshadowed. You, as stockholders, may depend upon it that no effort will be spared to bring about the results at which we are aiming.

The chairman, addressing the meeting, paid a tribute to the work of the staff during the past year.

The report and accounts were unanimously adopted.

UNITED MOLASSES COMPANY, LIMITED

EARNINGS WELL MAINTAINED

The eighteenth annual general meeting of the United Molasses Company, Limited, will be held in London on the 29th instant.

The following is an extract from the statement by the chairman (Mr F. K. Kielberg) circulated with the report and accounts:—War restrictions again prevent me from giving a detailed survey of the activities of the company and its subsidiaries, but it will be seen from the statement of combined results for the year that earnings were well maintained and the consolidated balance-sheet demonstrates the financial strength of the company. Profits were sufficient to maintain the dividends, cash distribution, allocation (£100,000) to general reserve and to leave the carry forward unchanged.

In the United Kingdom the company continues, in respect of all dealings in molasses, to act as agents for the Ministry of Supply. The income from this part of the company's business continued to decline during 1943 and amounted to less than 10 per cent. of the consolidated earnings for the year, but since the early part of 1944 there has been a marked

improvement and prospects for the remainder of the year appear promising. Athel Line, Limited, suffered further shipping losses during 1943, but I am happy to be able to report that no additional losses have occurred since January 1st of this year. Taking the group of companies as a whole, trading during the first half of 1944 must be considered satisfactory.

The consolidated balance-sheet shows that combined current assets continue to accumulate and that at the end of last year they exceeded current liabilities and appropriations by £5,766,000, represented by investments in short-dated Government securities. The re-employment in the company's trade of this large sum will be one of your directors' greatest responsibilities in the years to come, and the management has been strengthened in preparation for this task.

BROADCAST RELAY SERVICE, LIMITED

CONTINUED EXPANSION

The sixteenth annual general meeting of Broadcast Relay Service, Limited, was held, on the 17th instant, in London.

Mr Allan Miller (the chairman) presided.

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

I am very glad to be able to report continued expansion in all departments of our business all of which have reached new high level of volume of business and profits earned. Last year's profits had the benefit of excess profits tax deficiencies, whereas the whole of our profits this year have been subject to excess profits tax. This accounts for the decrease in the balance of profits as compared with the previous year.

We have disposed of one of our manufacturing companies in Canada on very satisfactory terms. The new item of "Notes receivable" appearing in the consolidated balance-sheet represents part of the capital proceeds of this sale.

The company is in a strong position financially, with ample reserves, and we are giving continued consideration to post-war plans for extension and improvement of the company's business.

Despite the many difficulties which exist to-day, our businesses have maintained their high standard of service and further improved their efficiency of operation.

Your directors recommend payment of a final dividend of 3½ per cent. free of tax, which is the same as last year.

The resolution adopting the report and accounts was carried.

(Continued from page 297.)

Morris Motors.

	1941	1942	31. 1943
Gross profit	2,224,087	2,521,049	2,734,910
Interest and fees	106,814	122,700	118,374
Total income	2,330,901	2,643,749	2,853,284
Maintenance	455,814	602,659	661,967
Depreciation	228,504	230,391	197,486
Taxation	603,380	796,336	997,899
ARP expenses and funds	226,375	159,124	65,769
Rehabilitation fund	100,000	100,000	100,000
Preference dividend	225,000	225,000	225,000
Ordinary stock:—			
Earned	486,828	530,229	605,163
Paid	463,750	463,750	463,750
Earned %	18.0	20.0	22.8
Paid %	17.4	17.4	17.4
Dividend equalisation reserve	25,000	50,000	100,000
Carry forward	231,872	248,361	289,774

Consolidated Statement:—			
Net fixed assets	4,330,397	4,214,818	4,070,337
Net liquid assets*	7,742,872	8,362,351	9,070,576
Gross liquid assets	11,338,560	12,268,644	13,639,643
Tax reserve certificates	...	...	1,000,000

* Including dividends receivable from subsidiaries.
† After providing £200,000 for rehabilitation of subsidiaries.
‡ Tax free.
§ Before deducting reserve for contingencies of £1,025,043 in 1941, £1,434,787 in 1942, and £1,851,761 in 1943.

The 5s. units of ordinary stock, standing at 45s., yield £19s. 1d. per cent., tax free.

Watney, Combe, Reid.

	1942	Years to June 30, 1943	1944
Trading profit after depreciation	1,373,599	1,285,934	1,476,359
Interest and dividends	91,234	87,128	121,264
Rent	303,271	366,534	396,568
Total profits	1,768,104	1,739,596	1,994,191
Taxation	644,425	646,727	†842,949
Debiture interest	231,615	215,955	235,283
Interest on deposits	24,059	29,079	28,425
Deferred repairs	200,000	400,000	300,000
Preference dividends (net)	42,123	43,123	46,123
Preferred ordinary dividends (net)	63,708	64,021	64,958
Deferred ordinary stock:—			
Earned	562,174	340,691	476,453
Paid (net)	286,687	288,093	324,791
Earned %	35.3	21.3	29.3
Paid %	18	18	20
Reserve*	250,000	50,000	150,000
Carry forward	354,448	357,046	358,708
Net fixed assets†	14,027,791	13,571,483	14,485,996
Net inter-company items	1,028,165	1,423,671	...
Net liquid assets	1,790,161	2,108,460	2,971,767
Gross liquid assets	4,540,096	5,110,905	6,480,503
Stocks	1,379,120	1,431,292	1,396,940
Tax reserve certificates	...	400,000	£717,625

† Including £53,765 provision for future taxation.
* For property improvement and contingencies.
‡ After deducting deferred repairs reserve of £280,000 in 1942, £680,000 in 1943, and £1,051,000 (consolidated balance sheet) in 1944.
§ Consolidated Balance Sheet.

The £1 units of ordinary stock, standing at 86s. 6d. ex dividend, yield £4 12s. 6d. per cent.

RECORDS and STATISTICS

INVESTMENT Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
August 17..	5,273	4,930	113.8	134.4	3.16	3.69
" 18..	5,014	5,412	113.1	134.4	3.16	3.71
" 21..	5,752	6,831	112.3	134.4	3.15	3.74
" 22..	5,373	5,334	111.0	134.3	3.15	3.79
" 23..	5,715	5,704	111.1	134.3	3.15	3.78

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

1944	1944		Aug. 2, 1944	Aug. 9, 1944	Aug. 16, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	104.6	103.2	105.3
32 Rails	88.9 (a)	106.8	104.0	101.8	102.9
40 Utilities	85.0	92.4 (c)	91.3	91.2	92.4
419 Stocks	93.6 (a)	105.7	102.5	101.3	103.2
Av. yield %†	4.84 (b)	4.43	4.65	4.66	4.58

† Common Stocks. (a) Feb. 9. (b) May 3. (c) August 16.

STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
August 11.	125.7	944,000	August 15.	126.5	784,000
" 12.	126.2	374,000*	" 16.	126.5	860,000
" 14.	126.5	688,000	" 17.	127.0	1,238,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending August 26, 1944	Nominal Capital £	Con- versions £	New Money £
To Shareholders only	1,740,000	...	1,827,000
Particulars of Government issues appear on page 301.			
• Year†		Including Conversions	Excluding Conversions
1944	1,069,427,537	1,055,701,490	1,055,701,490
1943	1,184,723,485	1,166,327,780	1,166,327,780

Destination* Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1944	1,053,298,835	2,147,721	254,934	1,050,548,312	2,332,789	2,820,389
1943	1,163,103,280	2,585,843	638,677	1,155,857,937	1,652,701	8,817,142

* Conversions excluded. † Includes Government issues to August 16, 1944, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

"The Economist" Sensitive Index.—There was no change in the index during the week ended August 22nd. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

COST OF LIVING INDEX (July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	½	12½
Sept., 1939	138	162	208	182	179	155
1940	166	164	295	212	187	187
1941	166	164	380-385	228	230	199
1942	160	164	395-400	240	265	200
1943	166	164	345	244	291	198
June, 1943	165	164	350	244	286	198
July, "	168	164	345-350	244	286	200
Aug. "	167	164	345	253	286	199
June, 1944	168	164	345	253	291	200
July, "	169	164	345	253	291	201
Aug. "	170	...	...	...	...	202

Source: Ministry of Labour Gazette.

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
Apr. 17, 1944			
Men	39,205	355	882
Boys	11,027	1	1
Women	13,754	281	62
Girls	9,106	16	—
Total	73,092	653	945
July 17, 1944			
Men	36,407	274	670
Boys	7,671	10	—
Women	11,037	310	23
Girls	6,790	5	—
Total	61,905	599	693

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

	Mar. 31, 1937*	Aug. 30, 1939	Aug. 17, 1943	Aug. 1, 1944	Aug. 15, 1944
Cereals and Meat	93.0	66.9	110.5	108.6	108.0
Other Foods	70.4	61.1	107.5	107.3	107.3
Textiles	74.2	54.3	92.7	104.0	104.0
Minerals	113.2	95.4	135.9	143.6	143.6
Miscellaneous	87.0	77.6	126.8	128.8	128.8
Complete Index	87.2	70.3	114.5	118.1	118.0
1913=100	119.9	90.8	157.6	162.5	162.3

FINANCE AND BANKING

THE MONEY MARKET.—The banks were called upon to pay £60,000,000 against TDR's this week. This represented some £30,000,000 of new money as the effective maturities, allowing for pre-encashments amounted to about £30,000,000. The discount market had to tackle the very considerable task of taking up a 42 per cent allotment on its applications for the £110,000,000 of Treasury bills tendered for on Friday of last week. As funds continued to be immobilised in Government accounts at the Bank of England to a greater extent than is now customary, rather difficult conditions were experienced in the money market during the first part of the week. Special help had to be given to the market by way of official purchases of bills. The Bank return reflects the easing of the position which was becoming evident by Wednesday of this week. Bankers' deposits at £178,361,000 are £6,473,000 higher on the week. The main counterpart to this movement is a rise of £4,140,000 in Government securities. Another small helpful factor has been the continued reflooding of currency from circulation, the notes in issue being £2,507,000 down on the week.

MONEY RATES, LONDON.—The following rates remained unchanged between August 17th and August 24th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between August 17th and August 24th (Figures in brackets are par of exchange).

United States. \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. **Canada** \$ (4.86) 4-43-47; mail transfers 4-43-47. **France** (25.22) 17-30-40. **French Empire.** Francs 1971-2001. **Switzerland.** Francs (25.22) 17-30-40. **Belgian Empire.** Francs 1971-2001. **Syria.** P. 8-81-85. **Sweden.** Krona (18.159) T.T. 16-85-95. **Dutch West India.** Florin (12.11) 7-56-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$4-02-04; mail transfers 4-02-04. **Brazil.** 83-64½ cr. (buying); mail transfers 83-56½. **Uruguay.** 7-6597 p. (buying). **Spain.** Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire.

Market Rates.—The following rates remained unchanged between August 17th and August 24th.

Egypt. Piastres (97½) 97½. **India.** Rupee (18d. per rupee) 17½-18½. **Belgian Congo.** Francs 176½. **China.** National \$3-3½. **Iran.** Rl. 128-130. **Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-16 pesos.

NEW YORK EXCHANGE RATES

New York on	Aug. 16	Aug. 17	Aug. 18	Aug. 19	Aug. 21	Aug. 22	Aug. 23
Cables: London	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½
Montreal	90-000	90-000	90-060	90-060	90-000	90-000	90-060
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-87	24-87	24-88	24-88	24-88	24-88	24-88
Rio de Janeiro	5-16	5-16	5-16	5-16	5-16	5-16	5-16
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29.78. † Free Rate. § Bid.

GOVERNMENT RETURNS

For the week ended August 19, 1944, total ordinary revenue was £51,969,000, against ordinary expenditure of £110,032,000 and issues to sinking funds of £100,000. Thus, including sinking fund allocations £3,480,239, the deficit accrued since April 1st is £1,244,759,000 against £1,272,104,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Aug. 21, 1943	April 1 to Aug. 21, 1944	Week ended Aug. 21, 1943	Week ended Aug. 19, 1944
ORDINARY REVENUE					
Income Tax	130,000	283,100	310,967	20,578	20,486
Sur-tax	80,000	10,205	8,670	250	210
Estate, etc.,	100,000	39,080	43,272	1,682	2,235
Duties	19,000	6,490	4,222	1,200	1,500
N.D.C.	500,000	9,491	10,838	514	514
E.P.T.	1,000	167,336	181,610	9,170	10,774
Other Inld. Rev.	1,000	168	110	10	10
Total Inld. Rev.	200,000	515,870	559,689	33,430	34,229
Customs	564,900	207,625	215,705	12,408	10,082
Excise	472,900	173,560	186,400	3,860	3,800
Total Customs & Excise	1,037,800	381,185	402,105	16,268	13,882
Motor Duties	27,000	3,609	3,674	...	...
P.O. (Net Receipts)	4,850	1,040	1,090	...	...
Wireless Licences	800	380	350	...	...
Town Lands	7,350	1,931	2,266	76	...
Sundry Loans	24,000	32,996	29,690	4,895	3,858
fiscall Receipts	310,180	937,011	998,864	54,669	51,969
Self-Balancing P.O. & Brdcastg.	112,370	42,250	45,450	1,750	2,250
Total	321,410	979,261	1,044,314	56,419	54,219

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Aug. 21, 1943	April 1 to Aug. 21, 1944	Week ended Aug. 21, 1943	Week ended Aug. 19, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	156,154	165,577	18,685	17,748
Payments to N. Ireland	9,000	2,656	2,881	...	...
Other Cons. Fund Services	7,000	3,261	3,269	34	34
Total	436,000	162,071	171,727	18,719	17,782
Supply Services	550,139	204,363	206,846	92,760	92,250
Total	597,339	220,554	224,043	111,479	110,032
Self-Balancing P.O. & Brdcastg.	112,370	42,250	45,450	1,750	2,250
Total	609,709	224,784	228,593	113,229	112,282

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £113,361 to £2,628,280, the other operations for the week (no longer shown separately) raised the gross National Debt by £59,985,551 to £20,824 million.

NET ISSUES (£ thousands)	
War Damage Act	1,835
P.O. and Telegraph	100
Overseas Trade Guarantees	1
Total	1,936

FLOATING DEBT (£ millions)

Date	Treasury Bills	Tender	Tap	Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
				Public Depts.	Bank of England		
1943							
Aug. 21	1170.0			Not available			
May 20	1260.0			Not available			
" 27	1280.0	2184.9		374.9	1419.5	5259.3	
June 3	1300.0			Not available			
" 10	1320.0			Not available			
" 17	1340.0			Not available			
" 24	1360.0			Not available			
July 1	35.36-0			437.8	29.5	1351.0	5354.2
" 8	1400.0			Not available			
" 15	1420.0			Not available			
" 22	1430.0			Not available			
" 29	1430.0	1719.2		394.5	1389.5	4933.1	
Aug. 5	1430.0			Not available			
" 12	1430.0			Not available			
" 19	1430.0			Not available			

TREASURY BILLS (£ millions)

(£ millions)						
Date of Tender	Amount			Average Rate of Allot- ment		Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted	%		
1943				s.	d.	
Aug. 20	90.0	175.1	90.0	20	0.42	38
1944						
May 19	110.0	202.4	110.0	20	0.36	40
" 26	110.0	195.7	110.0	20	0.98	46
June 2	110.0	216.1	110.0	19	11.89	28
" 9	110.0	203.4	110.0	20	0.45	38
" 16	110.0	197.5	110.0	20	0.49	40
" 23	110.0	199.5	110.0	19	11.93	35
" 30	110.0	203.6	110.0	20	0.57	41
July 7	110.0	197.4	110.0	20	0.89	45
" 14	110.0	199.7	110.0	20	0.54	41
" 21	110.0	204.2	110.0	20	0.26	36
" 28	110.0	214.2	110.0	20	0.46	33
Aug. 4	110.0	217.1	110.0	20	0.11	30
" 11	110.0	208.9	110.0	20	0.51	36
" 18	110.0	200.9	110.0	20	0.83	42

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Aug. 19, 1943	Aug. 3, 1944	Aug. 10, 1944	Aug. 17, 1944
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	20,050	18,424	18,417	18,415
Total reserves	20,453	19,115	19,107	19,102
Total cash reserves	329	280	273	270
Total U.S. Govt. secs.	8,156	14,891	15,222	15,231
Total loans and secs.	8,185	14,938	15,295	15,295
Total resources	30,510	35,928	36,122	36,429
LIABILITIES				
F.R. notes in circ.	14,625	19,165	19,332	19,440
Excess m. bank res.	1,290	1,200	1,000	1,000
Mr. bank res. dep.	12,659	12,884	12,810	12,935
Govt. deposits	99	261	487	317
Total deposits	14,146	14,916	15,987	15,056
Total liabilities	30,510	35,928	36,122	36,429
Reserve ratio	71.1%	56.1%	55.5%	55.4%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,291	20,996	20,996	20,998
Treasury & bank currency	4,092	4,112	4,108	4,109
LIABILITIES				
Money in circulation	18,214	22,734	22,910	23,020
Treasury cash and dep.	2,378	2,600	2,827	2,862

CENTRAL BANK OF IRELAND

Million £'s

	July 1944	July 1944	Aug. 1944	Aug. 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	23.88	23.87	23.87	23.87
Sterling balances	1.29	1.32	1.66	1.80
LIABILITIES				
Notes in circulation	28.23	28.31	28.63	28.80

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	July 19, 1943	July 3, 1944	July 10, 1944	July 17, 1944
ASSETS				
Gold and English ster.	36.39	49.29	49.29	49.29
Other coin, bullion, etc.	9.81	15.95	15.13	15.55
Call money, London	46.78	111.96	115.54	115.20
Secs. and Treas. bills	207.92	229.61	230.46	231.41
Discounts and advances	21.47	28.74	29.33	27.43
LIABILITIES				
Notes issued	141.51	191.24	191.74	191.74
Deposits, etc.	167.86	185.92	192.55	191.87

CENTRAL BANK OF ARGENTINA
Million paper pesos

	June 15, 1943	May 15, 1944	May 31, 1944	June 15, 1944
ASSETS				
Gold at home	1,074	1,150	1,173	1,180
Other gold and for. exch.	1,560	2,351	2,317	2,331
Non. int. Govt. bonds	111	99	99	98
Treasury bonds	391	780	780	779
LIABILITIES				
Notes in circulation	1,662	2,007	2,032	2,029
Deposits: Government	409	651	642	628
Banks	91	1,263	1,253	1,290
Certs. of participation	14	246	235	236
Reserve ratio	82.9%	84.1%	83.6%	84.0%

SOUTH AFRICAN RESERVE BANK
Million £'s

	July 2, 1943	June 15, 1944	June 23, 1944	June 30, 1944
ASSETS				
Gold coin and bullion	70.86	91.28	91.77	90.86
Bills discounted	11.97	21.46	22.20	22.31
Invest. and other assets	88.48	86.25	87.09	87.07
LIABILITIES				
Notes in circulation	45.66	50.56	50.55	54.32
Deposits: Government	5.91	6.21	6.32	4.54
Bankers'	108.85	133.84	134.76	136.86
Others	6.39	5.78	7.07	6.27
Reserve ratio	43.1%	46.6%	46.4%	45.4%

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

	July 5, 1943	June 19, 1944	June 26, 1944	July 3, 1944
ASSETS				
Gold and stg. exch.	30.71	33.59	34.40	33.40
Advances to State	39.57	43.57	44.33	43.26
Investments	10.31	11.73	11.73	11.74
LIABILITIES				
Bank notes: State	32.40	37.24	37.23	37.49
Demand liab.: State	17.86	13.75	13.71	12.06
Banks and others	31.23	36.86	37.92	37.95
Reserve to sight liab.	37.7%	38.1%	37.3%	38.2%

BANK OF CANADA

Million Can. \$'s

	July 28, 1943	July 12, 1944	July 19, 1944	July 26, 1944
ASSETS				
Reserve: Gold	0.5	12.83	13.84	19.82
Other	1131.7	1407.80	1403.58	1408.34
LIABILITIES				
Note circulation	773.1	930.05	932.35	936.91
Deposits: Dom. Govt.	62.2	58.39	51.04	62.14
Chartered banks	276.1	399.93	394.74	394.24

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

RESERVE BANK OF INDIA

Million rupees

	Aug. 13, 1943	July 21, 1944	July 28, 1944	Aug. 4, 1944	Aug. 11, 1944
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	139	164	175	145	139
Balances abroad	854	1,964	2,055	2,249	2,326
Sterling securities	6,138	8,283	8,283	8,283	8,283
Ind. Govt. rup. secs.	934	578	578	578	578
Investments	77	111	111	111	111
LIABILITIES					
Notes in circ.: India	7,546	9,262	9,220	9,279	9,337
Burma	324	1,002	1,231	1,308	1,266
Deposits: Govt.	560	985	972	976	1,042
Banks	86.0%	92.5%	92.4%	92.4%	92.4%
Reserve ratio	86.0%	92.5%	92.4%	92.4%	92.4%

BRITISH WHOLESALE PRICES

	Aug. 8, 1944	Aug. 22, 1944
CEREALS AND MEAT		
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	50 8	50 8
Eng. Gaz. av. per cwt. (e)	16 3	13 8
Flour per 280 lb.—		
Straights d/d London	38 3	38 3
Barley Eng. Gaz. av. per cwt. (e)	27 1	24 11
Oats (e)	16 4	15 11
Maize, Argentine, per ton	10/0/0	10/0/0
MEAT—Beef, per 8 lb.—	5 4	5 4
English long sides	6 7	6 7
Imported hinds	6 0	6 0
Mutton, per 8 lb.—English	5 2	5 2
Imported	8 0	8 0
Pork, English, per 8 lb.	8 0	8 0
BACON—(per cwt.)—Wiltshire, cut side	142 0	142 0
HAMS—(per cwt.)—Green	147 0	147 0
OTHER FOODS		
BUTTER (per cwt.)—All Grades, First hand	151 4	151 4
CHEESE (per cwt.)—		
Home Produced	99 2	99 2
Imported	99 2	99 2
COCOA (per cwt.)—		
Acra, g.f.	45 0	45 0
Grenada fine	81 0	81 0
EGGS (per 120)—English	14 9	14 9
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—		
English	4 6	4 6
SUGAR (per cwt.)—		
Centrifugals, 96% prpt. shipm. c.f.f. U.K./Cont.	...	...
REFINED LONDON		
Granulated, 2 cwt. bags	49 10	49 10
Granulated, 2 cwt. bags, domestic consumption	30 11	30 11
West India Crystallised	47 6	47 6
TOBACCO (per lb.)—		
Indian stemmed and unstemmed	1 0	1 0
Rhodesian, stemmed and unstemmed	3 2	3 2
stemmed	1 8	1 8
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	12.75	12.75
Giza, F.G.F.	15.05	15.05
Yarns, 36's Ring Beams	24.08	24.08
42's Cop Welt	23.06	23.06
60's Twist (Egyptian)	33.00	33.00
Cloth, per 100 yards—		
31 in. Printer, 64 x 64, 36's & 42's	43 3	43 3
Cambric, Shirting, 32 in. 72 x 60, 24's & 24's	58 5	58 5

	Aug. 8, 1944	Aug. 22, 1944
TEXTILES—continued		
COTTON—continued		
Cloth, Overall Cloth, 38" in. 52 x 50, 22's & 16's	s. d.	s. d.
Drill, 30 in., 80 x 46, 12's & 10's	94 3	94 3
FLAX (per ton)—		
Livonian ZK	Nom.	Nom.
Pernau HD	Nom.	Nom.
HEMP (per ton)—Maulia, spot	Nom.	Nom.
JUTE (per ton)—		
Daisie 2/3 c. and f. Dundee	40/17.6	40/10.0
Common 8 lb. cops. (per spindle)	4 10 4	4 10 4
104/40 Hessians, per yd.	0 6.88	0 6.88
840 Hessians, per yd.	0 5.30	0 5.30
1040 Calcutta Hessians, spot, Dundee, 100 yds.	51 6	51 6
7 1/2 40 "	40 0	40 0
SISAL (per ton)—African, spot	£ s.	£ s.
—No. 1 delivered	38 0	38 0
WOOL (per lb.)—		
Lincoln wethers, washed	19 1/2	19 1/2
Selected blackface, greasy	14	14
Australian serd. fleece 70's	37	37
Cape serd. average snow white	29 1/2	29 1/2
N.Z. serd. 2nd pieces, 50-56's	24	24
TOPS		
64's warp	45	45
56's super carded	39	39
48's average carded	31	31
44's prepared	29 1/2	29 1/2
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	43 4	39 4
Durham, best gas, f.o.b. Tyne	38 11	34 11
IRON AND STEEL (per ton)—		
Fig. Cleveland No. 3, d.d.	128 0	128 0
Bars, Middlebrook	213 6	312 6
Steel rails, heavy	290 6	290 6
Tinplates (home i.c. 14 x 20)	29 9	29 9
NON-FERROUS METALS (per ton)—		
Copper (e)—Electrolytic	62 0/0	62 0/0
Tin—Standard cash	300 0/0 (f)	300 0/0 (f)
Lead (d)—Soft, foreign, cash	25 0/0	25 0/0
Spelter (d)—G.O.B., spot	25 15 0	25 15 0
Aluminium, ingots and bars	110 0/0	110 0/0
Nickel, home delivery	190 0/0	190 0/0
Antimony, English, 99%	120 0/0	120 0/0
Wolfram, Empire	2 15 0	2 15 0
Platinum, refined	9 0 0	9 0 0
Quicksilver	68 10 0	68 10 0
GOLD (per fine ounce)	168 0	168 0
SILVER (per ounce)—		
Cash	1 11 1/2	1 11 1/2

	Aug. 8, 1944	Aug. 22, 1944
MISCELLANEOUS		
CEMENT, best Eng. Portland, d.d. site, London area in paper bags or jute sacks 20 to ten—(a)		
6-ton loads and upwards per ton	51 0	51 0
CHEMICALS—		
Acid, Oxalic, net—per ton	60 0/0	60 0/0
Ammonia, Sulphate—per ton	65 0/0	65 0/0
„ Tartaric, English, less 5%—lb.	3 6	3 6
Nitrate of Soda—per ton	9 10 0	9 10 0
Potash, Sulphate—per ton	15 5 0	15 5 0
Soda Bicarb.—per ton	18 15 0	18 15 0
Soda Crystals—per ton	11 0 0	11 0 0
COPRA (per ton)—S.D. Straits c.f.f.	Nom.	Nom.
HIDES (per lb.)—		
Wet salted Australian, 40/50 lb.	0 9 1	0 8 8
Queensland	0 8	0 8
Cape, J'burg Ord.	0 10 1	0 10 1
Dry Capes, 18 20 lb.	0 8 1	0 8 1
English & Welsh Market Hides—		
Best heavy ox and heifer	0 8 1	0 8 1
LEATHER (per lb.)—		
Sole Bends, 8 1/4 lb.	1 9	1 9
Shoulders, Insole to Welting	1 3	1 3
Bellies	0 7 1	0 7 1
Dressing Hides	1 10	1 10
PETROLEUM PRODUCTS (per gal.)—		
Motor Spirit, England & Wales	1 10	1 10
(b) Kerosene, Burning Oil	1 0 1	1 0 1
Vaporising Oil	1 1	1 1
(b) Automotive gas oil, in bulk, ex road tank waggons	1 7 1	1 7 1
Fuel oil, in bulk, England and Wales—		
Turmeric	0 10 1	0 10 1
Diesel	0 11 1	0 11 1
ROSIN (per ton)—American	42 0 0	42 0 0
RUBBER (per lb.)—		
St. ribbed smoked sheet	1 6	1 6
SHELLAC (per ton)—TN Orange	205 0 0	205 0 0
TALLOW (per ton)—London Town	43 10 0	43 10 0
VEGETABLE OILS (per ton net)—		
Linseed, raw	62 0 0	62 0 0
Rape, crude	85 0 0	85 0 0
Cotton-seed, crude	52 2 6	52 2 6
Coconut, crude	49 0 0	49 0 0
Palm	42 5 0	42 5 0
Oil Cakes, Linseed, Indian, ex-mil	11 2 6	11 2 6
Oil Seeds, Linseed—		
Bombay	33 0 0	33 0 0
Calcutta	Nom.	Nom.

* Nominal. (a) + 7s. per ton net paper bags, jute sacks charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises. Including import duty and delivery charges. (d) Average for weeks ended Aug. 5 and Aug. 19. (f) Price at which Ministry of Supply supplies consumers delivered works.

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Churchill's "simple, practical" definitions—concrete rather than abstract, human and real rather than academic—are timely and penetrating. They go to the heart of Europe's terrible experiences and to the root of our own more fortunate lot. Properly employed, they can bring a new hope and inspiration to millions, and prevent the beaten enemy from being able to prolong the fight indefinitely in the tangled undergrowth of war-mauled Europe. These Seven Points are the message and inspiration that we can bring to an enslaved continent.

The time has come—indeed it is overdue—when politics must be brought in to secure the ultimate victory and the lasting peace that success in battle can alone make possible, but can never gain. For the Nazis and fascists, in their turn, are going to ground. That is the meaning of the French civilian snipers in Notre Dame. That is the meaning of the bitter defence, after disaster, of SS troops. That is one reason why the Allied leaders will not forecast an early end to the fighting. A resolve has been made by the Nazis, to be binding on all Germans, to continue the struggle after the military defeat. The probable return—from all present signs, and in spite of other, more authoritarian tendencies—of the mass of Frenchmen to sober republicanism is encouraging evidence of the resistance there will be to the fascist resisters. But elsewhere in Europe there may be both anarchy and chaos.

The wheel is turning full circle; as the Allied armies move forward, the Nazis hope, when the worst comes to the worst, to carry on their evil work by becoming, as they were twenty years ago, an underground and gangster movement. Their setting now, as then, will be the aftermath of war; but this time it is the aftermath of confusion and desolation that they themselves, as brief conquerors and controllers, have contrived. A shattered Europe of wandering, homeless and masterless men is the surrounding that they have made for their escape and survival.

These Nazis seek an endless series of rearguard and guerilla actions, long after the war has been won by the Allies, in every demoralised city of Europe. They want to drag with them in this ceaseless civil war many hopeless thousands, not only of their own people, but of those they have driven half-mad and wholly desperate. Even in their armies there is collected a polyglot host of peoples. It is to the bewildered, rootless people, uprooted by them, that the Nazis look, in Germany and other countries, to bring down Europe in ruins in face of the Allied triumph in battle. With the military war already decided, however hard and costly the final clashes, it is this political war—without-end that the Allies must at all costs stop if their battle honours are not to be barren. To purge Europe from "the foul German taint," as Mr Churchill put it, means winning these political battles as well.

The temptation to regard the present Allied supremacy in arms as sufficient for victory has been strong and natural. No amount of desperate, last-ditch resistance by German troops in French garrisons, on the rivers of France or, soon, on German soil can stay the Allied advance. There will be power enough in the Allied armies both to destroy the organised will to resist and, when the Reich is reached, to police the Nazi-made "bad lands" with a ruthless hand. The soldiers may, and do, expect protracted defence and prolonged fighting, perhaps, until long past twelve o'clock. But they are confident in the strength of their big battalions.

The big battalions will indeed be needed to burn out the poison. This unholy resistance movement must be put down, as the lawless Nazi revolution unhappily was not, by all the force of civilised justice. But the conditions in which that lawlessness thrives must be ended also. Coercion alone, implacable though it must be where necessary, will not save Europe. Europe—not Germany only, but many men in many countries—is under a spell. Force by itself will not break that spell, though it will not be broken without force. There is needed also light and leading to bring fresh hope to those Europeans who have been brought by the horror and debasement of these past

years terribly close to the status of Milton's "hapless, helpless herd."

The demand for a full use of political warfare against the enemy in this final phase of the war is not new—nor, in official circles, has it been popular. Its unpopularity has been due to the belief that any attempt to weaken the enemy's will to resist, by political means, must weaken both the military effort of the Allies and their determination not to be cheated of the victory that escaped them last time. To deliver the knock-out blow in an unmistakable fashion has come to be seen as an end in itself. The knock-out blow must be complete and, militarily, it is now assured. But it is only one means even to victory. The real argument for a political approach to the problem of Germany and Nazi-soiled Europe is precisely that, unless military victory can be accompanied by a corresponding political victory, the Allies will, after all, be cheated. This is, in effect, what the Prime Minister himself has now announced in his statement of aims in Italy.

*

It is a war of liberation that we are fighting, not a war of conquest. The criterion of the Allied victory will be the extent to which all Europe can be rid of both the totalitarian nightmare and the social and political strains that permitted this nightmare to become real and menace the world. We have to finish, not only a war, but a civil war as well. We have not only to get rid of the Nazis, but also to assist and lead in the task of ridding Europe, to which we belong, of poverty and unemployment. We have not only to put an end to the brute force, bad faith and intolerance of the enemy, but also to aid in the rebuilding of liberty and the rule of law, and to make our frank contribution to the setting-up in Europe of governments that will observe these freedoms—which is fundamental—and, at the same time, be strong enough and efficient enough to deal successfully with modern social and economic tasks—which is fundamental also.

It cannot do harm to the Allied cause, or delay the victory, for use to tell, not only the Italians, but all the peoples of Europe, and especially the Germans themselves, where and how we differ from the Nazis: that neither force nor fraud are our ways, even when our strength is triumphant and overwhelming; and that the aim of the liberation which our armies bring is the liberty that has been the basis of our strength. If, instead, we simply say "All Germans are Nazis"—which for to-day and yesterday is no doubt, to all intents and purposes, true—then it will be so tomorrow. There must indeed be no tenderness or "soft words" for Germany. No penalty can be too harsh for the crowded list of German war criminals, no restraint or tutelage too rigorous for this thrice-offending nation. There must be complete disarmament and an absolute surety that it will not be possible for the Germans to make war again against their neighbours. The only obvious limit upon the hardness of the peace—and it may prove to be a definitely restraining one—is that it must be such a settlement that its guarantors will be willing and able to enforce, or fight for it, in future years. But if there is a cure for Germans, it must be by the way of individual freedom which the Nazis have deliberately destroyed. Mr Churchill's Seven Points have a universal application. We cannot say, in this country or that, "Evil be thou our good."

A great part of Europe—most of all the enemy peoples which have earned their stern and righteous punishment—is submerged in despair; there is the platform for the continuing civil war and the Nazi resistance movement. Our aim is to end that civil war and to break that resistance. It can only be done, not by force of arms alone, but by the hope we bring. The hopelessness of Europe was the breeding ground of Fascists and Nazis; it can still sustain them. It can be the biggest obstacle to the real achievement of the victory that is being won in the field. Mr Churchill has done more than well to draw upon the reserves of democratic hope for the final assault. His Seven Points should now be noised abroad

The Balkan Mosaic

At a stroke, the Soviet advance from Bessarabia has upset the whole military and political structure of the Balkans and cut the ground from under German strategy in South-East Europe. The appearance of General Malinovsky's and General Tolbukhin's soldiers in Jassy and Kishinev was the signal for King Michael's *coup d'état* on August 23rd. Three days later, the Bulgarian Government, in order to assert its "full neutrality," presented an ultimatum to Hitler asking for the immediate withdrawal of German troops from Bulgaria.

To this double challenge from the satellites, until lately so obedient and subservient, Hitler has been unable to give any effective reply. A year ago, when Marshal Badoglio signed the armistice with the Allies, the German army was capable of a quick and effective reaction: lightning, the whole of Italy was occupied. Since then, German propaganda has pointed out "the lesson of Italy" to all satellites suspected of vacillation or of a propensity to seek "re-insurance." For some time the fate of Italy was a deterrent to all those who contemplated, in Goebbels' words, "jumping off the moving train." Events in Rumania and Bulgaria have now shown that jumping has become quite remarkably safe.

The military consequences of Rumania's defection showed themselves immediately after the coup in Bucharest. Even before, the advance of General Tolbukhin's and General Malinovsky's armies had shown the marked Russian superiority over the combined German and Rumanian forces. Now the advance has gained extraordinary momentum. In a week the Russians have forced the Galatz-Focsani gap, captured Buzau and occupied the oilfields of Ploesti. On the Black Sea coast, they have landed at Constanza, barely thirty miles from the 1940 frontier between Rumania and Bulgaria. Soon they will be wheeling south-westwards along the Danube towards the Iron Gate, from which they can reach out for Belgrade, and strike into the Banat and the vast plain of Hungary. At the same time, the German divisions in Northern Rumania are fighting with their backs to the Carpathians; behind them the Rumanians hold the passes that lead into Hungary from the east. It is an ironical reflection on the decline of German might that it should be the shoddy and inefficient Rumanian army which has now become capable of such "dynamic" moves against its erstwhile Ally and master.

The military consequences of Bulgaria's change of front have so far been less spectacular; and the Russians have questioned its genuineness. Even so, the stated decision of the Sofia Government to disarm and intern all German soldiers that cross the Bulgarian frontier represented a shrewd threat to the Wehrmacht. The German divisions in south-eastern Rumania can no longer be saved

by a retreat southwards. The occupying forces in Greece are left with only one line of communication with the Reich, the line along the Vardar and Morava that connects Salonika with Belgrade. The withdrawal of the Bulgarian occupying forces from Yugoslavia—and, inevitably, also from Greek territory—is bound to put an unbearable strain upon the German garrisons there. Plain military logic would seem to dictate a prompt evacuation by the Wehrmacht of Greece at least. This would be the only way in which the German Command could possibly save some precious divisions for the defence of the gateways to the Hungarian plain. But it seems more likely that Hitler, in his now familiar fashion, will leave his isolated outposts in Greece to certain doom.

But Bulgaria is not to be allowed to buy herself off even with "full neutrality," and the barring-out of the Germans. Inevitably, the frontiers of Bulgaria must also be opened to the Russians. General Malinovsky's columns may soon drive through the Bulgarian mountains and descend upon the Aegean coasts or join hands with Marshal Tito's partisans. The formidable barriers of these mountains, which until quite recently filled the military experts with the same awe as once did the Maginot Line or the Atlantic Wall, have suddenly, by the shifts of politics, lost all their strategic value.

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Germany has virtually lost the Battle of the Balkans to a combination of Russian strategy and Soviet political warfare. Rumania was encouraged to break with Germany by Mr Molotov's statement that, after the incorporation of Bessarabia and Bukovina, Russia has neither any further territorial demands on Rumania nor any intention of interfering in the social and political life of the country. M. Tilea, former Rumanian Minister in London, has now disclosed that the Russians would have had no objection to concluding the armistice with the "Conducator" Antonescu himself. But Antonescu tried to bargain for an "unoccupied zone" that would not become a theatre of war. Militarily, this was an impossible demand; and so Antonescu had to go.

In addition, the Russians have held out the promise of reversing the Vienna Award of 1940 and restoring the Transylvanian lands to Rumania. In the eyes of the Rumanians, the surrender to the Allies, so far from being an act of unconditional humiliation, has become an act of national *revanche* on Hungary. In line with Russian tradition, the Soviet armies have appeared in the Danube Valley as liberators, while King Michael and General Senatescu, having written off Bessarabia and Bukovina, now wish apparently to conjure back the memories of

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1877 (when the Rumanians helped the Russians in the famous siege of Plevna) and to the Russo-Rumanian friendship of the last war. It is in this way that they hope to redeem their country from its aggression against Russia and from the crimes committed by the Rumanian soldateska in Transdnistria.

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The radical change in Rumania contrasts with the dilatory politics of the Bulgarian Government. The rulers of Bulgaria did not apparently expect the Rumanian *volte face*. Until it occurred they acted under the illusion that the key to the Balkan situation, now as in 1918, lay in their hands.

They hoped to be able to sell that key to the Allies at a high price. On the eve of the coup in Bucharest, the Bulgarian Foreign Minister, Draganov, was still restating the principles of his foreign policy in familiar revisionist terms. His tirades against the Treaty of Neuilly were demonstratively applauded by the Sobranye. Peace feelers to the Allies were accompanied by a loud and impudent clamour for the retention by Bulgaria of its "access to the Aegean" (that is, of Western Thrace grabbed from Greece), as well as of southern Dobruja, acquired from Rumania under the Vienna Award.

In staging this campaign the rulers in Sofia presumably hoped to capitalise their somewhat spurious neutrality towards Russia. They may even have recalled the precedent of the Treaty of San Stefano, concluded in 1878, when Russian policy, dominated by Pan-Slav motive, favoured, and secured, "Great Bulgaria" at the expense of its other Slav ally, the Serbs—only to be undone in the Berlin settlement. This time, the territorial claims so insolently put out from Sofia have brought forth sharp rejoinders from Bulgaria's neighbours. Public opinion in Turkey has been alarmed; and the Greeks have replied with an official demand for the Greek control over the Bulgarian passes that lead into Northern Greece, as well as for a total occupation of Bulgaria by Allied forces. Bagryanov's Government has, in effect, compromised its position to such an extent that a reshuffle, if not a total change, of the Government in Sofia is now a precondition for the signing of an armistice.

This belated outburst of Bulgarian revisionism might be regarded as merely a grotesque episode, were it not for the fact that it has thrown some light on the awkward and incoherent Balkan mosaic of states and nationalities as it is emerging from German servitude. The old scene has not changed; the component parts of the mosaic are not very likely to fit better or more smoothly now than before the war. From the Carpathians to the Aegean coast and from the Black Sea to the Adriatic, inveterate territorial disputes and nationalist feuds, all familiar,

already threaten to frustrate the approaching peace. The experience of a whole century of recurrent eastern crises, wars and slaughters goes to prove that not one of those disputes can be really settled, if the solution is to be sought on traditional lines and if each of the fragments of the Balkan mosaic is to aspire to complete independence and sovereignty. In an atmosphere of heated nationalism, the Balkan powder barrel is bound to blow up soon after the last shots of the Second World War have been fired.

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The redeeming feature of the situation is the collapse of the dictatorship of those corrupt and narrow-minded soldateskas under which all the Balkan countries lived before the war. Almost everywhere in the Balkans new Governments, based on popular resistance to the Nazi Order, have come, or are coming, into being. Almost everywhere, those Governments are broad Coalitions of National Union, with the Communists strongly represented. After the last war it was the radical peasant leaders, Stamboulisky and Raditch, the moderate Maniu and the liberal Venizelos, who spoke on behalf of the Balkan peoples. Their place has now been taken by Marshal Tito, M. Papandreou and the leaders of the EAM, by M. Maniu (once again) and his Left colleagues in the new Rumanian Government. A reshuffle of the Government in Sofia would probably see the return of M. Dimitrov to a prominent rôle in Bulgaria's political life. Whatever the weaknesses of those new Governments there is at least the chance that they may be less obsessed by narrow parochial interests than were their dictatorial predecessors, and that they may perhaps be able to act as unifying—and not disruptive—factors in Balkan politics.

But the spokesmen of the new era in the Balkans will have to struggle with very formidable difficulties. The short-lived experiment in popular government in the Balkans after the last war failed lamentably for two chief reasons. The peasantry of those countries continued to live in utter poverty; the absence of economic security accounted largely for the triumphs of political insanity. And the Balkans continued to be the scene of intense rivalry between the Great Powers, a rivalry which in the thirties led to the virtual economic conquest of the Balkans by the Third Reich, bringing its own Greek gifts of assured trade and industrialisation. After this war, German and Italian influence in the Balkans will have passed away—for a time, at least. Will the Allies be capable of filling the gap by constructive co-operation for the benefit of the Balkan peoples? Will they be immune from the folly of the old wild scramble for exclusive spheres of interest? It is upon the replies to these questions that the economic welfare and the political stability of the liberated Balkans will to a large extent depend.

A Policy of Wealth—III

The Supply of Capital

THE two preceding articles in this series have not only set up the target of a doubling of the national productivity within a generation—that is, an increase of 2½ per cent per annum in average output per man-hour—but have found the chief means to such an end to be a rapid increase in the productive equipment of the community. This article begins the discussion of how the formation of capital can be speeded up. There are only two methods by which a nation can increase its capital equipment, and since one of them, foreign borrowing, is out of the question for Great Britain, the full reliance must be on the other, on saving. What is meant is, of course, real saving—that is, a decision by the community to consume less than the whole of its output, so that resources can be devoted to making capital goods—but it expresses itself in money form. Indeed, in a modern community, those who save do so in money, and the largely different set of persons who place the orders for the

capital goods have to possess themselves, by some means or other, of the money necessary to cover the cost of those capital goods. The familiar modern doctrine finds in these transactions the roots of many of the economic disorders of the community.

The first question to be asked is, therefore, whether the speeding up of capital formation is impeded by any lack of money savings, or by any diversion of them to ends other than the creation of productive equipment, or by any failure of the financial mechanism to place them at the disposal of industry. Is there an adequate supply of money capital?

It is easy to imagine circumstances in which a country such as Great Britain would not be saving enough to meet its requirements for capital—the easier because the circumstances of war are closely analogous. But it is certainly not true that there has been any shortage of savings in peacetime. On the contrary, the major economic pre-

occupation, as all the world knows, has been the constant tendency of the volume of savings to outrun the employment of them and thus to produce general unemployment. The volume of capital formation has, indeed, been lamentably small. In 1938, it amounted to only £250 million out of a net national income of £4,604 million—that is, a proportion of only 5½ per cent. But there is no evidence that this result was produced by a shortage in the supply of savings. What the position will be after the war is not easy to forecast. On the one hand, the wartime redistribution of incomes (after tax) has been heavily in favour of the poor and against the saving classes; if this is perpetuated in any degree (as is likely), it will tend to reduce the supply of savings. But, on the other hand, the increase in employment from 87 per cent of the insured population (the 1938 figure) to, say, 95 per cent would be likely to result in a more than proportionate increase in savings. And it may be that some of the victories achieved by the Savings Campaign will turn out to be permanent. On balance, the nation seems likely to be willing to save, after the war, at least as high a proportion of its income as before the war. Whether this will be enough depends upon how much is needed, which is the subject of this whole enquiry. But at least there should be room for some increase in the use of savings. If the supply of savings may be the limiting factor in the future, it has certainly not been in the past, and the future limit is not so close that a beginning with the process of expansion could not be made.

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Another possible obstruction may be that, out of the total of capital formation, too high a proportion may go to forms that do not increase productivity and too little into productive equipment. The building of dwelling houses, for example, is a form of capital formation. It is certainly desirable, and it certainly increases the welfare of the community. But it does not increase productive capacity. If a worker is provided with a new machine tool, he can produce more next year than this year; if he is provided with a new house, this does not follow. This is not to say that house building is wasteful or undesirable or unnecessary; but it is to say that a community bent on increasing its wealth-producing capacity must take care to see, not only that its annual volume of savings is adequate, and not only that the whole of it is used for some variety of capital formation, but also that a sufficiently large proportion of this capital formation is in forms that increase the national productivity.

The position in 1938 is shown by the following figures taken from this year's Budget White Paper:

	£ Million.
Private Net Investment at Home:	
Fixed Capital, Works, etc.:—	
Public Utilities	65
Other—	
Buildings	255
Plant and machinery	20
Other fixed capital	10
Change in value of stocks, etc.	—45
Total private net investment at home	305
Private and public net investment abroad	—55
Total	250

(N.B.—Net investment at home by public authorities other than the Post Office and the housing and trading services of local authorities is excluded.)

The position thus revealed can hardly be called satisfactory. The total of £250 million is small relatively to the national income. But of this total, by far the greater part went into buildings, and of that in its turn by far the greater part, by common knowledge, went into residential building. The figure of £20 million spent on plant and machinery by all industries other than the public utilities—or £85 million if the whole net investment of the utilities is included—is quite shockingly small. The total of productive investment, in the sense that has been used in this article, cannot have been, all told, more than about £125 million, after allowing for the negative figure

for overseas investment (which is productive, since the interest on foreign investment can only be paid in goods, which add to the consumable income of the community). The national income of previous generations had not accumulated a large amount of equipment for us to use. Yet the national income in 1938, for all its wealth, provided less than 3 per cent of its income for the purpose of continuing the process.

This was the position before the war. But it would be a mistake to assume that the productive investment was shouldered out of the queue by other forms, and prevented from getting the supplies of capital it needed. There were issues before the war, but it had no restrictive effect on the supply of capital for productive investment; on the contrary, the Government's activities in guaranteeing public utility loans increased the amount of productive investment in the London area can be so described. If there had been so easy to keep interest rates down, the obvious fact is that productive investment would not have been out of the queue because there was no queue. In general, the capital market was a buyers'—that is, borrowers'—market.

It is not quite so certain that the same will be true after the war. Very large prospective demands for capital, with the priority demands of investment that are necessary to increase the productive capacity and desirable, but domestic housing is again the leader. of the country—this will have to be watched with great care.

Another possible explanation of the low level of productive investment is that, in spite of the ample funds awaiting investment, the would-be venturer is prevented, by defects in the financial mechanism, from getting at them. The Macmillan Committee found that there was a "gap" in the machinery of the capital market and that small industry had a difficulty in getting medium-term loans. This may be true—though those whose interest it would be to make such loans have never been able to find much demand for them. It is much more likely to be true that the small businessman has difficulty in finding money into his business not as a creditor but as an equity holder. These are interesting questions which deserve fuller treatment. But it is very difficult to believe that their quantitative importance is enough to have much influence on the general level of productive investment. Their relevance is more to the necessity for seeing that the small business gets its fair share of the total of investment than to the size of that total. In general, the machinery of the market is adequate to put those needing capital in touch with those reeding investment. Indeed, it is a familiar complaint that the market periodically overplays its hand when the prospects for investment are good.

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"When the prospects for investment are good"—therein lies the key to the whole matter. For the basic explanation of the low level of productive investment is not in any deficiency of savings or defects of machinery, but simply in the fact that industry has not desired to increase its scale of capital formation. And the basic reason for that, in its turn, is that the prospects for increased investment did not seem good enough.

Why? The greater part of the remaining articles of this series will be concerned with the attempt to answer that question. But one of the more obvious answers can be dealt with at once. This is the answer, which every businessman will give, "because of high taxation." In the sense in which it is usual meant—that is, that a high income tax reduces the yield on investment—there is probably not very much in it. Most business calculations are relative to a universal income tax affects all way or in that?—

alike. It is, in fact, to the gross yield that the businessman usually looks. Nevertheless, there are some ways in which taxation reduces the rate of investment—or at least some ways in which relief from taxation could be used to stimulate the formation of capital. The effect of an inadequacy of depreciation allowances has been much discussed in recent months, and needs no more mention here than to say that the concessions announced by the Chancellor of the Exchequer in April are by no means the subject of relieving the industry of taxation on any expenditure incurred in the upkeep of its existing capital. Clearly, the more fully the maintenance of capital is provided for, the greater will be the willingness to bring it into existence. Beyond that, it has frequently been suggested that there should be some tax relief for profits retained in the business and “ploughed back” into additional productive equipment. There are a number of difficult questions of abstract equity involved in such a proposal, but if the test is pragmatic the verdict must be favourable: tax relief given in this way would certainly and directly result in a substantial volume of productive investment. Indeed, following the pragmatic argument further, it might be held that there should be some relief of taxation on the yield, in the early years, of all investment in new productive capital. Social justice requires heavy taxation on rich individuals; but it is most important that, in the process of achieving this, taxation should not impede, or fail to encourage, the

accumulation of capital, on which social wealth depends. It can never be a sound fiscal policy to impede the growth of taxable capacity. There is a fruitful field here for the fullest enquiry.

Taxation could, and should, be used as a lever to secure that the savings of the community are transmuted into the quickest possible increase in the national dividend. But a lever requires a fulcrum and the fulcrum on which taxation works is profits. If investment in productive capital does not yield an adequate return, then no concessions that the tax gatherer may make on the disposal of the product will have much effect. If the owner of the capital cannot afford to replace it when it is obsolete, no increase in depreciation allowances will encourage him to do so. No tax relief on profits “ploughed back” will avail if there are no profits to plough back. The inadequate level of productive investment in Great Britain may be partly due to defects in the system of taxes; it is partly due, no doubt, to myopic vision among managements; but in the main it is due to the fact that investment in additional productive equipment cannot be relied upon to pay.

We must, therefore, turn to the reasons why this should be so. And the first line of enquiry must be to ask whether any change in the structure of British industry would be likely to make investment pay better or, alternatively, to induce the managers of industry to disregard the prospects of profit. This will be the subject of the next article.

NOTES OF THE WEEK

Demobilisation

It was the best of news when, a few days ago, it was widely reported that Mr Bevin had prepared, and was putting into operation, his programme for the release of men from the Forces when the fighting finishes. Unfortunately, the Minister of Labour has found it necessary to deny these reports. It is true that his denial is specifically of the details of the demobilisation scheme which had been reported, rather than of the suggestion that such a scheme already exists. On the other hand, his statement that the problems of demobilisation are still being examined and worked upon inevitably creates the impression that no final scheme has yet been prepared. If this is so, then this is a matter for considerable alarm and responsibility. To say this is not to take for granted that the war will end in a matter of weeks. Even if there is to be a winter campaign and many more months of war, it is important that the actual programme of demobilisation should have been decided upon now, for it is the view of the highest military authorities that it will take at least six months to translate any scheme of release into a practicable operation in terms of Service records and administrative preparedness. It is plain what the broad outlines of any demobilisation programme must be. The only possible criterion—in the eyes of the men themselves, whose views must count for most—for keeping men under arms is military need. Those men whose services will no longer be required when the war in Europe is won will expect, rightly, to be freed as soon as possible; they joined to serve, not to stand and wait. This means that the first step must be to decide what categories of men and what formations will be required after the war in Europe for service in the Far East or for occupation and police duties in Europe and elsewhere. The second decision, which ought also to have been made already, is the order in which those who will no longer be wanted can be released. This cannot be made dependent, as some have suggested, merely upon the time-table of industrial needs for particular kinds of workers. Obviously, at this stage, the popular principle of “first in, first out,” weighted to some extent by age and family responsibilities, must be applied as far as is practicable. Even so, there must be exceptions to this general rule in the interests of the men themselves. One exception which is very evidently necessary is, for instance, the early release of building labour. This will be essential, if only because the first requirement of the men when they come home will be a home; and there is already the possibility of a desperate short-term scarcity of accommodation. No exceptions, however necessary, will be popular; and it is all the more necessary, therefore, not only for the programme to be

settled, but also for both its principles and its details to be made known and explained to the men concerned. At present there is a very dangerous atmosphere of uncertainty about the whole of this matter, which more than anything else is uppermost in the minds of the men in uniform.

The Need for Houses

Nothing is more likely to cause trouble when demobilisation begins than a shortage of places for the reunited families to live in; and, with the present hold-up of both the Temporary Housing and Planning Bills, nothing is more likely to happen, unless a new urgency inspires the approach of Ministers, MPs and local authorities to these tasks. Both Bills could no doubt be much better, and both call in any case for additions and changes in detail. But the paramount need is for both to be passed into law as soon as Parliament meets again, so that the sites for the houses can be made ready at once. Nor is it only the sites that should now be prepared. It has been officially stated that cuts in war production are being carried out, and it is well known that the building programme for both British and American Forces in this country was virtually completed many months ago. If there is to be any chance at all of meeting the demand for houses when the war ends and the scattered families reassemble, work on the actual dwellings must begin also—in the factories, the assembly shops and on the sites themselves. There is little or no case for civilian production while war needs persist; but the need for homes for returning soldiers and war workers, when they are released, is itself a war requirement.

Freedom in Paris

Paris has lived through great and historic days. After three or four days' fighting, the city was liberated. On Friday, August 25th—a memorable date—the German garrison in the city surrendered to the French Forces of the Interior. The nightmare of occupation passed and the humiliation of four long years of servitude was suddenly removed. On Saturday morning last week, the people of Paris awakened to find that they had regained freedom. The deeply-rooted urge to celebrate the great moments in their national life on the streets and squares of the capital brought hundreds of thousands of Parisians out for huge mass demonstrations and processions. Paris greeted General de Gaulle, the symbol of French resis-

tance, the man who in June, 1940, proclaimed that France had lost a battle but not the war, with a joy and a gratitude which only very few leaders and statesmen have ever been received. For years Vichy propaganda labelled the General as a “traitor,” an “outcast,” or “a British agent.” But none of this propaganda stayed the Parisian enthusiasm. This enthusiasm was disturbed by sniping in the streets and by a dramatic fusillade inside Notre Dame. But the sniping and the shooting were not so surprising as the speed with which calm and order returned to the city. That fanatics from Darnand's militia or Doriot's organisations—or real, live Germans—should have tried their hand at provoking civil war was only too natural. This was the last miserable rearguard action of the “*Revolucion Nationale*” in Paris. It has added a number of victims to France's and freedom's list of casualties. But it did nothing to hinder France's majestic march towards her new destinies.

Back to Work

Paris has gone back to “normal.” The strike of the workers has ended; and so has the strike of the Parisian police which, curiously enough, was the prelude to the patriotic rising. The picture of the French capital is not very different from what could be expected. Food in the luxurious hotels is plentiful and the black markets flourish. The ordinary Parisian, however, received the first meat ration since the liberation of the city on Tuesday—half a kilo of horse-flesh per week. British food lorries have appeared in the Halles; and the supplying of the capital by the Allies seems to be going well and “according to plan.” The administration of the French Provisional Government is taking the first steps to organise new life in the city. Paris has been speedily transferred from American to French military administration, and General Koenig is the Military Governor of the capital. The civilian authorities have started to scrap the legacy of Vichy. The punishment of industrial collaborators “who have profited from France's defeat” has been officially fore-shadowed; and the *Comité d'Organisation Industrielle*, the chief instrument for industrial collaboration, has been disbanded. Appeals have been issued to the farmers and to provincial authorities to supply the French towns with food and to build up stocks. Otherwise, few concrete economic measures seem to have been taken so far. No doubt it will take time before the turmoil is entirely over and the new administration settles down to work. Meanwhile, the main preoccupations are military and political. The leaders of the Resistance have come into the open; France learns the names of her new men. The people's anger against collaborators and traitors is being kept under control; and the first steps are being taken to turn some units of the French Forces of the Interior into regular army detachments. But a tremendous work of political renovation and economic reconstruction lies ahead, and it has still to be started.

Belgian Hopes and Difficulties

The continued progress of Allied armies in France and the liberation of Paris, as well as a letter of encouragement to the resistance groups by General Eisenhower, have given Belgians the hope that their liberation may happen soon. A noticeable increase in the activities of the Underground movement, armed and unarmed, has been admitted by the official German news. A few days ago the communiqué of the High Command of the Wehrmacht reported for the first time that a number of French and Belgian “terrorists” had been killed in fighting. The clergy, and particularly the lower grades of the civil and local administration, have become bolder. The liberation of Paris caused a considerable stir at the Brusse's Bourse. The totalitarian “Workers' Union” set up under Nazi patronage complains about workers who still pay contributions to the so-called “Black Trade Unions.” The list of attacked and assassinated quisling Burgomasters is growing. The Underground press is more insistent than ever on the fact that a number of industrialists and the higher grades of the Civil Service have been the chief collaborators. It is, however, doubtful whether all the different groups of the Underground movement, and particularly the armed resistance movement, have reached the remarkable degree of unity shown in France. On the face of it, the armed resistance movement is still mainly recruited in Belgium from those who resist

deportation to forced labour in Germany; and the armies activities of the diff still too far away to weld together the seems to have splintered groups. Much of the activity, which cerned with the racead lately to railwaymen, is still con- for foodstuffs. But liding of offices for food cards and even Belgian people hav there is no doubt that the mass of the liberation. It is ne been gripped by the prospect of early Belgians bolder. Apot only this hope that has made the in the general situother cause is a considerable worsening coastal districts as tion in Belgium. The flooding of the many families of an anti-invasion preparation has robbed many Belgian towneir homes. The continued bombing of transport difficulties by the Allied air forces has created sation in Germany. In addition, the so-called total mobili- German administrat has had its effect in the attempt by the for forced labour tion to accelerate the call-up of Belgians there has been a sin Germany. Since the end of April most important footradual reduction in the rations of the reduced from 10.6dstuffs. The daily bread ration has been ration is 12.4 ounces ounces to 8.8 ounces. The total fat and the potato and a month, against 17.6 ounces in April; thirds of the April cheese rations have been fixed at two- have been adversely May rations. Milk production seems to lands, which have affected by the flooding of the coastal year's crop of oilse the richest pastures. In addition, this generally speaking, eds will be smaller than expected, and, Most important of harvest prospects are only moderate. made farmers relucall, the hope that liberation is near has official programme; tant to continue deliveries under the requisitioned the farand, here and there, the Germans have harvesting extremelymers' horses and wagons, which makes difficult.

The Western Front

The stir caused by the liberation of Paris grows fainter with the distance of the occupied countries from France. The geographical of the occupied countries from France. different reactions. Distance is not the only cause of the Nazi occupation havNational traditions and the methods of e their effect. Holland, with her coastal



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provinces flooded and with a long frontiers with Germany, has shown elation and new confidence in an early defeat of Germany. There is no open sign so far that the activities of the Underground movement have increased at all considerably. But a steady number of executions reported by the controlled press shows that the army of occupation demands still more labour, and special guards have been placed at frontier towns for the purpose of checking the evasion of compulsory work. In Denmark, as in Holland, the idea of a new European Order has been definitely replaced by the hope of early liberation, and the sabotage of public utilities seems to be on the increase. The recent successful strike in Copenhagen seems to have created a wave of strikes of various sizes in almost all the towns, and they usually seem to attain their object. The Nazi underground press maintains that the Nazis are pursuing a policy of underground provocation for the purpose of bringing the real Underground movement into the open on the anniversary of the resignation of the King and Government which took place on August 29, 1943. In Norway the situation seems to be extremely quiet. The large-scale theft of ration cards, the evasion of compulsory work, and acts of sabotage here and there, are not new activities for any German troops have been moved out of Norway. The number of German troops is still estimated at some 200,000 and German civilians are said to number at least 50,000. There is, however, no doubt that Norwegians intensely admire the French resistance movement, just as they fear the unhappy results of the early rising in Warsaw. The Norwegian Underground movement has warned the people against premature action. "Our country has waited for so long, it can wait a little longer now."

Food in Europe

Stories of the food convoys bound for Paris, "Vivres pour Paris" chalked on their sides, bringing the first signs of danger of famine in Paris and elsewhere in France has receded, are, fortunately, no longer supplied by the Allies may become the joker in the pack of political card-parties. As the battle-tasks of supervising the distribution of relief food will be transferred more and more completely from the military authorities to local officials acting under the provisional Government. There need be no dispute over the right of the de Gaulle administration, as the provisional rulers of liberated France, to distribute the food to Frenchmen. Their full responsibility will bring with it plenty of knocks to balance up the bouquets. This pattern of gradual and easy transfer will not, however, be reproduced in every country in Europe. In spite of the acknowledged responsibility of UNRRA to distribute supplies without racial, religious or political discrimination, the existent or potential political cleavages among some of the European nations will inevitably involve the Administration in problems of political choice. The situation in Poland is a case in point. It is not impossible that it may be repeated elsewhere. UNRRA in Poland will, according to its rules, have to act under the Soviet Supreme Command and to distribute its food through the National Committee of Liberation, thus putting into the hands of a rival organisation of great importance. To risk the multiplication of this situation in other European countries is to invite a repetition of the political pushing and shoving that happened over food relief after the last war. More clearly than ever, this illustrates the imperative need for united action among the Allies. Agreement on the recognised administration of countries soon to be liberated cannot, for this reason alone, be further delayed. With it, of course, must go whatever degree of assurance that the Government itself does not take political advantage of its responsibilities. It will be too late if the choice is left to the military commanders in the field, or to a functional organisation such as UNRRA, whose essential work can be both distorted and frustrated if a sure political foundation is not prepared for it.

European Agriculture

The most vital responsibility of UNRRA is food. The agricultural conference at its London headquarters

last week was concerned with the restoration of farm production in the various European countries rather than with direct relief. The scale on which bulk supplies of food-stuffs will be sent to Europe has not been revealed, but in the initial stages the only limit to assistance of this sort should be that set by shipping space. As regards the task of restoring European agriculture the detailed work of organisation is felt to be best left to the various Governments, with UNRRA acting mainly as a supply and advisory organisation. The supply of a limited range of modern equipment is absolutely vital for a speedy increase in productivity, and high on the list of priorities will be seed, cultivating instruments, fertilisers, and pest-control agents. Supplies are to be varied to suit the pre-war usages and present conditions of individual countries. The advisory work of UNRRA will include, besides the dissemination and fostering of scientific research, the re-establishment of international contacts and the setting of each country's economy against its European background. It is this last function which is still the weakest link in the chain. To get maximum production, it is clear that there must be some division of labour between the various European countries so that, over and above immediate local needs, each specialises in the products to which it is relatively best suited. Further, a balance must be struck between European and world economy—a point that has been little considered. In a starving world, short-term needs must necessarily restrict a policy of full specialisation. But UNRRA's rôle should not be envisaged as one of supplying the minimum of food needed to keep Europe alive, and meanwhile fostering a rough self-sufficiency within each country. It would be much better, to take one example, for western Europe to procure its grain and meat in bulk from the American continent—if necessary, on favourable credit terms—while it builds up its livestock and dairying, rather than to be forced to fend for itself as quickly as possible. The co-ordination of world food production remains an urgent necessity.

Conditional Surrender

Mr Churchill's message to the people of Italy (discussed on page 305) was notable for the warmth of sentiment which the Prime Minister expressed towards a nation which last year was still a chief partner of the Axis. First-hand contacts have apparently persuaded the Prime Minister of the sincerity of pro-Allied feelings in Italy; and he has willingly surrendered to the Italian anti-Fascists, though by no means unconditionally. Though he does not absolve the Italian people from the record of Fascism, he nevertheless looks forward to the time when Italy "will resume her place among the leading Powers of Europe." It can be safely assumed that the Prime Minister's visit to Italy was used by all sorts of Italian pressure groups as an occasion to involve him in Italian domestic affairs. In particular, the Right Wing elements, who until recently were coalesced with Fascism, must have tried to impress "the leader of the British Tories" with the danger of internal revolution and the need for a strong, conservative Government to stave off that danger. It is from those quarters that alarming warnings against Bonomi, "the Italian Kerensky," have come, and attempts were made to reinstall Badoglio in power. Judged by his message, Mr Churchill has not only withstood the pressure, but he has persuaded himself of the futility of any attempt to reimpose compromised rulers on a reluctant people. The Prime Minister's emphatic exposition of the principles of freedom can probably be interpreted as an implied endorsement of the Bonomi regime. The important rider attached to that endorsement is his warning against "political excitement and the clash of many parties," an ailment to which Italian democracy has been more than prone.

Mobility of Industry

The Government's decision, noted in the White Paper on Employment Policy, to rechristen the depressed areas as "development areas" was generally accepted as a sign that the piecemeal pre-war attitude had been abandoned in favour of more positive measures for a better distribution of industry. Neither the details nor the framework of the policy have as yet been clarified, and at this stage it is impossible to say how far the proposed measures—such as priority in building materials and clearing of premises for formerly depressed areas, supervision over location and the "steering" of industry into the development areas—will be effective. It is, of course, an indisputable fact, as Mr Dalton

pointed out in the House of Commons' debate on the location of industry, that British industry "for good or ill is located already." Its mobility is limited by proximity to coal and other sources of raw materials, by railways and shipping, by the existing services and communications in industrial areas, by the size of productive units and in some cases by the conservatism or apathy of local employers and employees. But recently the number of factors favouring industrial mobility have been increasing. Electricity, road transport, the telephone, standardisation of parts, the increasing use of light metals, must all be taken into account.

The latest PEP broadsheet on "The Location of Employment" takes the view that, though certain industries and services will necessarily be rooted, these favourable factors will offset the limitations on mobility, and the range of mobile industries is likely to increase. The pamphlet approaches the problem of industrial location from a fresh angle, and lays emphasis on employment opportunities rather than on industrial location. It suggests that the proper distribution, rather than the dispersal, of industry should be the aim, and that areas or regions, rather than towns, should be regarded as "employment orbits." This would provide entrepreneurs with a wider choice of labour and with necessary links with services and other industries, while at the same time affording more scope and variety of employment to the local workers. There has often been a tendency to regard the introduction of light industries to the depressed areas as a universal panacea, irrespective of the type of employment provided, and the idea, as PEP points out, of artificially stimulating new industries in any particular South Wales valley, is far less sensible than schemes to improve transport facilities within the region, so that workers can travel to the most suitable centres of employment. General principles, however correct, are sometimes difficult to apply in practice, especially in such a complex matter as the location of industry. Their realisation depends perhaps less on Government action than on the co-operation of both sides of industry. Labour, as well as employers, must be ready to accept greater mobility. At the same time local authorities or planning bodies will have to discard parochialism and accept planning on a wider, regional basis than they have been willing to do in the past.

A Rural Scandal

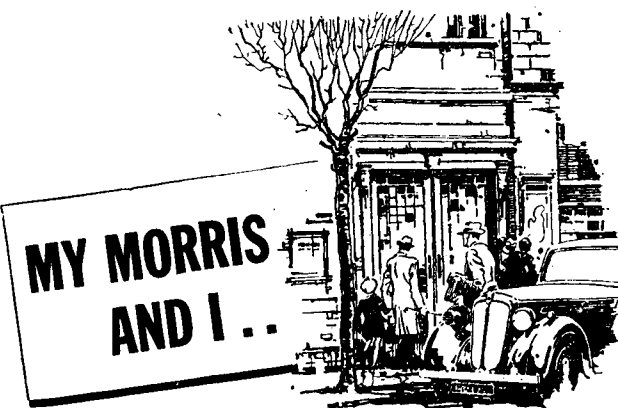
The Women's Institutes have performed a valuable service in bringing to the public's attention some very disturbing facts about rural water supplies and sanitation. Most people know about the general lack of amenities, and the bad housing conditions in the countryside, but some of the unpalatable details disclosed in the Institutes' report of a survey of 3,500 villages in different parts of the country, would shock even the most complacent townspeople. The report makes no comments and draws no conclusions other than those of the countrywomen themselves, and is in consequence the more telling. A few examples, taken at random from a very long list, will show that bad conditions are not confined to any one part of the country. In Sheepscote, Gloucestershire, a number of wells have been tested and condemned, but there is no alternative water supply. Upham, Hampshire, has no water or drainage, and five out of its seven wells were condemned five years ago. At Clee St. Margaret, Shropshire, 56 householders have to carry their water more than 200 feet, and all but two houses have earth closets only. The thirty houses in Shottlegate, Derbyshire, share a pump, and all have earth closets. Two hundred and three out of 260 households in Hoghton, Lancashire, have only bucket lavatories. In Farley Hill, Berkshire, which has long paid water rates, 80 of the 100 householders carry their water up to a distance of half a mile. Twenty-six counties estimate that over half the number of houses surveyed have earth, bucket or chemical closets only. There have, of course, been improvements in rural workers' conditions between the two wars, but progress has been much too slow in relation to the advance of scientific and hygienic standards. In the light of conditions such as those described in the Women's Institute survey, it is hardly surprising that so many workers should have left the land to seek better-paid employment in more congenial and healthier surroundings.

New Brunswick Votes Liberal

Provincial elections in New Brunswick follow those in Saskatchewan, Ontario and Quebec. This time the Liberals, hitherto defeated, managed to win the election with 36 members returned out of a total of 48. The balance of seats was gained by the Progressive Conservatives, led by Mr Hugh Mackay, whose financial connections were strongly and critically played up in the Liberal campaign. New Brunswick being a small province—it returns only 11 members to the Federal House of Commons, numbering 245 seats—the significance of the Liberal victory is necessarily not so great as that of their defeat in the larger provinces. Moreover, the election was fought largely on local issues, in which the educational policy of the Liberal administration helped to win votes for Premier McNair. Further support came from the strongly Liberal French Canadian community in the north of the province. The Co-operative Commonwealth Federation, on the other hand, was unable to get even one of its 41 candidates elected, a fact which can be partially explained by the large agricultural nature of the electorate in a province of many small mixed and dairy farms.

Centralised Municipal Borrowing

To judge from a memorandum prepared by the Council of the Institute of Municipal Treasurers and Accountants, officials of the local authorities are not fully satisfied with the scheme of the Treasury for centralised borrowing by these bodies. The memorandum, which appears in the September issue of *Local Government Finance*, starts by emphasising the advantages which have been gained in the past by the practice of financing capital expenditure out of revenue to the greatest extent possible, and points out that the official scheme makes no reference to any means of finance other than borrowing. This subject, touched on in the White Paper on Employment Policy, is one which calls for amplification by the Treasury. The second point raised by the memorandum is that, while the case for centralised local borrowing immediately after the war is so strong as to be almost irresistible, great im-



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portance is attached to the undertaking of the Chancellor of the Exchequer that the suggested arrangement will be temporary. The Council expresses the view that competition for loans has played a large part in producing the present-day efficiency in loan and debt management, and is, evidently, very averse to any plan which would permanently remove the liberty of the authorities to borrow as and when they think fit, provided, of course, that the requisite "sanction" has been obtained. With these reservations, which are considerable, even crucial, the Council believes that this temporary scheme should benefit all local authorities, if it ensures "fair shares" to all concerned. It is, however, doubtful whether the Council's attitude squares with the ideas of the Treasury, or even whether it corresponds with the long-term requirements of the local situation. Provided the status of a local authority as a borrower is due solely to the relative efficiency of its financial officers, individual borrowing may be an excellent means of securing economies. But, insofar as its creditworthiness is affected by inherent local disabilities, which no amount of local efficiency can remove, some means must be found of overcoming these handicaps or else the additional cost of borrowing in these areas will become an added impediment to their recovery and adjustment after the war. It is the purpose of the centralised scheme to provide this means.

For the rest, this memorandum deals mainly with technical details of no great interest to the public or with ambiguities in the Government's proposals which call for elucidation. Among the latter the Council, very properly, asks that the provisions for borrowing should be sufficiently flexible to ensure that local authorities can raise money and repay debt, within certain general, national limitations, as and when it suits their convenience. Further, it is suggested that permission to borrow should automatically carry with it the right to obtain advances, and that the "exhaustive and onerous enquiries" at present made by the Public Works Loan Board should therefore no longer be necessary. Certainly one enquiry should suffice, but whether the Treasury will be prepared to shoulder the added responsibility of backing the loans without some additional control may very well be questioned.

Reparations

Mr. Charles Davila, former Roumanian Minister to the United States of America, said in New York at the time of the Roumanian surrender, that he had been informed that the terms of the surrender included the payment of a £150 million indemnity. By an odd coincidence Russia asked for exactly the same indemnity from Finland during the Finnish-Russian peace negotiations. It is interesting, and not unimportant, to inquire on what criteria these indemnities have been worked out. These indemnity demands by Russia, if in fact they have been made in these terms and amounts cannot be taken as an exact or approximate valuation of the damage inflicted by the Roumanian and Finnish armies. Eventually the Russians will be able to estimate the total damage done by their enemies, but the problem of distributing this damage between German, Finnish, Roumanian, Hungarian and Italian armies will hardly be soluble. Probably the Russian Government has provisionally fixed the indemnities to be paid by Roumania and later by Finland according to rough and ready principles, perhaps according to the productive capacity of the two countries, which is a complex of natural resources, manpower, plants, factories, communications, and the relations with other countries expressed by their respective foreign trades. If they are actual claims, they are based on ability to pay. Their economic importance can be seen from the fact that £150 million is roughly the equivalent of the total value of six years of Finnish exports and of five years of Roumanian exports. If the indemnities were to be paid out of the export surpluses of the two countries (again based on average surpluses over imports before the war) Finland would have to hand over its export surplus to Russia for 44 years and Roumania for at least 16 years. But both countries will have lost important districts after the war, which would decrease the likely export surpluses and therefore increase the time over which payments would have to be made. The problem actually goes deeper. If Russia, or any other victor, were to ask for the entire exports of Roumania and Finland, both countries would be unable to import the necessary machinery and manufactured articles for maintaining agriculture and industry. Some other country would have to supply these

materials on credit or would have to grant loans. If the payments were to be spread over a greater number of years according to the annual surpluses over imports there remains this further problem. Both the countries paid interest on foreign loans and investment and services by means of part of their export surpluses. Again some other country would have to provide loans or credits if these interest payments were to be continued. The pre-war trade of Finland with Russia was negligible. In 1938 imports from Russia amounted to 2.7 per cent of total imports, and exports to Russia to 1.6 per cent of total exports. Roumania's trade with Russia was proportionately even smaller. In other words, if the indemnities were to be paid by Roumania and Finland, international assistance would be necessary to enable the payments to be made. Russia could, of course, require payments in kind; but there again it would only be possible by direct requisitioning from a steadily declining national production. The Great Powers will have to consider with care and in great detail all the implications of this old and thorny reparations problem—and its relation to their own trade in investments.

Women Tories' Peace Plan

With the apostolic blessing of the Tory Reform Committee, a group of women of the Conservative Party have published their programme for post-war reconstruction under the title "When Peace Comes" (Conservative Women's Reform Group, 6d.). Under the leadership of Mrs Cazalet Keir, MP, the group of eight includes Miss Irene Ward, MP, Mrs Sybil Eccles and Miss Eleanor Plumer. Their plans are comprehensive, even if there is little in the way of original suggestions. As the programme is written "from the standpoint of women," emphasis is given to the need for equality between the sexes, both in political responsibility and in economic reward. A broad outline of policy is given for maintaining international security on the basis of the present military alliance and the development of functional co-operation. On other subjects—employment, health, housing, education, agriculture and the work of women at home, as part-time helpers and in full-time jobs—the group hold opinions of "enlightened reform," which nevertheless suggest the rather rarified and ladylike atmosphere of the tea-table. The aims and objects outlined in the pamphlet have no very real foundation in a comprehensive plan of national reorganisation that would be strong enough to avoid the major mistakes of the last post-war period. The foundations of the Tory Women's better world are no more clearly defined than "the Christian ideals of truth and goodness, spiritual freedom and brotherhood." It seems hard to criticise good intentions alone, but the real problems of reconstruction will probably need something more than pious hopes and gentle admonitions. Probably something more concrete will follow upon this beginning.

Aviation Anniversary

Twenty-five years ago the first British commercial air service was inaugurated; it provided an air link between London and Paris. The anniversary is appropriate. On the occasion of a celebration last Friday Sir Archibald Sinclair, Secretary of State for Air, recalled that it was also the first daily service in the world. Since, then, however, other countries have gone ahead and Britain has not kept its lead, either in the operation of air services or in the production of transport aircraft. Sir Archibald asserted that Britain means to keep its place in the first flight of international air transport. But there are serious doubts about the adequacy of the Government's preparations for effective participation in the world's air commerce after the war. The international framework for the world's air services remains yet to be built—and this limits what can be done. But, as the preparations made in the United States have shown, the lack of framework need not delay the formulation of plans for British participation and the development of the necessary machines. These are essential for a speedy take-off at the end of the war. Sir Archibald said that the time had now come when more resources could be devoted to preparations for civil aviation. Lord Brabazon, who, as the head of a committee charged with the duty of drawing up specifications for air transport machines, is familiar with the state of preparations, did not share Sir Archibald's optimism. He declared bluntly that Britain is far behind the United States in the development of civil aircraft, and strongly drew attention to the dangers of further procrastination.

Letters to the Editor

Terms for Germany

TO THE EDITOR OF THE ECONOMIST.

SIR,—*The Economist's* view of the ultimate results of terms for Germany are, of course, *The Economist's* views. They are not, however, demonstrably nor even necessarily accurate; and to say that the inclusion of "strong" territorial terms would ultimately and disastrously weaken the settlement is to make a statement which must be qualified by the words "in the view of *The Economist*."

The one factor which appears to be insufficiently weighed in the article which you recently published under the title which heads this letter is that of the German mentality as we know it; or perhaps I should say the mentality which has been clearly shown during the last thirty years to be shared by a very large majority of Germans. It is hardly useful to argue whether this mentality is, as Lord Vansittart appears to think, a racial characteristic of Germans, or whether it is an acquired characteristic resulting from generations of evil education imposed on a nation which is certainly prone to some sort of servility. The immediate result is the same, and I doubt whether any serious student of history would deny that the German nation at present, or a very large majority of it, is dangerous to the peace of the world and is likely to remain so even after defeat.

Those of us who believe this to be true are certainly entitled to say to *The Economist* that we believe its views, if acted upon, would lead to a situation of greater danger than the strong terms against which it argues. There is ample evidence that Weimar Germany was plotting revenge for the German defeat in the last War for all its camouflage of Democracy. In a matter of opinion, then, we are entitled to adapt your own words, and to say that "weak" territorial terms would ultimately and disastrously weaken the settlement, because it would leave the central corpus of Germany too strong.

We went to war for Poland. Circumstances over which we certainly have no control will result in our being unable to honour our bond, given to the Polish State in 1939, to restore Poland. In these circumstances it can hardly lie with us, in view of our original war aim, to seek to deny to Poland the compensation which is offered by a State which, while it was still in pact with our enemies, undertook the latest partition of that unhappy country.

I suggest then that certain factors in connection with territorial rearrangements might well be taken into consideration. Silesia, I understand, was Polish before the first partition of Poland. If so, there are historical grounds for its restoration. Schleswig-Holstein were Danish until the first aggression of the Germans in 1864; there are therefore historical grounds for the restoration of those provinces. It is very widely held that the breaking up of the Southern German State after the last War was an error of the worst kind, largely based upon ignorance of history. The reformation of a South German Catholic State centred on Austria would do something to restore the balance; while a separation of Catholic and Protestant Germany would be based on a factor strongly (consider Ireland) inimical to centripetal tendencies.

All these territorial rearrangements, based on history, might well be expected to last, especially since those portions of Germany thus incorporated in, or joined to, other Powers would be comparatively easy to control by those stronger Powers. It might well be argued further that East Prussia should go to Poland as a direct punishment to Germany, and as a potential source of trouble sufficiently small and isolated to be effectively handled and controlled by Poland. It might reasonably be argued that the Rhine frontier should be given to France as forming a better strategic basis for a re-built Europe, and as involving an annexation not too large to be effectively held and controlled by France. And if all these things were done, the remaining quadrilateral of Germany proper should be sufficiently reduced both to minimise the German danger and to facilitate the re-education, or what you will, of the remaining Germany.

One last word. The obsession with the question of minorities is an evil legacy of the last War, with its over-emphasis upon nationality, self determination and the rest.

That there should be German populations in Transylvania or in the United States, that the Austrian Empire included a mixture of races, and so on, did not thus obsess the statesmen of the nineteenth century. Plan transfers of population if you will; but in the cases which I have specifically mentioned it would seem enough to let the Germans now in the territories which would revert to Poland or Denmark or France or Austria leave those countries if they preferred to do so and make their way back to their Prussian slavery. Otherwise, and many of them might prefer it, let them remain as peaceful citizens of the States in which they would find themselves incorporated.—Yours faithfully,

London, E.C.2.

GUY P. DAWNEY.

[It is, of course, obvious that every matter of opinion which is stated editorially in *The Economist* is only *The Economist's* opinion. We have never claimed that what we think to be true is gospel truth; it would be absurd to do so. In this case, however, there is a great deal of past experience to go upon, and General Dawney does not cite a single piece of evidence to support his own opinion that the rulers and people of this country will be more willing to act, and if need be to fight, to keep Germans under the rule of, say, Dutchmen or Poles, in ten or fifteen years time, than they were between the wars. All he says is that they *ought* to be more willing, which is a very different matter. Our view, simply put, is that we must be desperately careful not to promise now what we will not perform then, because that is the way to provide the enemy with the opening for his Third Attempt. In other words, the Peace must be as strong as possible.—EDITOR.]

TO THE EDITOR OF THE ECONOMIST

SIR,—Perhaps you will allow me to say that those standpoints, which have been expressed in the polemic regarding your much-noted article "Terms for Germany," do not touch the root of the problem, neither did your article.

The European "Balance of Power" had been irretrievably destroyed by the disappearance of the Austro-Hungarian Empire. The last hope to retrieve the European political situation to some sort of balanced status, lay with an eventual German policy of extremely wise, cautious, obliging and courteous statesmanship. Instead the world had to witness the German people calling in the stupid, vulgar, ignorant and uneducated Hitler bulls in order that these beasts may surely and safely destroy the finest china shop in the world, the Continent of Europe. Can it be expected, Sir, and is it fitting to ask for it, that a crowd of fools who did such a thing, though the whole surrounding world asked them to desist from it, may again be a Big Power?

At present—and this is so as a consequence of that policy of "intuition," entrusted to a horde of megalomaniac hooligans of petty bourgeois descent—Russia, now the one real Big Power on the European Continent, turns against the, in itself organic, idea of an integrated Europe (which, of course, would be the "ideal solution"). But here again it becomes manifest, how disastrous the consequences of Germany turning Nazi were bound to be. It is only understandable that Russia does not (and cannot) show, after the experiences which she has had, enthusiasm for the establishment of a compact Continental Power on her Western borders. German policy in Europe—and not only since they turned Nazi—did sow wind and reaped storm. Neither can it be overlooked that a peace settlement with Germany must necessarily bear a different character after and with disclosure of the flying bomb-institution as compared with one which would perhaps have been still possible before and without that revealing proof that the "Neandertaler," the antediluvian monster, is amongst and at us. German policy having definitely destroyed the possibility of European integration on a fair and decent basis, and on the principle of "politics as the art of the possible," no other way is left than that of producing the entire political disintegration of Europe, at least east of the Rhine.

This will practically mean that the area inhabited by

Germans will not be divided in three or four "states," but probably in at least ten to fifteen territories, each of which will be separately administered by one of the Allied Nations. This will be the only way to "re-educate" the German people in a truly reliable and successful fashion, by acquainting them forcibly with those methods of a free communal constitution, which is the only possible basis of living and working peacefully together in the densely populated and highly cultivated area of Continental Europe. He who is able to think of future social, economic, political and cultural developments of mankind with some imagination, might find that even this settlement carries the germ of a future integration of Europe in it, and that it does no injustice to the great merits, which the German people acquired in the past in the sphere of art, spirit and science. Germany's greatest men—and especially those, who, like Leibniz, Kant, Goethe, Herder, Humboldt, Heine, Nietzsche, Thomas Mann and many others, have pondered over their national problem, did always envisage Germany as a teacher of the world rather than its master.

Certainly it is one of world history's most gigantic tragedies (and blasphemies) that a people, designed by destiny to be a nation of teachers, turned out to be one in bad need of being re-educated. But it is the inherent character of tragedy, that its conflict cannot be "solved," that it must be lived through with all its implications and consequences—and that, therefore, it must be considered futile, as you did, Sir, to try to persuade Clio, the Goddess of history writing, to appease her infuriated mind by dictating to her iron pencil an idyllic happy end on top of the bloodiest story she had ever to put down.

To the present and guilty German generation one can, even if deploring their actual fate, but say: "Tu l'as voulu, Georges Dandin."—I am, sir, yours truly,

FREDERICK JELLINEK.

London, W. I.

TO THE EDITOR OF THE ECONOMIST

SIR,—As one who has made some study (dispassionate my reviewers say) of the German problem, I was perturbed by your article on "Terms for Germany." But I admire your courage in voicing an unpopular view, and still more I admire your generosity in publishing six letters in one issue, all of them critical.

There is one point, however, which neither the article nor its critics stress—the limited duration of any terms imposed on Germany.

The inconstancy of parliamentary democracies, the traditional inability of the English to sustain hatred, and the probability that in 1965 or so we shall be far more interested in domestic issues than in Germany strengthens your arguments that only a moderate peace (if any) will be enforceable.

But Mr Sisam's point that a moderate peace would shorten the time needed by Germany to re-arm seems sound. What we really need is firmly to control Germany until, by re-education or a realism of the folly of fighting the world, she undergoes a change of heart. That is unlikely to take place until this Nazi-trained generation has passed away—say 40 or 50 years. Shall we do it?—Yours, etc.,

T. H. MINSHALL.

Reform Club.

TO THE EDITOR OF THE ECONOMIST

SIR,—The letters you have published on your article "Terms for Germany" are a sad commentary on the state of mind produced in many people by five years of war and are an ill-omen for the future peace. It is, for instance, nonsense to suggest that "German workmen west of the Rhine will soon make good Frenchmen" or the Pomeranian peasant "A good Pole." In actual fact, the nearer one gets to the frontiers, the stronger are the national feelings in all classes of the population.

Your contention itself is unassailable. If we really want peace, not only in our, but also in our children's time, there is no alternative to a settlement which will continue to command active moral support among the chief Allies—save a genuine "Carthaginian peace" involving the utter annihilation of the German people. As this latter stands no chance of gaining general support, let alone being put into practice, it is essential that we do not make another war a certainty by trying to go half-way.—Yours faithfully,

Eton, Bucks.

J. JUXON STEVENS.

TO THE EDITOR OF THE ECONOMIST

SIR,—May an ordinary human mortal of British nationality and Czechoslovakian origin, a believer in democracy and one who, since 1910, has been a regular traveller to the Continent—excepting, of course, the years of war—with due diffidence be bold enough to present his views on your "Terms for Germany"?

The principal argument at issue may be resolved into two questions, viz.:

- (a) Is a peace the stronger for being enforceable in 15-20 years' time; and/or conversely
- (b) Is it the weaker for not being so?

We are little concerned with German psychology, which, I hope, we are out to destroy. We are eminently concerned with the psychology of the democratically-minded human being, whether he be a British or Czech Liberal. Democracy is an indivisible unity and belief in "Right and Justice." Take away the sense of right and justice and you have an empty shell.

The British, American and French have alternately refused in the past to resort to arms, and preferred to remain at peace when the Treaty of Versailles plus the League of Nations Covenant were violated, not because these instruments were either "weak or strong," "moderate or hard," but because democracy in this country and elsewhere considered that the violations of the treaties were not equal to the sacrifice required to counter them.

Had we thought it better to "enforce" the reparations clauses, or to counter the German conscription laws or to prevent the re-militarisation of the Rhineland (which I feel every experienced Continental traveller knew, would have been easy), we had the physical means at the time of doing so. Why did we not? Because the judgment of democracy fifteen years after the last peace was against it, for better or worse. In other words, the Treaty of Versailles became inoperative in consequence of the reluctance of the people to go to war for "points" that they did not consider urgent or important enough to "enforce." This is a vindication of *The Economist's* "Terms for Germany."—Yours respectfully,

Cobham, Surrey.

E. WUNDERLICH.

* * *

It is proposed to continue this correspondence in the next weeks so far as, and for so long as, considerations of rationed space will permit; and to follow the original article on "Terms for Germany," which has been so widely criticised, by a further statement of *The Economist's* views in which these criticisms will be examined.

Meanwhile it may perhaps be useful if two particular points which have arisen in the course of this discussion are made plain here.

(a) *The Economist's* argument has not been concerned in any way with the suggestion that the peace terms to be imposed upon beaten Germany should be lenient; nor, indeed, has it been concerned with the contentious and incalculable problem of German psychology. The sole purpose of our original article was to consider the problem of enforcing whatever peace settlement may be made in the light of British psychology and British political possibilities. Our statement that the peace must be both enforceable and enforced, whatever its strength or moderation, has not been challenged by any correspondents. Nor has our view that "we must not promise what we cannot perform" been opposed.

(b) In the last issue of *The Economist* it was stated—in a comment on the suggestion, made by Dr Drucker, that our original article was, in effect, "soft words" to the Germans—that this view had also been voiced by the British Minister of Information "in a less direct and less straightforward fashion." By this was meant that, according to our information, this opinion had been expressed by Mr Bracken to a meeting of journalists, without any contact having been made with the Editor of *The Economist* itself. It must be stated, however, in fairness to the Minister that this view was expressed by him, without deliberation, in reply to a specific and spontaneous question at a confidential gathering of press representatives. The meeting was a regular and routine "off the record" gathering, at which *The Economist* was not represented. It was unfortunate that the only information about this incident which reached *The Economist* came in an indirect and misleading form.—EDITOR.

AMERICAN SURVEY

Boom Days on the Mississippi

(From a Correspondent in St. Louis)

MANY people think that the heyday of Mississippi river transportation occurred during the last century, when gleaming white packet-boats loaded with freight and passengers plied the river and its tributaries. This was the romantic era of river transportation chronicled in the writings of Mark Twain and others, the time when rival river pilots challenged each other to boat-races for high stakes and the waterfronts of the principal cities were filled with boats and teeming with activity.

Yet in 1942 net traffic on the Mississippi waterways system above New Orleans amounted to over 92 million tons, and available information indicates that this record was exceeded in 1943. This tonnage compares with about 69 million tons in 1939, slightly over 10 million tons in 1860, and an average of about 25 million tons a year during the final quarter of the last century. On a ton-mile basis the increase during the year is still more striking. To-day a slow-moving tow-boat with its string of barges transports cargoes equal in tonnage to those carried by 24 of the typical packet-boats of that earlier period.

The wartime boom comes on the heels of a steady, though unspectacular, growth. The twenty years prior to the war witnessed marked changes in river traffic. In the previous period of railroad expansion, the rivers had been neglected to such an extent that the President of one of the major railroad systems of the area is reported to have remarked: "Why should I be worried about water competition on the rivers? In winter the ice prevents shipping, in spring the floods are so high that the boats can't go under the bridges, and in the summer and fall there isn't enough water to float them."

The improvement of the rivers in recent years is the principal factor responsible for growth of traffic. The original stimulation to inland waterway development came from the transportation crisis of World War No. 1. Under successive Congressional appropriations, Army engineers have created a permanent nine-foot channel from New Orleans to Minneapolis and St. Paul on the Upper Mississippi, to Chicago via the Illinois waterway, and to Pittsburgh on the Ohio River system. In addition, important channel improvements have opened traffic on the Tennessee, Cumberland, Missouri and other tributaries.

The development of navigable waters was accompanied by great improvements in tow-boats and in special barge equipment for new types of cargoes. The river-boat operators became more active in soliciting new business, and new ports with terminal facilities for handling shipments were established. In 1939, although coal and coke, and sand, stone and gravel products still accounted for 65 per cent of the tonnage moved, general cargo freight, including petroleum products, lumber, steel, and package freight, had shown a spectacular growth of 150 per cent since 1920.

During the war a substantial change in the character of river traffic has occurred; much of the war-time increase represents diversion from normal peacetime carriers. For example, oil and petroleum products are now the most important commodities transported on the Mississippi system. This is largely the result of the submarine threat to the ocean-going tankers that formerly supplied East Coast refineries, though important crude oil movements on the river have also been necessary to supply the needs of the new high-octane gasoline plants in the Middle West. Another traffic diversion is of sulphur, which is moving to eastern chemical plants up the Mississippi through the Great Lakes and down the Erie Canal, instead of by coastal vessels.

On the other hand, the cutting off of foreign markets, the restricted production of durable goods, and the need for speed have reduced the movement of many of the commercial cargoes upon which river transportation lines were dependent in normal times. The elimination of this traffic was not all a net loss. For example, in the few years before the war a considerable river business had been built up for delivering new cars to southern markets on special barges with racks carrying nearly 200 automobiles. During the war these barges have been used to transport military vehicles to the South, where many of the country's major training camps are located.

In addition to the movement of necessary materials, and the relief thus given to the over-burdened railroad system, river traffic has reflected the tremendous expansion in ship-building along the Great Lakes and inland waterways. More than one thousand military and naval vessels of substantial size and various types were built at inland shipyards during the years 1942 and 1943, and moved without serious accident to the tidewater ports of the Gulf via the improved channels of the Mississippi River system.

Much of the present river traffic is clearly uneconomic, but river-men are hopeful that they can find replacements after the war—taking the steady pre-war growth in traffic as a solid basis for this confidence. Inland water transportation of bulk raw materials and of commodities suitable for warehousing and stock-piling has clear cost advantages over other forms of transportation. Even in the case of oil,

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barge operators hope greatly to expand pre-war tonnages—barge movement of petroleum products is substantially cheaper than truck or rail, and closely approaches pipeline costs—and barges have the advantage of greater flexibility. (Sea-going tankers, of course, enjoy a tremendous cost advantage over all other forms of transportation.) Much depends upon the post-war use made of the famed "Big Inch" pipeline which, according to rumour, may then transport natural gas; in that case, the refinery capacity in the Mississippi Valley may require more water-borne movement of crude oil. With the expected expansion of water terminal facilities and arrangements for truck connections, the barge lines hope to carry on much of the local distribution of gasoline and petroleum products which formerly moved by rail, and particularly to supply inland airports with high-octane gasoline.

Among normal lines of traffic which will return to the barge lines when the war is over are such commodities as automobiles, automobile parts, agricultural implements and various consumers' goods. The up-river movement of imports cut off by the war will be regained. And since farmers in the southern states have greatly increased their livestock numbers, grain-feed supplies from the Corn Belt states are expected to move down-river by water in larger volume than before the war.

Certain factors that will sharply affect post-war traffic are, however, beyond the control of the river-carriers. River-borne tonnage of industrial raw materials and building materials shows substantial swings in response to changes in industrial activity. The movement of products down-river for overseas shipment will depend to an important extent upon the amount of dollar exchange available to foreigners, and on the types of products they decide to use their dollars to purchase—farmers in the Mississippi Valley are not too optimistic about exports of agricultural commodities, though Middle Western manufacturers see possibilities of large sales to South America and other countries via the Mississippi River.

River transportation is also likely to be stimulated by the boat-builders of the large new inland shipyards that have spawned so many military craft during the war, who are hopeful that the designs for military ships may be modified for use on the rivers. Already a luxury streamlined cruise-liner that incorporates certain features of the LST (Landing Ship, Tanks) has been designed for post-war weekly round trips on the Tennessee River.

Less novel, but probably more practical, are the ideas for adapting the designs of the LCT (Landing Craft, Tanks) and the LCI (Landing Craft, Infantry) to river use. The increased speed and flexibility of such boats might make possible a modern version of packet-boat service on the inland streams—loaded truck-trailers might be moved on such boats and provide a service rivalling fast rail freight between river points such as St. Louis and Memphis. The likelihood of these and similar developments would be enhanced if twelve-foot channels were made on major stretches of the rivers, a possible public works project in the event of a major post-war depression.

No doubt gains in the operating efficiency of river-craft will result from the gradual improvements in design of the successful types of tow-boats and barges now in service. Recent developments have included rubber-lined barges for acids and special barges for high-octane gasoline. Current plans project refrigerated barges with deep-freeze units to freeze Southern fruit and vegetable crops on the rivers close to the farms; they would move up-stream as the season advances and finally transport the products to northern and eastern distribution points.

The Transportation Act of 1940 placed common and (with certain exceptions) contract water-carriers under regulation of the Interstate Commerce Commission. This legislation was bitterly opposed by the water-carriers both because of their general suspicion of regulation and because of their belief that the ICC in the past has supported the railroads in unfair competitive practices. Now, however, although still fearing the political and economic power of the railroads, many of the water-carriers feel that regulation will aid them in the long run by a greater stabilisation of transportation rates and service. One of the leading barge operators in a recent speech laid down the following objectives for management. "Management should diligently pursue efforts to accomplish lower cost by research and investigation. . . . If the barge lines base their rates upon determined cost, and can afford to do so, it is good policy that the public should benefit from lower costs."

American Notes

Governor Dewey's Opportunity

There are fewer fireworks in reports of the conversations between Secretary Hull and Mr Dulles, Governor Dewey's foreign affairs expert, but it is encouraging that they were able to declare themselves in agreement on so many points. Mr Dulles added to the official statement the suggestion that, where there were differences, they were of emphasis rather than principle. In particular, both insisted that it was of the highest importance to keep foreign policy completely above the political considerations of an election year. Governor Dewey, through Mr Dulles, has made only one reservation. That is his right to stimulate full, non-partisan, public discussion of any and all issues. It is Governor Dewey's contention that this is necessary if the security arrangements are to be so solidly based in American public opinion that they will survive changes of Administration. It has been suggested that this condition amounts to an escape clause, whereby the Republicans can feel free to descend from the level of non-partisan discussion when it suits their book to do so. There is little evidence for this interpretation. There are irresponsible men in both parties, but they hardly require an escape mechanism from so informal an agreement. There is no reason to doubt the sincerity as well as the soundness of Governor Dewey's reasoning. It is only a short time ago that Secretary Hull was bemoaning the lack of public interest in the problems of peace and security. Dumbarton Oaks itself received scanty notice until Governor Dewey made it front-page news. And it is natural enough that Governor Dewey, who has ambitions to play lead, should demand more than a walking-on part between now and November. So long as the spirit of the agreement is maintained, it will be both interesting and instructive to hear more of Governor Dewey's views on foreign policy. So far he has shown a certain delicacy in committing himself on the more controversial issues which Mr Willkie has attacked with such zeal. In contrast with the candidate, Mr Willkie is, of course, a free agent. He has nothing to lose but his own skin. But despite his party and his bi-partisan responsibilities, there is an opportunity for Governor Dewey to show that he has the same capacity to sacrifice a short-term advantage to the larger good.

Mr Willkie's Campaign

Mr Willkie has discovered another good cause, and one close to his heart. The story, confirmed by Mr Willkie himself, is that he has been trying to convince Republican leaders, particularly in Congress, that the President must be given the power to use American forces to stamp out aggression without first being required to gain the consent of the Legislature. This is believed to be a basic feature of the American plan put forward at Dumbarton Oaks. Mr Willkie is probably right in thinking that it is the major stumbling block in the way of Congressional ratification. In the Constitution, the right to declare war is expressly reserved to Congress, although the Executive may have taken such preliminary steps as to make the final declaration not much more than a rubber stamp. Nevertheless, the overriding of this prerogative in the American plan sets up a real difficulty in the minds of all good Constitutionalists; and it may easily be played upon by those whose devotion to the Founding Fathers is less disinterested. Mr Willkie is said to fear that discussions on this point may be so long drawn out as to make possible the eventual defeat of the peace settlement. He has urged, with even more force, that the requirement of Congressional consent would make the decisions of the proposed Security Council

mere prayers addressed to the United States Congress, and the international organisation soon would prove itself impotent in meeting threats of aggression.

Mr Willkie has gone on to urge his fellow-Republicans to approve American participation in the security organisation without waiting for the formal drafting of peace treaties; and he has advised them to take a lead in building up a public opinion favourable to responsible American participation in the new organisation. Once again, Mr Willkie has proven himself the most liberal, and apparently the least calculating, of Republican politicians.

After each demonstration of his political foolhardiness, Mr Willkie bobs up again, not noticeably discouraged. This is one of the toughest rows he has chosen to hoe. Seasoned Republicans in Congress regard Mr Willkie with profound suspicion. They were mainly responsible for his elimination from the Presidential campaign. Their suspicions will be confirmed by Mr Willkie's efforts on behalf of the Administration proposal, his belief in straight words and direct action. It is not impossible, however, that a bargain may have been reached between Governor Dewey and Mr Willkie, with the latter's support, or at least friendly neutrality, being promised in return for Governor Dewey's support in the campaign to save the security talks from being spiked on a Congressional veto. Mr Willkie made a rather tart reply to the invitation to exchange views with Mr Dulles, but their meeting took place without delay.

Oil

One of the things that President Roosevelt's adversaries find hardest to forgive is that he is always springing surprises on them. The President's critics were taken aback this week by his sudden announcement that the Oil Agreement would be submitted to the Senate for ratification as a treaty. What might have been more reasonably expected was its submission as an executive agreement, which would have required a majority vote of both Houses, rather than a two-thirds vote of the Senate. There have been periodic rumours that, in order to get round the veto power over treaties exercised by one-third plus one of the Senate's membership, very nearly every important international arrangement would be called an executive agreement and treated as such. There had been a strong clamour that the Oil Agreement should be regarded as a treaty. The President, whose shrewdness in these affairs is incontestable, probably thought that this was a good opportunity for placating the Senate, and at the same time challenging its members to say where they stand toward international agreements in general. Oil was made a highly contentious issue by the Five Senators in their well-publicised travels a year ago. Public opinion was alarmed by stories that the British were selfishly withholding their own stocks while America was prodigally expending her fast-diminishing supplies in the war effort. The charges were exploded, but the uneasiness remains. The President may have preferred, in dealing with so explosive a subject, to confine debate to the Senate, and he may have welcomed the prospect of sharing the responsibility. There have been certain rumblings that the Agreement was unfair to American interests, but that is common form in all undertakings to which the United States is invited to subscribe. What is more important is the hope of the relevant Senate Committees for speedy clarification from the American and British Governments on such subjects as allocation, price fixing, and the possibility of a Government-approved cartel.

The Life of Lend-Lease

The Administration answer is now available to the question, how long a life for Lend-Lease? In his letter transmitting the Sixteenth Lend-Lease report to Congress, Mr Roosevelt urged the continuance of Lend-Lease until the unconditional surrender of both Japan and Germany, on whatever scale is necessary to make the combined striking power of the United Nations as overwhelming as possible. The President's remark sprang from something more than the approaching end of the German war. The span of Lend-Lease has been a subject of heated controversy ever since *Nam News* published an article to the effect that it was intended to prolong Lend-Lease aid to Britain, not only until the end of the Japanese war, but into the peace period. The author created a stir by insisting that the British were demanding Lend-Lease aid, not for war purposes, but to bolster up their post-war economy and to prevent any increase in Britain's external debt until she is on her feet again. To this unfriendly tale, the attitude of conservative and anti-British circles was a foregone conclusion, and even liberal and friendly groups confined themselves in the main to defending Britain's right to military aid if she cooperated in the Pacific war. More recently, both Senator Connally and Senator George, who helped to shepherd the original Act through Congress, have declared themselves opposed to its continuance after the war. Even Mr Roosevelt, in his press conference, has spoken of the need for post-war credits to

take the place of Lend-Lease. But it is not certain that Mr Crowley's assumption that aid will be continued to England, and to Russia and France, between the end of war in Europe and war in the Pacific will be accepted without a struggle. A Washington dispatch in the *Wall Street Journal* last week quoted "official circles" as admitting that to continue Lend-Lease, even to a Britain engaged to the hilt in war with Japan, would speed up reconversion to civilian production in Britain, and correspondingly retard it in the United States. Apparently this line of reasoning, as so often in Anglo-American discussions, is not intended to work both ways; for any questioning of the admitted fact that the United States, with both wars still raging, has already gone vastly further than this country in the direction of reconversion, would arouse a storm of indignation from precisely these same American critics of Britain's post-war intentions.) The American argument is that if the United States supplies military goods to Britain for the Pacific war which could be produced in Britain, certain British factories would be freed from the demands of war production, and a corresponding number of American plants would be delayed in the change-over. It is suggested that as a minimum protection to American foreign trade, it might be agreed that increased civilian production made possible in England must be for domestic consumption rather than for export. There is no explanation as to how such an agreement might be enforced without acting as a fatal brake on the essential expansion of British exports. This may, indeed, be the price which some commercial interests would put on the continuance of Lend-Lease beyond the German collapse.

Hot Potatoes

There were times, in the early stages of the war production drive, when it was difficult to tell from day to day who was in and who was out of office. That climate of confusion reappeared last week. When it was announced that Mr Nelson had been given an important mission to China, it was assumed in many quarters that he was being thrown overboard in favour of his deputy, Mr Wilson, who had adopted the Service line against premature reconversion. As the anti-Administration papers put it, "China seems to be becoming a kind of handy cooling chamber for hot potatoes"; and Mr Roosevelt's refusal to commit himself on the question of whether Mr Nelson would return to the War Production Board seemed to clinch the matter. It was only a matter of days, however, before Mr Wilson himself insisted on resigning, on the grounds of wanton and repeated attacks upon him, instigated, in his belief, by members of Mr Nelson's own staff. Mr Wilson insisted that there had never been any difference of opinion over the need for reconversion between Mr Nelson and himself, although he emphasised that his first care had always been for war production. At this distance it is difficult to judge of the rights of this complicated and sensational *embroglio*. There is no doubt that Mr Wilson's going is a distinct loss to the Board. He was unquestionably responsible for many of the successes of the war production programme. What is more serious, however, than the going of any one man, who may conceivably have already done his best work, is the revelation of such widespread dissension in one of the most important war agencies. It is no proof of skilled administration that such exceedingly dirty washing should be exposed to public view. Dewey will make the most of this latest example of muddle at Washington. The nation is justifiably anxious that plans for reconversion should be progressing smoothly, and that they should be far advanced, and it will await with some alarm the results of yet another Congressional investigation.

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THE WORLD OVERSEAS

Stirrings in India

(From Our Calcutta Correspondent)

Calcutta, August 11, 1944

AT the time of writing, the forthcoming Gandhi-Jinnah meeting dominates the headlines, so far as domestic news is concerned; and the recent increased quota of newsprint is fully utilised to accommodate the spate of statements ("the statement" is a feature peculiar to Indian journalism) that issue from all and sundry on the subject of the partition of India.

In the interval since July 30th, the day on which Mr Jinnah announced that a meeting would take place between Mr Gandhi and himself, opinion has been rapidly crystallising. Hindus of the older school, Congressmen and otherwise, have received a severe jolt. Few of them seem to have noticed the tremendous strides in the political organisation of the Moslems during recent years, or the solidarity which the League and the community have attained under Mr Jinnah's leadership during the war. Pakistan may remain undefined and undefinable, but it is none the less a live political issue for every Indian today. Said the veteran Liberal Srinivasa Sastri in Madras the other day:

the oneness of India is a reality, an actual possession. The absolute independence of India would be an attractive prize, but it is now a mirage . . . but Mr Jinnah has got his prize and needs only to close his fingers upon it.

And, as for Mr Jinnah himself, he is in terrific form. The fact that the Mahatma made the first approaches for a meeting is ample compensation for his earlier political reverse in the Punjab of which, incidentally, we have probably not heard the last. Mr Jinnah's reported decision to maintain a residence in Lahore is an earnest of his intention to square accounts with the Unionist Party Ministers, and the Punjab Governor and the Viceroy, who are said to have encouraged the former to resist the League leader's *diktat*.

Sterling Balances

Meanwhile, the perennial question of the sterling balances continues to occupy a strong second place in the unending debate on the subject of Indo-British relations. The fact that the Finance Member, Sir Jeremy Raisman, and the Governor of the Reserve Bank, Sir Chintaman Deshmukh, are staying in London on their way back from Bretton Woods, whilst their non-official colleagues are returning to India, is taken as a sign that negotiations are on foot between the British Treasury and the Government of India for a long-term funding agreement in respect of India's sterling balances. It would obviously be greatly to the Finance Member's advantage (and credit) to bring such an agreement with him when he returns to India, for it would make participation in the International Monetary Fund and the International Bank a good deal more palatable to Indian opinion.

The essence of Indian criticism of the Bretton Woods agreements is that they make no provision for the liquidation of abnormal war balances which, in the case of this country, means her recently acquired sterling assets. That criticism will lose much of its force if Sir Jeremy Raisman is able to confront the Legislature with acceptable proposals for funding the sterling balance at the same time as he asks for India's adherence to the International Monetary Fund; and if this is his intention it represents obvious political wisdom.

One begins to sense the first glimmerings of reason breaking through the dark clouds of suspicion and misunderstanding that hang over the question of India's sterling. Speaking at this week's annual meeting of the Engineering Association of India, the President, Mr Darab Cursetjee Driver, an Indian engineer associated with the house of Tata, put forward a plea that it is in India's own interests to assist Britain's post-war export trade and

take as much as possible from Britain both in capital goods, consumers' goods when necessary and technical and expert services in preference to taking these from other countries.

Mr Driver added that he advocated this course, not because India loves Britain, but because so far as the liquidation of Britain's large debt to this country is concerned, it is the only way Britain can pay. "In other words," said Mr Driver,

in our own self-interest, as business men, we have to secure and safeguard the solvency of Britain by co-operating with her and helping her as much as we can in spite of all the political differences of the past.

There are some signs that this more realistic view of Britain's indebtedness to India is beginning, even in sound nationalist circles, to replace the extreme and impracticable demands of the more extreme economic counsellors of *Swaraj*. The same subject naturally received a reference in the recently issued annual report of the directors of the reserve bank. During the twelve months ended last June, sterling balances with the reserve bank continued to accumulate, the net accretions during the accounting year being Rs. 358.40 crores as against Rs. 296.43 crores in the previous twelve months, and Rs. 932.49 crores since the beginning of the war. The total holdings on June 30, 1944, amounted to Rs. 1,002.07 crores. "With the practical completion of repatriation operations," says the Report,

the problem before the Government and the Bank now is that of utilising these resources to secure capital goods and equipment for the various post-war reconstruction schemes now under consideration, and to a lesser degree for obtaining a supply of those consumer goods from a shortage of which India has suffered during the war years. The problem is, to a large extent, that of diverting productive capacity in the United Kingdom towards satisfaction of the demands represented by these balances, and it is expected that it will be possible to secure a satisfactory arrangement with the UK for the orderly liquidation, over a period, of these resources.

The language of the Report suggests a rather more oblique approach to the subject than that employed by Mr Driver, but the idea is the same. Incidentally, the second postponement of the projected visit to the United Kingdom of the nine leading Indian industrialists (announced today) is beginning to make people wonder whether the visit will ever take place. It was originally scheduled for June and then put off to September. Now it is said it will take place in the winter, and your correspondent, among others, wonders if it is regarded as essential to the promotion of post-war trade between Britain and India.

As a tailpiece, I may revert to the Reserve Bank survey which points out that, from June, 1943, to June, 1944, notes in circulation showed a relatively smaller increase of Rs. 198.89 crores to Rs. 931.37 crores as against an increase of Rs. 285.25 crores during the previous accounting year. This decrease in the expansion of note circulation, despite the growing war expenditure, is in a large measure due to the success of Government's anti-inflationary measures. The Deputy-Governor pointed out that the rate of expansion of the note issue had in fact declined from 63.2 per cent in 1942-43 to 28.8 per cent in 1943-44.

The Canadian Confederation

[FROM OUR OTTAWA CORRESPONDENT]

INTERNAL tensions are inherent in a Federal system combining in one political structure several regions of differing economic status. In the case of Canada, this was never revealed with greater clarity than in the findings of the Royal Commission on Dominion-Provincial Relations just before the war. Politics in the Canadian Confederation have been founded in large part upon these internal conflicts, upon claims for "provincial rights." The war removed them to the background, but they soon began to emerge

once the crisis passed. Provincial autonomy is rapidly occupying the field of Canadian politics since the election of new Governments in the provinces of Ontario, Quebec and Saskatchewan.

Key position in this situation necessarily falls to the Premier of Ontario, whoever he may be, since Ontario is the largest and wealthiest province and one which has possessed a sense of racial homogeneity—though this is now disappearing because of steady shifts of population. In Quebec, too, provincial autonomy has always operated influentially near the surface of politics, and the return of Maurice Duplessis to the Premiership this year has brought back a vigorous autonomist to a post of responsibility. Premier George Drew, of Ontario, has also become a strong autonomist after a year in office devoted to less disruptive politics. Mr Drew's predecessor, Mitchell Hepburn, once declared that Ontario would not be "the milch cow" for the poorer provinces, a manner of saying that he was opposed to Federal funds collected on a substantial scale being devoted to maintaining uniform social services throughout other provinces. Mr Hepburn's last appearance as a national figure came in January, 1941, when he scuttled the Dominion-Provincial Conference, aided by Aberhart of Alberta and Pattullo of British Columbia.

The case of Mr Hepburn is being recalled now, as history seems to repeat itself in the case of Mr Drew, who has just opened a campaign of opposition to the Federal Government's new scheme of family allowances, which will cost Ottawa \$200 million net each year. He said that nearly half the money to be paid out in family allowance would come from the people of Ontario. "Millions of dollars from the pockets of the people of Ontario will go to the province of Quebec," he said. He spoke of "Ontario dollars" being used for the special benefit of the people of Quebec. He criticised Quebec's share in the war, and declared that "the most alarming constitutional crisis since confederation" had arisen.

At the outset, one notes nothing in the Canadian Constitution that prevents the Federal Government from spending its funds on any scheme it desires. The paradox of that Constitution, written in 1867, is that it allotted the field of social services to the provinces, but the economic development of Canada since has determined that the financial capacity to maintain such services has been distributed unevenly. The "Ontario dollars" of which Mr Drew spoke are dollars that are produced and earned throughout Canada, and taxation is concentrated in Ontario, mainly Toronto, because of the concentration of wealth there.

The Sources of Taxes

But at the same time, the concentration of wealth and population in Quebec has developed on a scale second only to that of Ontario. Quebec is a province, like Ontario, in which the concentration of wealth makes feasible and plausible the case for provincial autonomy in the sense of possessing sources of revenues with which to support adequately the services demanded by the people. There is therefore a deep economic reason for collaboration between Ontario and Quebec, and the Quebec autonomists have recognised the identity of aim they have with Mr Drew, despite the nature of his onslaught upon Quebec's rôle in confederation.

A comparison of the collections of direct taxation by the Federal Government and the payments likely to be made of family allowances in the five economic regions of Canada discloses the true economic relationship. In the following tabulation, Federal tax collections of income tax, excess profits tax and succession duties are based on official figures for 1943, and the distribution of family allowance payments are official estimates.

	(Millions of dollars)			
	Direct Federal Taxes	%	Family Allowances	%
Maritimes	51.0	3.1	25.0	10
Quebec	429.0	31.1	80.0	32
Ontario	695.0	50.3	80.0	32
Prairies	87.0	6.3	50.0	20
British Columbia	115.0	8.3	15.0	6

A small percentage of Federal taxation is collected in the Yukon and directly at the head office at Ottawa. The payments of family allowances shown represent the total proposed disbursements of \$250 million. Most striking confirmation of the economic balance within Canada is found in the fact that 81.4 per cent of all direct Federal taxation is collected in Ontario and Quebec. This is why these provinces must always play a crucial rôle in efforts to reform the Constitution and redistribute the benefits of confederation among all provinces. During the war, all provinces agreed to vacate the field of income tax in favour of the Dominion, which in turn has made grants to the provinces to indemnify them for losses on the scale of their 1940 collections. The fight launched by Mr Drew is designed to recapture for Ontario the right to collect and disburse funds collected in the income tax field by the Dominion.

Of course, the other provinces have recourse to various measures of defence, if rational processes of constitutional reform and financial readjustment fail. A new provincial Premier, Mr Douglas, of Saskatchewan, has already warned that his Government proposes to tax outgoing interest payments after the war, a step which would greatly cripple the operations of financial institutions with head offices in Toronto and Montreal. The old case of Alberta refusing to honour its interest contracts on its public debts is based primarily on the same consideration.

Mr Drew's campaign is widely related to anti-Quebec feeling now strongly evident in Ontario and to some extent in other parts of Canada, as a result of controversies during the war over conscription and other issues. But the figures show that his battle is not with Quebec, as far as disbursement of "Ontario dollars" is concerned, but with all other provinces with the exception of British Columbia which shows a "surplus" position. In the light of Mr Drew's opposition, Prime Minister King postponed the proposed Dominion-Provincial Conference on Financial Readjustments, until after an election has been held. Mr King indicated the election would come immediately after the war in Europe ends, and that he would be opposed to extending the life of the present Parliament beyond its fixed limit which will be reached next April. A Federal election is therefore imminent; and not the least of the issues to be resolved, if they are capable of resolution, lies in the provinces versus the Dominion issue.

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Germany at War

Foreign Trade

IT may seem strange that, at this stage in the war, the Germans should have published some foreign trade figures for the years from 1939 to 1943. But even in peace time foreign trade figures could be grossly misleading, and there is no doubt that this sudden publicity is not meant to give anything like a true picture of Germany's foreign trade relations. The figures are simply intended to give an appearance of economic strength, and to demonstrate the totalitarian organisation of the entire European economy. In addition, it is no doubt hoped that German manufacturers and companies may be thereby encouraged to maintain their trade connections with the various European countries, particularly the neutrals.

Dr Kirchfeld, head of the department for foreign trade in the Ministry for Economic Affairs, gave the following figures of the total value of Germany's imports and exports.

Million Reichsmark			
	Imports	Exports	- Import Surplus + Export Surplus
1938	6,050	5,620	- 430
1939	4,800	5,200	+ 400
1940	5,000	4,900	- 100
1941	6,900	6,800	- 100
1942	8,700	7,600	- 1,100
1943	8,260	8,590	+ 330*

It is not clear whether the figures cover throughout only the territory of Greater Germany as in 1938, that is, the Reich and Austria, or whether year by year the newly incorporated territories have been brought in; probably the latter is the case. This increase in the area called Germany would partly explain the rise in trade in 1940 and 1941. At best the figures suggest that, after the sharp decline in 1939, which was the result of the loss of Germany's entire overseas trade, the volume of trade was brought roughly back to the level of the last pre-war year. If detailed figures of the territory of the so-called "Old Reich" were available it would almost certainly show a decline.

Year by year the different phases of the war are more or less clearly revealed even by these trade figures. In 1939, the conquest of Poland was no compensation for the loss of overseas imports and it was thus possible to achieve an export surplus. The year 1940 was mainly a year of readjustment; imports increased slightly, but exports fell heavily. The policy of industrial collaboration with Western European countries is clearly reflected in the rising figures of 1941. After the first winter disaster in Russia, there is the remarkable drive for emptying all occupied countries of raw materials and manufactures during 1942; the import surplus rose to Rm. 1,100 million or eleven times the import surplus in 1941 and 1940.

The surprise in the figures, however, is the return for 1943 when it is claimed that a substantial export surplus, amounting to Rm. 330 million, was achieved. Probably there are three reasons for this. The first is that this export surplus is in large part the result of statistical changes made for the purpose of propaganda against the undeniable fact of mounting German clearing debts. Secondly, the figures also reflect changes in import prices, and particularly in export prices, to the advantage of Germany. Thirdly, the number of foreign workers employed in Germany increased by several millions in 1943 to at least 6½ to 7 million; and if these workers had remained in their countries and the products of their labour had had to be exported to Germany, the figures would have been very different.

Overall production in Germany and the occupied European countries is certainly smaller than before the war. The millions of soldiers in the German and satellite armies have not been replaced by imported Russian workers. Destruction by bombing is widespread. Waste is the inevitable accompaniment of a regimented totalitarian war economy. The productivity of labour in general and of forced labour in particular is small and declining as the war drags on.

This overall picture is not shown by these trade figures. On the contrary the increased concentration of industrial activity in Germany during 1942 and 1943 made imports and exports necessary far beyond the trade relations of normal times during the first years of the war. The stability of Germany's foreign trade in this war is thus the reflection of more extensive German conquests and greater experience

in the regimentation of economic activities. In 1914 Germany's foreign trade was actually and proportionately much larger than during the years 1934 to 1938. There was during 1914-18 a steep decline.

From this point of view the huge German clearing debts become a new significance. The annual import surpluses from 1940 to 1942 add up to Rm. 1,300 million and would leave, after the deduction of the 1943 export surplus, a trade debt amounting to a round Rm. 1,000 million. This is the debt resulting from direct trade relations. The next biggest item in Germany's clearing debt to European countries is estimated by German sources at Rm. 2,000 million; these are the remittances sent home by foreign workers employed in Germany during the period from 1940 to 1943. In addition to these items, almost all European countries have accumulated large credits from services, but an estimate of the total clearing debt is hardly possible.

There is a marked difference in Germany's trade relations with South-Eastern countries compared with those with Western European countries. The official figures show German export surpluses with South-Eastern countries and with Norway. In 1942 Germany exported to all South-Eastern countries goods valued at Rm. 2,020 million. Her imports from the same countries were valued at Rm. 1,862 million. These figures show how Denmark, Holland, Belgium and France were systematically emptied in the same manner as occupied Poland.

It is officially stated that these figures do not include German deliveries of war material and army equipment to the satellite countries. This may be possible, although it is extremely difficult to draw the line between general exports and army equipment. The official German figures almost certainly err to the advantage of the export figures in order to demonstrate Germany's capacity to export even under the most difficult war conditions.

It was obvious during 1943 and the first half of 1944 that Germany was very anxious to meet the demands of the neutral European countries. Exports actually increased compared with 1942. But this fact is no reflection of an increasing export capacity. Germany's overall production is still large enough to enable certain industries to export to neutral countries. The fact that, even to-day, in Sweden, Switzerland, Portugal and Spain German manufactures are still on the markets does not show greater ability to manufacture and export. It is easy for a completely regimented economy to set aside relatively very small quantities for these propaganda purposes. As in peace-time the largest single item in the export list is very likely coal and coke. Before the war exports of coal and coke amounted to 10 per cent of the total value of exports. The percentage may even be larger to-day. Next in importance are, again as in peace-time, chemicals.

The main object of this publicity in foreign trade relations is an attempt to demonstrate that Germany is quite capable of supplying all Continental countries with sufficient quantities of manufactured articles once the war is over. Under German domination, trade relations on the Continent have changed considerably. Partly by the accident of bad weather and partly by the necessity of accumulating food reserves, South-Eastern countries exported only relatively small quantities of foodstuffs during 1940 to 1943. The character of the agricultural industry itself was changed out of recognition. The Western countries which had depended on imported feeding-stuffs were forced to grow more cereals. All over Europe the acreage under cereals, root crops and oilseeds has been increasing. Readjustments will not be easy and will take time. The familiar exchange of industrial commodities has been redirected first by industrial collaboration and later by the concentration of industries on German territory.

All these changes have found expression in Germany's foreign trade during the war. At the same time, there has been some standardisation of Europe's manufacturing capacity, particularly in the engineering, textile and chemical industries. Much of the valuable industrial specialisation of some of the occupied countries has been sacrificed to the needs of Germany's war industry. Some of the results are expressed in Germany's clearing debts, others in the transfer of workers and others again in entirely new industrial or enlarged old industrial areas. These war-time relations will end with the war, and new concentrations and new specialisations will have to be worked out.

THE BUSINESS WORLD

The Future of Inland Transport—I

CHEAP and efficient public transport will be as essential to a prosperous Britain after the war as access to cheap food and raw materials and an increase in the productivity of labour in manufacturing industry. The problem of transport is, in fact, an integral part of the general and pressing problem of raising the output per British man-hour which is being examined in a series of articles entitled "A Policy for Wealth," of which the third appears on page 308. The special importance of public transport in this connection is that something like a fifteenth of all private and public expenditure is spent upon it.

In the past, the problem of public transport has been approached generally in "competitive" terms—that is, in terms of one means of transport *versus* another. Before the war, it was regarded almost exclusively in terms of road *versus* rail. The reason for this approach is quite natural. It represented the facts of the situation. The business of transport actually consisted of competition between financially independent agencies. The question is whether the national interest is best served by the perpetuation of this state of affairs. It is whether, however natural it may be, say, for the railways to seek protection against loss of the revenue, by which they live, arising from the "encroachment" of the road, national resources can possibly be best used, or the national economy most benefited, by a kind of competition that consists in the establishment of checks and balances between conflicting financial interests.

If the object is to raise the productivity of transport, then the problem is not one of this means of transport *versus* that, but of ensuring, through a flexible combination of facilities and adequate incentives, the most efficient service at the lowest possible total real cost at which it can be had within the limits of technical knowledge. And in the peculiar conditions of transport operation, this flexibility and efficiency are not produced by the pre-war processes of competing for traffic. During the war the Government has come to regard the various means of transport as so much, partly interchangeable, carrying capacity, and so been able to make the attempt to use them to the best advantage. It is a reasonable proposition that they should still be so regarded in peacetime, with the overriding emphasis on achieving a progressive reduction in real costs.

In theory, the transport problem is no different from that of other financially independent branches of an industry producing similar goods or providing similar services. As in cotton and rayon, or in the case of the chain store and the unit shop in retail trade, it is one of adjustment to changes in technique and costs. Normally, the adjustment, though often painful, takes place—or, at least, it should take place—through the price mechanism, with the consumer as the final arbiter. The problem of productivity is to speed up the adjustment.

In practice, however, transport has characteristics that render the problem of adjustment peculiarly complex. Without a careful examination of the technical and economic facts of transport it is impossible to devise the kind of policy likely to ensure the most rapid increase in productivity. Unfortunately, these facts have never been fully ascertained and expertly analysed; the layman can do no more than present some of them in broad outline.

One of the characteristics of public transport that must influence the formation of policy is the fact that the various means of transport are not competitive over the whole field of their operations. The non-competitive area is much larger than is generally supposed. It is large in both passenger and goods services, either because of the lack of alternative physical facilities or because of a difference in cost and charges that cannot be bridged at present. The road provides some public facilities—local passenger and goods delivery services—that the railways do not pro-

vide; the railways can move some traffic at charges with which the road cannot compete. (The railway companies, of course, operate road services as well as the railways.) To a point, that is, they operate in separate compartments; and the policy best suited to the competitive area is not necessarily the one that is likely to be most advantageous in the non-competitive area.

This, indeed, is the key to any rational solution of the problem of transport efficiency, and should be one of the foundations upon which a policy for transport should be erected. It is impossible to assess the precise extent of the non-competitive and competitive areas—they are, of course, continuously changing—or to estimate the proportions of the total revenue of the various means of transport derived from each. On the passenger side, the proportion of the total receipts derived by both rail and road from the non-competitive area must have been substantial before the war, and may actually have exceeded that derived from the competitive area. For example, in 1937, when main-line receipts were £58.6 millions and road passenger receipts (in 1937-8) were £89.6 millions, the average fares per passenger were 10.86d. and 2.03d., respectively; the size of this difference suggests that much the biggest part of road receipts is derived from short-distance local traffic.

On the goods side, coal falls almost exclusively into the non-competitive cost area, and is an excellent example of the bi-partite character of the transport situation. In 1937, rail receipts from coal were £34.4 million, no less than 37 per cent of total receipts from goods traffic. In its report, issued in 1939, the Transport Advisory Council reported

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FOR the BROWNED-OFF

When the world is made of corrugated iron and persons are merely numbers, when clothes are merely kit and all is blanco, when dinner is a haversack ration and the week-end an exercise, when leave has just been left behind and extra summer-time simply means an even earlier reveille, then is the moment when smoking can change the scenery, screen the irritation and camouflage the gloom... But the careless puffing of any old cigarettes or the nervous pulling at any old pipe tobacco may only deepen your browning-off. Let your smoking be circumspect and less promiscuous so that your sanity may prevail. In the cigarettes and pipe tobaccos of the House of Sobranie you have the perfect answers to present discontents and it's so much less bother than a visit to the Welfare Officer, and so much more satisfactory than a letter to your M.P.



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that some 95 per cent of the inland trade in coal is "tied" to the railways. Heavy materials—building materials, minerals and steel—are also largely tied to the railways; in 1937 these brought in £14.6 million or 16 per cent of total goods receipts. The TAC was informed that only a tiny proportion of the steel tonnage is capable of transference to the road. The competitive area, in fact, is found chiefly in general merchandise; rail receipts from this were £41.7 million or 45 per cent of the total in 1937. As a broad guess, the railways probably derived about half their receipts from the competitive area in 1937; the position of the road cannot be ascertained accurately because of the complete lack of statistics.

The rate of diversion of traffic from rail to road is difficult to estimate for passengers. In the case of goods traffic (exclusive of coal) originating in places where the railways are operating the average annual rate of diversion between 1934 and 1938, in terms of tonnage, was about 0.75 per cent. Diversion at this rate means that over the five-year period alone, the cumulative loss of traffic amounted to some 3,700,000 tons; equivalent to an annual loss of receipts of about £1,900,000. If the rate of diversion had been the same between 1923 and 1933 as between 1934 and 1938—it was probably higher—the cumulative loss would have been some £6,000,000. Moreover, in order to slow down the rate of diversion, the railways had to advance their charges. Within limits this tendency benefits the consumer.

The problem of competitive and non-competitive areas

DISTRIBUTION OF RECEIPTS FROM RAIL AND ROAD SERVICES IN 1938

	Distribution of Receipts from Railway Passenger and Goods Services	Distribution of Road Passenger Receipts of Public Service Vehicles (excluding LPTB)	Distribution of Receipts from Railway-Operated Road Haulage
<i>Truck Costs:—</i>			
Working expenditure...	16.33	13.00 (a)	12.82 (a)
Interest on capital (4%)	17.53		
	33.86	13.00	12.82
<i>Other Costs:—</i>			
Working expenditure...	67.47	73.35	68.66
Interest on capital (4%)	7.51	5.56	2.71
	74.98	78.91	71.37
Deficit	8.84	...	...
Surplus	...	8.09	15.81
Total Receipts	100.00	100.00	100.00

(a) Licence and petrol duties.

is, of course, not confined to rail and road; these have been singled out as the most important means of public transport. Moreover, the issue is further complicated by the existence of a substantial competitive area between private and public transport, that is by the private cars in passengers and the "C" licence in goods.

*

A second leading characteristic of transport as organised before the war, is that the various agencies or facilities do not compete on equal terms. First, there are legal differences in the treatment of the various means of transport. The "common carrier" principle is applied unilaterally to the railways; within broad limits, they cannot pick and choose. Again, while the road haulier is free to charge rates as he thinks fit, railway charges are subject to comprehensive regulation. The conditions of entry, on the other hand, favour the railways. While the railways can increase their rolling stock at will, the entry of additional commercial vehicles is restricted by the machinery of licensing. True, the railways have to obtain Parliamentary consent in providing new lines; but this condition can nowadays hardly be said to have a restrictive effect.

Thirdly, there are economic differences in the conditions of supply, especially in tracks—shipping and air, of course, have no track costs at all. Although the railways obtain a comparatively small contribution to their track costs from private owners of rolling stock, they are responsible for the whole cost. The commercial road user, on the

other hand, shares his track costs—consisting of licence and petrol duties—with the private user. The problem of refining road track costs and of apportioning them between public and private users is extremely complex and has caused many headaches. Another important difference between rail and road tracks is that the one is owned by the railways and the other by the state—that is by local authorities and the central Government. Within limits, total rail and road track charges are both fixed irrespective of variations in the volume of traffic. But whereas rail track charges are fixed to the railways, road track charges are fixed to the state, and not to the individual road user. This gives the road user an important advantage. The amount of petrol tax he pays varies with his mileage; in bad times he can also reduce his licence duties by laying up some of his vehicles or by reducing his fleet; and he can transfer his vehicles from an unprofitable to a profitable area.

Again, the lack of adequate data—especially about road haulage—renders it impossible to give precise statistical expression to the effect of legal discrimination and of differences in conditions of supply of the various means of transport. Assuming a 4 per cent rate of interest on capital, a broad picture of the differences between road and rail costs can, however, be given by the accompanying analysis of the distribution of receipts in 1938 from railway passenger and goods services, from the road passenger services provided by public service vehicles (excluding the LPTB), and from the railway-operated road haulage services. These figures provide one of the chief clues to the success of the road. Track charges represent one-third of the costs of the railways; they represent only about a seventh of those of the road passenger and haulage services (on the assumption that the experience of the railway companies with their road haulage services is broadly representative of that of road haulage as a whole). Even if the interest on the capital invested in rail tracks were halved, the road would retain a substantial advantage.

The most important of all special characteristics of the pre-war regime of British public transport is that it could not secure the lowest possible total cost of moving traffic in the area where the alternative facilities were actually competitive. The diversion of traffic from rail to road that could be handled with existing capital equipment, but requires additional expenditure on the road, increases total costs by the amount of the additional capital and maintenance cost of the road. In other words, by carrying specific goods hitherto transported by rail more cheaply, the total cost of transport may actually rise. The problem would remain even if the railways could ensure financial stability by raising rates in the non-competitive area. Nor could it be solved satisfactorily—though there is some scope here—by a reduction in the fixed costs of rail through the closing down of lines. Competition between road and rail is not merely competition in given areas, but competition in given traffics. Moreover, wholesale closing down of lines would reduce traffic not only in the competitive but also in the non-competitive price area.

If the road could take over from the railways the solution of the problem would be painful, but would not present special difficulties. The railways would gradually go out of business through the diversion of traffic, speeded up by capital consumption. But, although some 60 per cent of the volume of goods traffic (excluding coal) originating in places where the railways are operating goes by road, the road cannot take over from the railways, at any rate for as many years as it is possible to look ahead in the formulation of policy. Hence, the railways must be kept efficient; that is, they must be able to earn enough to keep their equipment in line with technical progress.

*

Because of these special characteristics of the pre-war regime of public transport—they are, of course, special only in the sense that they are different in degree from those of other industries—transport requires special treatment, if the aim of the lowest possible total cost is to be achieved. The urgency of the matter depends, obviously, on the difference between the cost of the present regime and the cost of alternative schemes to the community. It is impossible to assess this difference; but even if it was not excessive in the past, it may well show a progressive increase under the pre-war regime after the war, first, through the further duplication of facilities; and, secondly, through the possible financial inability of the railways to maintain their necessary facilities in line with technical progress—by main-line elec-

trification, for example. The position is complicated by the fact that commercial road transport is not the only determining factor influencing additional expenditure on road improvements. A better road system must in any case be provided to carry a growing volume of private transport.

The future volume and nature of traffic, inevitably, is of great significance in the treatment of the transport

Business Notes

Control of French Assets

The rapid progress made in the liberation of France promises fairly early consideration of the status of French assets in Great Britain. Since June, 1940, these assets have been under the control of the Custodian for Enemy Property, and have either been wholly immobilised or convertible within the limits of a small and strictly defined selection of investments. The unfortunate necessity of having to regard France as enemy territory has created some awkward and delicate situations. That of the French banks in London may be given as an example. They had substantial sterling funds, held in the main for account of clients in France. In 1940, these assets came under the control of the Custodian. The French banks here were at first given considerable initiative in the utilisation of these funds. Later the Custodian gave a stricter definition of the assets in which these funds could be utilised. These included British Government securities, the discount of bills of exchange, and money market loans. With the gradual freeing of the French Colonial Empire, and of North Africa, the London offices of these banks have, by this control, been deprived of many opportunities of re-engaging in active commercial banking operations. These offices may have to exercise their patience a little longer before they regain their full liberty of action. In liberating French assets and opening the doors to unfettered commercial and financial dealings with France, the Custodian for Enemy Property and the other authorities concerned must hasten slowly. The liberation of France will need to have proceeded much further before such a step can be taken. Moreover, some answer will have had to be given to such a pertinent question as the ownership of the greatly increased capital of the French banks concerned. All these institutions have issued substantial amounts of fresh capital during the years of occupation, and there is a strong supposition that part of this additional capital came under German control. Such difficulties will not arise in the case of the French branches of English banks. The main problem in these cases is the physical one of re-establishing contact. Once this has been solved, some attempts will have to be made in tracing back the operations made while these branches were under enemy control. It was in July, 1943, more than 18 months after Algiers had been freed, that the Trading with the Enemy regulations were lifted by Great Britain from North Africa. In the case of Italy, the regulations remain in full force. It is hoped that there will be no unnecessary delay before the ban is lifted from metropolitan France.

* * *

Portal Houses or Motor Cars

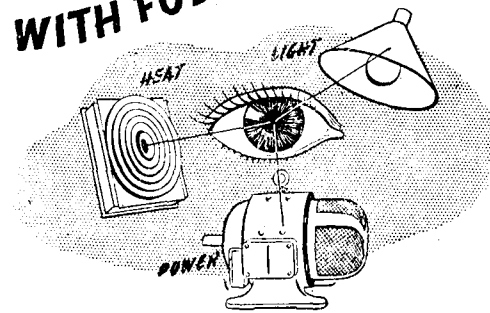
In the course of a speech on August 26th, Sir Miles Thomas, vice-chairman of the Nuffield organisation, suggested that there might not be enough sheet steel after the war to meet all demands. In particular, he raised the question whether there will be enough steel sheets for Portal houses and motor cars. The sheet manufacturing capacity of the British steel industry is about 1,500,000 tons a year. The construction of Portal houses at the rate of some 100,000 a year is said to absorb more than 400,000 tons of sheets. On the basis of 8 cwt. per unit, the production of motor cars at the pre-war rate of about 350,000 a year would require some 140,000 tons of sheets. There will, of course, be demands from many other sheet-consuming industries, such as the tinplate trade, for example. It is quite possible that the supply of steel sheets will be inadequate to meet all demands. But scarcity will not be confined to steel sheets during the period of re-stocking after the war. The solution of the steel sheet problem—as that of other scarce materials—is a system of priorities. So long as there is not enough to go round there must be rationing; first things must come first. But there is every reason to believe that motor cars for export will be high on any list of priorities.

problem. No doubt a steady upward trend in traffic would appreciably ease the problem and render it less urgent. But it should not delay its prompt consideration and the thorough examination of the possibilities of alternative transport regimes. It will be the purpose of two further articles to indicate what these possibilities are, and to suggest which solution seems most preferable.

Unit Trust Control Council

Three unit trust management groups—Municipal and General, Allied, and Orthodox—have formed a Unit Trust Control Council, with the principal object of reinforcing the literal (and mainly negative) regulations recently issued by the Board of Trade by observance of their "spirit" and of a supplementary code of conduct. The Council is not a trade association concerned with managers' interests, but a body which has submitted itself to the principle of protecting the unit investor. This is a new conception of unit trust management; it is welcome to-day, and should be of even greater benefit when the unit trust closed season is ended after the war. The Council is open to all management groups who are prepared to conform to its charter. Its members are obliged to quote repurchase (or "bid") prices for their units calculated on a basis symmetrical with that enforced for "offered" prices by the Board of Trade Regulations; this rule is a valuable supplement to the latter, and closes an unfortunate gap. Inflation of distributions—at the expense of capital—by artificial cum-dividend purchases, or the inclusion of wasting assets, will be prohibited or brought into the light. Member trusts undertake to reduce "that part of the preliminary charge . . . which is not attributable to formation or promotion expenses or agents' commission" by a proportion "related to the life of the trust." Complaints by unit holders (supported if necessary by a deposit of up to £5) will be investigated by an independent Comptroller (Mr. E. D. Basden, F.C.A.), who will have wide powers to confirm or remove members of the Council, to approve or disapprove trusts,

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and to inspect their records. Appeal from his decisions will lie to the Referee (Mr J. C. Burleigh, C.A.), whose decision will be binding unless over-ruled by 90 per cent of the votes of the Council (excluding those of the appellant). Voting power will be allotted to groups on a scale varying with the aggregate value of their trusts.

The Council thus comes into the world equipped with the highest motives and a written constitution; it has disavowed any restrictive aims, and it deserves success. Its usefulness will be greatest in legislating for points which are not covered by the Board of Trade Regulations, for the latter, if reasonably adequate, are less than perfect. The Comptroller will have much control over detail in such matters as pricing and advertising which, in part at least, are already the concern of trustees, auditors, certifying brokers, and the Board of Trade; it is important that this supervisory aspect of his work should not take precedence over the more judicial and formative functions which he will also exercise. Much will depend upon the guiding principles by which he performs his duty of approving trusts as a condition precedent to membership of the Council—a matter on which he has the widest discretion. Indeed, no stereotyped rules are possible. The main business of unit trusts, after all, is to sell units of sound quality at fair prices, but in an active period of unit trust formation; managers are bound to emphasise the selling points of their trusts irrespective of their merit—which, indeed, may be considerable. Hence the Comptroller's discrimination between an intrinsically poor investment and one whose qualities are hidden rather than revealed by attractive wrappings will be crucial. There remains the final question of the support which the rest of the movement will accord to the Council. Will it be content to rest itself on the Board of Trade regulations? Will it be prepared to sink rooted distinctions of practice and personal differences, and join the new body? At present there are three distinct groupings in the unit trust movement—those forming the new Council under the leadership of Municipal and General; the Faber group; and the Lawson group. The two latter groups will doubtless respect the intentions of the Council, but for various reasons they may not find it easy—at any rate, for the present—to subscribe to its constitution.

US Industrial Reconversion Loans

The process of reconversion of industry from war to peace production in the United States has now reached the point at which the help of the commercial banks has been sought to finance contractors whose war contracts have been terminated. On termination of such contracts the contractor concerned or any of his sub-contractors is entitled to convert into cash at his local bank approximately 90 per cent of the "sound value" of the war assets frozen by the action of the US Government. These loans are described as termination loans (T-loans). The lending banks are protected in full on these loans by a Federal Reserve Bank guarantee. In order to speed up the granting of small loans of this character, Federal Reserve Banks, as fiscal agents, have been authorised to approve T-loan guarantees of a maximum of \$500,000 for each borrower. T-loans are granted as part of the programme of the Office of Contract Settlement, whose functions, as defined in the Enabling Act approved on July 1st, are as follows:—

- (1) To facilitate maximum war production during the war and expedite reconversion from war production to civilian production as war conditions permit.
- (2) To ensure to prime contractors and sub-contractors, small

and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement.

(3) To assure uniformity among government agencies in basic policies and administration with respect to such termination settlements and interim financing.

(4) To facilitate the efficient use of materials, manpower and facilities for war and civilian purposes by providing prime-contractors and sub-contractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security.

(5) To assure the expeditious removal from the plants of prime-contractors and sub-contractors of termination inventory not to be retained or sold by the contractor.

(6) To use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

Cement Re-Financing

With the average rate on industrial debentures at about 3.85 per cent, Associated Portland Cement Manufacturers are doing well to be able to convert their second debentures to a basis slightly lower than $3\frac{1}{2}$ per cent. The existing issue of £1,321,385 $4\frac{1}{2}$ per cent second debenture is optionally repayable at 102 on December 1st of this year and the board is to exercise the option. Twenty per cent of the capital sum, together with part of the premium, is to be repaid out of the resources of the group and the remainder will be replaced by a $3\frac{1}{2}$ per cent issue at 101, redeemable at any time after December 1, 1954, at 102, and by purchase or tender at or under that price, or by drawings at that price, through the operation of a cumulative sinking fund of 2 per cent per annum commencing next year. Interest and sinking fund on the stock and the two senior issues are covered some $5\frac{1}{2}$ times by the earnings of 1943 and the capital value of the three issues some $3\frac{1}{2}$ times by net assets in the latest balance sheet. This is a substantial under-estimate, as the large holding of British Portland Cement is taken into the accounts of the parent at far less than its present market value. As the leading group in an industry which has in recent years been very closely co-ordinated, Associated Portland Cement enjoys a very strong position. The secular trend of the demand for cement is almost certainly upward, while the immediate post-war requirements are likely to keep the industry very fully employed. Even in these favourable conditions, a gross running yield of under $3\frac{1}{2}$ per cent, with the prospect of a very moderate profit on redemption, is distinctly low. If this level is to be typical of post-war borrowing by progressive industries, the whole of their finance, whether it is raised by debenture or equity issues, should be obtained on terms which will appear very low compared with pre-war experience.

Coast Lines Improvement

On the face of it, Coast Lines have had a much better year in 1943 than 1942, total profits, at £390,000 odd, being up by nearly £50,000, and although increased taxation provision absorbs half of this increase, earned for ordinary working out at 6.9 against 4.6 per cent. Full figures for the last three years, so far as they are published, are given on page 329. The difficulty is that every year a considerable but greatly varying amount is taken into the accounts of the parent company in respect of past profits of subsidiaries, profits that arise "on settlement of normal trading matters." In other words, the profits actually revealed may be merely a matter of convenience, and there is no means of knowing what reserves may be held by subsidiaries, or whether a draft is made on them. It is impossible to discover, even roughly, the actual earnings of the group for any given year, and the only real pointer to increasing prosperity lies in the raising of the ordinary dividend—previously increased for 1942 from $2\frac{1}{2}$ to 3 per cent—to 4 per cent. Also, net liquid assets appear to have risen by nearly £150,000, and, in addition, the assets concerned have become more liquid, with an increase of nearly £200,000 in both cash and tax reserve certificates and a reduction of £150,000 in debtors. The absence of a consolidated balance makes these figures also of uncertain value. No doubt liquid assets were built up for the purchase, which has taken place since the date of the balance-sheet, out of the liquid reserves of the group, of the Tyne-Tees Steam Shipping Company and its subsidiary, Free Trade Wharf Company. In addition to vessels,

this company owns wharf and dock properties at Newcastle, Middlesbrough, and London. It is stated that this move will bring about a satisfactory and economical dovetailing of shipping services on the East Coast. The increase in operating assets revealed in the balance-sheet is mainly due to the earlier acquisition, in April, 1943, of the business of Robert Gilchrist. The expanding size and importance of the Coast Lines group, as well as the large proportion of total assets which consist of inter-company items, make it all the more imperative that a consolidated balance sheet should be produced, as being an indispensable condition of any evaluation of the group's true position.

Sudan Plantations Disappointment

A further indication of the probable post-war attitude to the overseas investor is provided by last week's announcements by the Sudan Plantations Syndicate and the Kassala Cotton Company. In both cases the companies' concessions are due to expire in 1950 and before the war negotiations had been commenced, with apparently favourable results, for an extension. Last week it became known that the Sudan Government had decided that, on political grounds, no extension is possible. The shareholders have, of course, no grievance. Indeed, the ordinary shares of £1 of Sudan Plantations, which controls Kassala, are said to have a break-up value of 45s. It is impossible to say what the figure will be in six years' time, June 30, 1950, when the concessions expire. Meanwhile, the quotation is 43s. 6d., while that of the Kassala rs. ordinary is 2s. 3d. The Sudan Government makes it clear that the considerations they have in mind are political. It seems evident that the sphere over which development by concession will in future be possible is very restricted. In this case the break is apparently to be complete. There is no question of forming a Sudanese company with British capital to continue the work. Evidently the local accumulation of sterling holdings will make any such expedient unnecessary. But at a later period, when the accumulations due to the artificial war-time conditions are exhausted, most of the less developed countries will again require outside finance, unless they are to adopt the heroic methods of Soviet Russia. The indications at present are that, when that time comes, foreign capital will only be welcome if it is used to set up companies operating under the local law and controlled in no small measure by local nationals. Past experience suggests that, under such conditions, money will only be forthcoming if the gross return to be expected is much higher than that obtainable in the country which produces the capital.

Underground Gasification of Coal

Much has been made recently of the possibilities of the underground gasification of coal as a means of revolutionising present coal-mining methods and of using coal deposits more efficiently. In an article in the *Iron and Coal Trades Review* of August 25th, Dr Foxwell, the fuel technologist, has examined these possibilities in the light of the processes adopted in Russia and the experiments and research carried out elsewhere. Underground gasification involves the burning of coal to carbon monoxide *in situ*; in principle the process is the same as that of gas-producer operation. He reaches this conclusion:

Whilst there is no inherent difficulty in obtaining a low grade of producer-gas by underground gasification there are very serious difficulties to be overcome before coal can be used efficiently by this means. The gases which are obtained could be used for boiler firing, but would require a great deal of expensive purification and re-formation before they would be suitable for chemical utilisation. We shall have to solve the problems of the supply of sufficiently cheap oxygen for enriching the air used for gasification; we shall have to regulate the temperature in order to produce a gas low in CO₂ and we shall have to discover means whereby adequate contact can be maintained at all stages of the gasification between the coal and the air. Finally, there is the problem of coal left unconsumed in the mine.

Dr Foxwell's survey may disappoint those who saw in underground gasification an immediate short-cut to the solution of the British coal problem, which is essentially one of low productivity in relation to that of the coal-mining industries in some other countries and in relation to other British industries. If the productivity of the coal-mining industry in this country is raised to the limits of technical possibilities, it can afford to pay good wages and supply

coal at a price that will not handicap the consumer. If underground gasification provides at present no short cut to the solution of the British coal problem, the experiments made, especially in Russia, stress the need for exploring and trying out new ideas. The rejection of new ideas, simply because they are not of immediate application, is a negation of technical progress.

Five Years' War Finance

The Exchequer and debt returns bringing figures up to August 26th last complete the fifth 52-week period since September 3, 1939, the date of the last return to be published before the outbreak of the war. Details of the expenditure, revenue and borrowing in each of these five war years, and of changes in the national debt, are given in the accompanying tables. Total expenditure for the five-year period amounted to £23,671.7 million while tax revenue at £10,511 million represented 44.4 per cent of the amount spent. In the fifth year the ratio of expenditure covered by taxation was 51.4 per cent.

BRITISH WAR FINANCE
Summary of Exchequer Returns since September 3, 1939
(£ millions)

	FIRST YEAR 52 Weeks to Aug. 31, 1940	SECOND YEAR 52 Weeks to Aug. 30, 1941	THIRD YEAR 52 Weeks to Aug. 29, 1942	FOURTH YEAR 52 Weeks to Aug. 28, 1943	FIFTH YEAR 52 Weeks to Aug. 26, 1944	WAR PERIOD to Aug. 26, 1944
Expenditure:						
Interest	222.2	228.6	281.3	324.8	375.7	1,432.5
Supply	2,368.1	4,138.8	4,800.5	5,409.4	5,438.6	22,155.4
Other items	16.9	16.9	17.2	16.0	16.7	83.8
	2,607.2	4,384.3	5,099.0	5,750.2	5,830.9	23,671.7
Pre-war Loans repaid:	(113.7)	(112.4)	(15.8)	(14.7)	(332.4)	(589.1)
4½% Conversion Loan	104.1	100.0	...	...	...	104.5
1% Treasury Bonds	...	...	3.3	...	...	3.6
Nat. Savings Bonds	...	...	...	...	...	...
5% Conversion Loan	...	...	...	...	...	...
Sinking Fund	9.5	11.9	12.5	14.7	15.6	64.2
Misc. Items (net)	7.2	9.9	Cr. 7.6	Cr. 13.7	Cr. 15.5	Cr. 28.7
	2,728.1	4,497.6	5,107.2	5,751.2	6,147.8	24,232.1
Revenue:						
Taxation	1,105.1	1,575.2	2,166.0	2,654.0	3,000.7	10,511.0
Per cent. of total exp.	(42.4)	(35.9)	(42.5)	(46.3)	(51.4)	(44.4)
Canadian Government Contribution	...	...	141.3	83.4	...	224.7
Other items including War Damage Fund	42.9	81.9	137.1	103.9	88.3	454.1
	1,148.0	1,657.1	2,444.4	2,851.3	3,089.0	11,189.8
War Loans raised:	(1,580.1)	(2,840.5)	(2,662.8)	(2,899.9)	(3,058.8)	(13,042.3)
Tax Res. Certificates	...	...	346.9	203.7	98.2	648.8
3% War Loan	302.5	...	...	...	...	302.5
3% Defence Bonds	146.5	181.0	151.4	127.1	113.8	719.8
3% Nat. Def. Loan	...	121.9	...	123.6	...	245.5
3% Funding Loan	...	...	242.5	...	...	242.5
3% Term. Annuity	...	...	...	120.0	...	595.1
2½% Nat. War Bonds	186.0	750.3	534.3	686.8	651.1	2,808.4
3% Savings Bonds	...	291.0	545.1	501.5	391.2	1,728.8
Nat. Savings Certs.	124.5	185.4	213.4	272.6	247.1	1,042.1
"Other" debt	18.8	57.0	259.2	37.3	5.5	378.0
Floating debt:	(801.8)	(1,253.9)	(370.0)	(827.3)	(1,077.8)	(4,330.8)
Ways & Means Advts.	11.5	153.2	40.5	58.8	77.7	341.7
Public Deptts.	...	...	...	...	...	...
Bank of England	...	1.0	Dr. 1.0	...	...	...
Treasury Bills:						
Tender	336.0	134.0	5.0	195.0	260.0	930.0
Tap	424.3	482.7	143.0	224.0	306.6	1,580.6
Deposits by Banks	30.0	483.0	182.5	349.5	433.5	1,478.5
	2,728.1	4,497.6	5,107.2	5,751.2	6,147.8	24,232.1

* Excludes £5,265,000 devoted to repaying (tap) Treasury bills.
† Invested by National Debt Commissioners on behalf of savings banks.
‡ Includes £249,872,000 of external debt.
§ Includes about £708,000,000 paid in the form of Tax Reserve Certificates with accrued interest.

NATIONAL DEBT

	Floating Debt	Other Internal Debt	External Debt	Total
Sept. 2, 1939	1,167	6,202	1,032	8,401
Aug. 31, 1940	1,969	6,868	1,032	9,869
" 30, 1941	3,223	8,320	1,060	12,603
" 29, 1942	3,593	10,359	1,298	15,250
" 28, 1943	4,420	12,414	1,292	18,126
" 26, 1944	5,498	14,078	1,283	20,859
War-time increase	+4,331	+7,876	+251	+12,458

Workers' Earnings

Only slight increases in workers' earnings occurred between July, 1943, and January, 1944. This is shown



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by the Ministry of Labour's survey of the average earnings of six million wage-earners in the last pay-week of January, published in the *Ministry of Labour Gazette* for August. The survey covers workers employed in manufacturing industries generally, and some of the principal non-manufacturing industries, but excludes coal mining, agriculture, railways, merchant shipping, distribution,

CHANGES IN WORKERS' EARNINGS SINCE 1938

Date	Men	Youths and Boys	Women	Girls	All Workers
Average Weekly Earnings					
	s. d.	s. d.	s. d.	s. d.	s. d.
October, 1938.....	69 0	26 1	32 6	18 6	53 3
July, 1940.....	89 0	35 1	38 11	22 4	69 2
July, 1941.....	99 5	41 11	43 11	25 0	75 10
January, 1942.....	102 0	42 6	47 6	26 10	77 9
July, 1942.....	111 5	46 2	54 2	30 3	85 2
January, 1943.....	113 9	45 1	58 6	32 1	87 11
July, 1943.....	121 3	47 2	62 2	33 10	93 7
January, 1944.....	123 8	46 10	63 9	34 3	95 7
Percentage Increase since October, 1938					
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
July, 1940.....	29	35	20	21	30
July, 1941.....	44	61	35	35	42
January, 1942.....	48	63	46	45	46
July, 1942.....	61	77	67	64	60
January, 1943.....	65	73	80	73	65
July, 1943.....	76	81	91	83	76
January, 1944.....	79	80	96	85	79

catering and domestic service. As shown in the accompanying table, the average weekly earnings of all workers in January, 1944, were 95s. 7d., an increase of 3 per cent over July, 1943, and of 79 per cent over October, 1938. The average of women's earnings is about half those of the men, but the higher average percentage increase shown for women is attributed by the *Gazette* to the increase in the number of women employed on work formerly undertaken by men. The general increase in earnings over October, 1938, is due to a combination of factors, such as increases in wage rates, longer hours, night work and overtime, extension of payment by results, and changes in

the proportions of men, boys, women and girls employed in different industries. Wage rates, obviously, though they have increased in relation to the level of October, 1938, have not increased to anything like the same extent as earnings. The average level of rates for a full normal working week was 32 per cent higher in January, 1944, than in October, 1938, compared with the 79 per cent increase in earnings. The average hours worked by all workers covered in the survey were 49.2, compared with 46.5 in October, 1938, an increase of 6 per cent. The hours worked by men were 52, by youths 47.1, by women 45.2, and hours worked by girls 44.6. Although mining is excluded from the Ministry of Labour survey, figures collected by the Ministry of Fuel show that miners' earnings increased in roughly the same proportion as those of factory workers. Average earnings per manshift in the three months ended March, 1944, were 20s. 3½d. compared with 11s. 5½d. in the corresponding period of 1939, an increase of 77 per cent. In the same period, miners' weekly earnings increased by about 74 per cent.

Industrial Catering Wages Board

The Industrial and Staff Canteen Undertakings Wages Board, the composition of which has now been announced by the Ministry of Labour, is the first Wages Board to be set up under the Catering Wages Act, 1943. The Board consists of 15 representatives of the employers and 15 representatives of the workers, with three independent members, one of whom, Mr William Gorman, K.C., is chairman. Its functions have been described as being to fix wages and prescribe meal and rest intervals and holidays with pay; it can also make recommendations about health and welfare. Though the Catering Commission reported an absence of satisfactory voluntary negotiating machinery in industrial catering in general, a considerable proportion of workers are covered by agreements. For those employed by outside caterers, organised in the National Society of Caterers to Industry, wages have been fixed by the Joint Industrial Council. They range from 62s. 6d. for a 48-hour week for male porters to 80s. for male cooks, and from 41s. 6d. for women cleaners to 55s. for women cooks, with corresponding gradations for juniors. Extra pay is received for night duty, and, in addition, emoluments, such as meals and overalls, are provided. An agreement covering canteen staffs in Royal Ordnance Factories, has just been concluded, and though no details of the agreement have been published, it is understood to prescribe somewhat higher rates. Presumably one of the Board's aims is to bring about a measure of uniformity between the different sections of the industrial catering trade. Since factory canteens are a feature of wartime legislation, which has presumably come to stay, it is highly desirable that the conditions and standards of canteen workers should be regularised. It will in any case be interesting to watch the development of the Board's work, in view of the stormy history attached to the Catering Bill. This aspect of catering is, however, straightforward in comparison with the wider field, to which the Catering Wages Commission is now turning its attention. It has begun to collect evidence about wages and conditions in hotels, restaurants, boarding-houses, and the holiday and entertainments trade in general, and its report is awaited with great interest.

Wardrobes and Rationing

Unfortunately, there are no records of the average quantity of clothing in individual wardrobes before the war, so that the effect of rationing on them cannot be estimated. Rationing has reduced the stock of clothing available for purchase by about half, but this does not help to estimate the diminution of the individual stock. The Board of Trade conducts surveys into wartime wardrobes, questioning a controlled sample of the population consisting of about 3,000 people of each sex. The results of the most recent one are summarised in the accompanying tables. They show that the average person possesses what is for practical purposes an adequate wardrobe, although it must be remembered that there must be a wide variation in the size and composition of individual wardrobes. On the whole, however, there are sufficient numbers of the various items to allow for changes and for laundering, cleaning and repairing. On the whole, men seem to be slightly worse off, relatively, than women, particularly in

shirts and underwear, although the coupon value of their clothes compares favourably with women. In April, 1942, the average man owned 230 coupons-worth of clothing, and the average woman 229. The comparable figures for December, 1942, were 237 and 241, and for April, 1944, 223 and 219. From the tables it would be possible to

WOMEN'S WARDROBES

	Average Wardrobes	Average Yearly Purchases
Coats, raincoats.....	3.2	0.5
Suits.....	1.1	0.25
Dresses.....	4.1	0.66
Blouses, jumpers, etc.....	4.2	0.5
Skirts.....	1.0	0.66
Aprons, overalls.....	2.75	1.5
Shoes (pairs).....	3.2	5.0
Stockings (pairs).....	3.2	0.75
Vests.....	3.1	1.0
Knickers.....	3.6	0.5
Petticoats.....	2.6	0.5
Nightwear.....	3.0	0.5
Corsets, suspender belts.....	1.3	0.25
Brassieres.....	0.8	2.0
Handkerchiefs, scarves, gloves.....	...	2.0
Material, yards.....	...	4.0
Knitting yarn, oz.....	...	...

MEN'S WARDROBES
(Boys in brackets)

	Average Wardrobes	Average Yearly Purchases
Overcoats, raincoats.....	2.1 (1.7)	0.18 (0.44)
Suits.....	2.0 (1.0)	0.66 (2.43)
Odd jackets.....	0.9 (0.8)	0.09 (0.25)
Odd trousers, shorts.....	1.2 (2.0)	0.35 (1.27)
Shirts.....	4.0 (2.9)	1.41 (1.53)
Pullovers.....	1.6 (2.2)	0.11 (0.79)
Overalls.....	1.1 (..)	0.52 (..)
Shoes, boots (pairs).....	3.8 (3.0)	1.21 (3.98)
Socks (pairs).....	3.8 (3.0)	2.71 (4.05)
Vests.....	2.6 (2.3)	0.64 (0.75)
Pants.....	2.4 (1.3)	0.69 (0.35)
Pyjamas.....	1.4 (3.0)	0.14 (0.32)

calculate the average length of life of particular garments. For example, the average life of a man's suit is three years, and of a woman's nearly 4½ years. All the figures relate to civilians only, so that the relatively young and old are represented in greater numbers than they are found in the population as a whole.

Floating Debt Changes

The debt return for the four weeks to August 26th shows a marked falling off in the public's subscriptions to the Government's tap issues. Their combined total for this period was £60,749,000, against £95,635,000 in the preceding four weeks and £196,050,000 in the period from May 30th to June 30th. The tapering off of the Salute the Soldier campaign is mainly responsible for this change. Despite the reduction in the flow of savings to the Government's long-term issues and the maintenance of total borrowing at £218,355,000, compared with £226,826,000 for the previous four weeks, the floating debt borrowing has been kept down to £26,480,000. The small scale of short-term borrowing during August was due to the investment during the month of £120 million by the National Debt Commissioners in 3 per cent terminable annuities. This operation represented the investment of funds accumulated by the Post Office and Trustees Savings banks. Until they are permanently invested, such funds are normally lent to the Government in the form of Ways and Means advances; the latest debt return shows a reduction of £92,985,000 in the total of such advances from public departments. Both other floating debt items are higher. The net amount raised from the banks against Treasury Deposit Receipts was £60,500,000, while an additional £60,215,000 was raised by Treasury bills. The total of Treasury bills issued through the weekly tender remained unchanged at £1,430 million throughout the four weeks in question, and the increase, therefore, represents additional bills issued through the tap, probably for the investment of overseas funds accumulating in London.

Shorter Note

Retail sales of British co-operative societies in 1943 amounted to £331,547,123, an increase of £12,125,647 over 1942, and the highest figure ever reached; increased sales of

foodstuffs offset the decline in sales of clothing, household goods and furniture. Membership of societies increased by 157,350, bringing the total to 9,082,218. Share capital of retail societies amounted to £201,021,757 at the end of 1943, an increase of £21 million on the 1942 figure. Loan capital increased by £6,626,000, and reserve funds by £67,185.

Company Result

Coast Lines.

	1941	1942	1943
Earnings after depreciation†.....	338,949	321,863	354,808
Additional dividends‡.....	55,010	20,152	32,323
Realisation of assets.....	2,902	1,451	3,586
Total profits.....	396,861	343,466	390,717
Taxation.....	223,625	199,125	223,000
Directors' fees.....	1,310	1,400	1,400
Preference dividends.....	97,125	97,125	97,125
Ordinary shares:—			
Earned.....	74,801	45,816	69,192
Paid.....	25,000	30,000	40,000
Earned %.....	7.5	4.6	6.9
Paid %.....	21	3	4
Tonnage replacement reserve.....	50,000	...	...
Carry forward.....	128,868	128,669	144,485

Net fixed assets.....	861,045	827,261	890,799
Net inter-company items.....	3,921,217	4,141,732	3,957,608
Net liquid assets.....	1,085,533	930,053	1,078,568
Gross liquid assets.....	1,634,841	1,445,598	1,682,396
Tonnage replacement reserve*.....	150,000	150,000	150,000

† Including dividends from subsidiaries in respect of current year and from other investments.

‡ Representing dividends from subsidiaries, paid out of profits of earlier years arising on settlement of normal trading matters.

§ After deducting loans of £100,030 due to certain wholly-owned non-trading subsidiaries equal to their issued share capital.

* Balance in Govt. tonnage replacement account amounted to £9,000 in each of the three years.

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COMPANY MEETINGS

STANDARD BANK OF SOUTH AFRICA, LIMITED

ACCOUNTS DISCLOSE SATISFACTORY POSITION

DISTRIBUTION AGAIN 14 PER CENT.

MR J. F. G. GILLIAT'S REVIEW

The 131st ordinary general meeting of the Standard Bank of South Africa, Limited, was held, on the 30th ultimo, at the head office, 10 Clements Lane, London, E.C.

Mr J. F. G. Gilliat presided.

The secretary (Mr H. Dales) read the notice convening the meeting and the auditors' report.

The following is the statement of the chairman circulated with the report and accounts:

In view of the prevailing war-time conditions the proceedings at the annual general meeting will again be confined to the necessary formal business. This brief statement on the affairs of the bank is, therefore, being circulated to shareholders with the report and balance-sheet as at March 31st last.

It will be seen that the balance-sheet shows a satisfactory position. Compared with the figures for the previous year, deposit, current and other accounts show an increase of nearly £21 million, mainly due to the volume of money put into circulation in consequence of war-time activity. Cash in hand and at call and short notice rose by about £14 million, and investments were higher by £4 million as the result of purchases of Government stocks. The item of bills discounted, advances to customers and other accounts reflected an increase of nearly £3 million.

ALLOCATION OF PROFITS

The balance of profit for the year, after making an appropriation to contingencies account, was £567,351, being slightly less than the figure for the previous twelve months. With £173,835 brought forward the amount for disposal was £741,186. The interim dividend paid in January last absorbed £125,000, and after appropriating £50,000 for bank premises there is a balance of £566,186.

It is recommended that £150,000 be allocated to the officers' pension fund, that a final dividend of 7s. per share be paid, together with a bonus of 2s. per share, making a total of 14 per cent. for the year, and that £191,186 be carried forward.

It will be observed that the form of certificate by the auditors which is appended to the balance-sheet and profit and loss account is much fuller than that given on previous occasions. This has been rendered necessary by the provisions of the Banking Act, 1942, which came into force in the Union of South Africa on July 1, 1943.

UNION'S ECONOMIC POSITION

The events of the year under review brought no material change in the economic position of the Union, and the contribution of the gold mining industry in the form of wages paid, stores purchased and taxation and dividend disbursements was again the main stabilising factor.

In the farming industry very fair production results were achieved, and, as the general level of prices was higher, virtually all farming districts enjoyed another year of prosperity. Industrial output was, on the whole, fairly well maintained.

THE CURRENT YEAR

As regards the present year, one of the chief problems will doubtless continue to

be the difficulty of obtaining supplies, but it is expected that the volume of business will be maintained at approximately the same level.

We all know of the great part played by the Union in the war effort. In the systematic planning to make the transition from war to peace as effective and smooth as possible, the exhaustive investigations of the Social and Economic Planning Council and the report of the Reconstruction Committee of the Department of Agriculture and Forestry have given the authorities well-considered guidance in regard to the basic long range principles that are deemed essential for the welfare of the country in general.

THE RHODESIAS

In Southern Rhodesia trade and industry were sustained at an active level, principally under the stimulus given through the heavy war-time expenditure of the Government. The mining industry is receiving valuable assistance from the Government for expansion and development over a period of years. In addition to gold mining Southern Rhodesia continues to make a considerable contribution towards the war effort by the production of other minerals.

While the main agricultural crops are tobacco and maize, greater attention has been given in recent years to the cultivation of wheat, cotton and other farm produce. In Northern Rhodesia the production of copper was again of great value to the United Nations.

In Nyasaland business generally was well maintained. Internal trade is not expected to show any material change during the present year. In South-West Africa business activity continued at a high level, and prospects would seem to be favourable.

In East Africa endeavours were concentrated on increased production to satisfy both the large internal market and export demands. Notwithstanding the higher efficiency of internal organisation the efforts did not meet with entire success, owing mainly to the lack of adequate rainfall and the recurrence of pests. In some districts, however, agricultural conditions have since shown an improvement.

TRIBUTE TO STAFF

In conclusion, I would make special reference to the very efficient service that has been rendered by our staff. With Mr Milton Clough and his colleagues in the administration in South Africa, and Mr Ralph Gibson and his colleagues in London, the conduct of the bank's affairs has remained in very capable hands. The extremely difficult nature of the times has imposed heavy strain not only on those officers in the more responsible positions, but on all who serve under them, and our thanks are due to the whole of the staff in Africa, London and New York for the excellent work they have done.

Our deputy-general manager at Cape Town, Mr R. W. Normand, has relinquished his duties after many years of loyal and devoted service. He carries with him our best wishes on his retirement on pension. Mr C. M. Hutchinson has succeeded Mr Normand as deputy-general manager in South Africa and Mr A. McK. White has been appointed an assistant general manager.

PROUD WAR RECORD

We are justly proud of the war record of our staff. At the outbreak of hostilities the male members totalled 4,600, and over 1,400 have been serving with the Forces in various spheres. Nine of these men have been awarded decorations and six have been mentioned in despatches.

It is with deep regret that we now have to record the loss of 79 of our young officers who have laid down their lives. To those who are wounded we wish a complete recovery and to those who are prisoners of war a speedy return.

The Chairman moved: "That the report and balance-sheet to March 31, 1944, now presented, be adopted."

Mr R. E. Dickinson seconded the resolution and it was carried unanimously.

THE DIVIDEND

The Chairman: I have now to make the following declaration: "As empowered by the Articles of Association, on behalf of the board, I now declare a dividend for the six months ended March 31, 1944, of 7s. per share on 500,000 shares, as a final dividend for the 12 months ended on that date, with a bonus of 2s. per share (making, with the interim dividend, a total distribution of 14 per cent. for the year), both payable in British currency and subject to income-tax, to be paid to those shareholders whose names appeared on the register on the 9th day of August and to become payable on the 2nd proximo."

On the motion of the Chairman, seconded by Mr Stanley Christopherson, the retiring directors, Mr Edward Clifton-Brown and Mr Bertram Lowndes, were re-elected.

On the proposition of Mr J. Seyd, Nissim, seconded by Mr R. E. N. J. F.C.A., the auditors Mr Roderick M. Peat, F.C.A., Sir Nicholas E. Waterhouse, K.B.E., F.C.A., and Mr Leonard J. Osmond, F.C.A., were re-appointed.

VOTE OF THANKS

Sir Frederick Eley, Bt., said that he was sure that shareholders who were not present would wish to join with those who were at the meeting in placing on record their appreciation of the directors' conduct of the bank's affairs during the past year. He therefore had pleasure in moving "That the cordial thanks of the meeting be accorded to the directors for their attention to the affairs of the bank and to the chairman for his conduct in the chair."

Mr B. A. Glanville seconded the vote and it was unanimously accorded.

The Chairman, acknowledging the compliment, said that he wished to emphasise their gratitude to the management and staff. Such an expression at an annual meeting tended to become a matter of habit and to be taken for granted, but when they realised the number of the staff who were on active service and also the fact that in spite of that the account was brought out as usual and all the difficulties overcome, he was sure that the warmer appreciation of what the staff had done. The existing conditions imposed tremendous strain on all and yet they had all carried on. (Applause.)

The proceedings then terminated.

RICHARD THOMAS AND COMPANY, LIMITED

ANNUAL GENERAL MEETING

The ninety-fifth ordinary general meeting of Richard Thomas and Company Limited was held, on the 30th ultimo, Grosvenor House, Park Lane, London.

Mr E. H. Lever (chairman of the company) presided.

Sir Harold Howitt, F.C.A. (representing the auditors, Messrs Peat, Marwick Mitchell and Company) read the report and the accounts.

The chairman moved the adoption of the report and accounts and the payment of an additional dividend on the Preference shares of 3½ per cent., less tax, and of a dividend of 12½ per cent., less tax, on the ordinary shares.

Mr John E. James (deputy chairman) seconded the resolution and, after the chairman had replied to questions, it was carried.

The auditors, Messrs. Peat, Marwick, Mitchell and Company, were reappointed and the proceedings then terminated.

THE RHODESIAN RAILWAYS, LIMITED

INCREASED GROSS REVENUE

CHAIRMAN'S STATEMENT

The annual general meeting of the Rhodesian Railways, Limited, was held, on the 30th ultimo, at 11 Old Jewry, London, E.C.2, Mr Arthur E. Hadley, CBE, presiding.

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

The gross revenue of £6,242,237 shows an increase of £239,244 as compared with the previous year, while working expenditure was £172,432 higher, leaving net earnings with an increase of £66,812 at £2,623,472.

After adding to this sum the various amounts credited in the net revenue account (including a special amount of £223,722 for taxation provided in the previous year and no longer required as the Southern Rhodesia Government have refunded Excess Profits Tax in that year), there was a total amount of £3,328,236 to meet debenture stock interest £883,582, debenture stock redemption £217,120, Excess Profits Tax in the Dominions £180,247 and income-tax in the United Kingdom and the Dominions £1,491,683, leaving a profit of £554,604 as compared with £398,680 in 1941-42. £430,604 of this profit is transferred to the rates stabilisation account, making it up to £1,943,429 at September 30, 1943, while £125,000 goes to the dividend account and enables the directors to recommend to members the payment of a dividend of that amount, less income-tax at 5s. 5.574d. in the £.

STRONG LIQUID POSITION

The liquid position of the company remains strong, with £740,538 in cash and nearly £8,000,000 in quoted investments, of which some £6,800,000 are gilt-edged.

The temporary war-time legislation passed in 1941 applying until September 30, 1943, was renewed until September 30, 1944, and the Governments of Northern and Southern Rhodesia have now issued Bills extending this legislation for another year to September 30, 1945.

The company is much indebted to the general manager and all ranks of employees who successfully dealt with even higher traffics than in the previous year.

It is specially gratifying to the directors that the work of the company and its employees should have been recognised through Mr W. J. Skillicorn, the general manager, being created a Commander of the Order of the British Empire in the King's Birthday Honours List.

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

The retiring directors, Mr C. Hely-Hutchinson and Brigadier-General F. D. Hammond, C.B.E., D.S.O., were re-elected and the auditors, Messrs Cooper Brothers and Company, having been reappointed, the proceedings terminated.

WATNEY COMBE REID AND COMPANY, LIMITED

SATISFACTORY PROFITS

The ordinary general meeting of Watney Combe Reid and Company, Limited, was held, on the 31st ultimo, in London.

Colonel O. P. Serocold, C.M.G. (the chairman) said that the profits had been satisfactory. The result had been obtained in the face of the difficulties imposed by war conditions. The chief trouble was shortage of labour, a shortage which had in recent months materially affected their output, and was likely to continue to do so in the future so long as the drain on man and woman power, attributable to the war, continued. They did not appear to be the only brewers in that predicament, as complaints from the public of the stringency of beer supplies were widespread. It was the lack of the right sort of labour in the breweries and the shortness of staff in public-houses which had led to the unfortunate result that the would-be consumer might so often fail to obtain his requirements at the public-house of his choice. They could not fail to recognise the danger of the public becoming aggravated by reason of shortage of beer, but only the Government could take any effective steps to alleviate the position. Whether they considered it expedient to do so must remain to be seen.

OPENING HOURS

As a brewer, he wished to meet the public demand, and he also believed that the licensed victualler was the servant of the public and was there for its convenience. He would like to see the public-house open as long as possible, whether for the sale of intoxicating liquor during permitted hours or of other articles of food and drink beyond those hours.

They were still much in the dark as to the outcome in the re-development of the public house and other property damaged by enemy action and the legislation which must ensue, but there were two events of some importance which had happened since last year. They were the Town and Country Planning Bill which was still before Parliament, dealing with powers of purchase, etc., which local authorities would need in that connection, and the report of the Departmental Committee appointed by the Home Secretary. The report—known as the Morris Report—had been issued and outlined a very intricate and important plan affecting licensed premises in or connected with war-damaged areas. The provisions required for that purpose had not yet been given legislative form and, so far as they were concerned, they must still be content to wait and see.

DEFERRED REPAIRS

They considered that their customers were entitled to expect the best conditions of service and surroundings which could be reasonably provided and that their tenants should similarly enjoy decent domestic accommodation, but the time had not yet arrived when they could satisfy those requirements. What little they had been able to do had to be done at an enhanced cost and, applying that percentage increase to their accumulated deficiencies, they arrived at a very substantial total, which called for the appropriation of a further £300,000 in this year's accounts.

The trading profit had gone up by £211,000, to which had to be added increases of £34,000 on investment income, £30,000 from rents and £2,500 more brought in—a round total increase of £277,000.

The report and accounts were adopted and a final dividend of 9 per cent., making 15 per cent. for the year, and a bonus dividend of 5 per cent. on the deferred ordinary stock were approved.

JAMES HOWDEN AND COMPANY, LIMITED

CONTINUED HEAVY DEMAND FOR PRODUCTS

The thirty-eighth ordinary general meeting of James Howden and Company, Limited, was held, on the 25th ultimo, at 195, Scotland Street, Glasgow.

Mr Crawford W. Hume, M.I.N.A., the chairman, presided.

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

Since the last meeting we have suffered a sad loss through the sudden death on September 11th last of Mr. William Hay Howden, the younger son of the founder of the business. Although still in his fifties, he had been a member of the board since 1907, and we miss him not only in the affairs of the company, but also on the personal side, where he was held in the greatest affection and esteem by all who knew him.

During the year the board has co-opted Mr Norman Burke and Mr Charles E. H. Eckersley, who have both served the company faithfully and well for a number of years as senior executives. It is my confident opinion that their services as directors will be of great value to the company.

BALANCE-SHEET ITEMS

The directors' report sets out the appropriations in the usual form and, apart from the provision for deferred repairs referred to below, it requires no comments. The consolidated balance-sheet shows the general reserve increased to £130,000, and this with the share premium account and the balance from the appropriation account brings the total of the reserves and undistributed profits to £167,373 after payment of the recommended dividend. The debenture stock has been further reduced by redemption to £92,400. The buildings, machinery and plant have been carefully maintained, but owing to war restrictions certain repairs have been deferred and £31,000 has been provided to cover the future cost of these.

MANY MONTHS' WORK IN HAND

Our order book remains in a very satisfactory condition and ensures a busy time for many months to come. While during the war we have, like many similar companies, undertaken work of a special character, there has at the same time been a heavy and continuing demand for our own products. This fact should help us in the coming change over to peace conditions. During the year we have again benefited by the wholehearted co-operation of the administration, the executive staff, and the workpeople, and on your behalf I should again like to thank them for their efforts.

The report and accounts were adopted and a dividend at the rate of 1s. 6d. per share on the 476,000 Ordinary shares of 10s. each, less tax, was approved.

THE ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

The adjourned sixty-third ordinary general meeting of this Company was held, on the 30th ultimo, in London, Mr. E. A. A. Joseph (the chairman) presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts:—A preliminary arrangement has been made with the Government of India, the result of which is that the rent payable for the first year of the lease appears in the revenue account as £120,000. Negotiations are continuing and it is hoped very shortly to settle the details of the working agreement and the rent for future years.

In the general revenue account the

The report was adopted.

Colonel J. G. Gaskell, T.D., D.L. (chairman and managing director) said that the accounts disclosed a successful year's trading notwithstanding the restrictions that had controlled their business during the year. The profits amounted to the record figure of £334,000. That result had been obtained by an increase in trade of almost 10 per cent. on the previous year.

	Gold per Fine Tola		Silver per 100 Fine Tolas	
	Rs.	a.	Rs.	a.
Aug. 25	75	2	130	11
" 26	...	...	...	...
" 28	75	5	133	11
" 29	75	3	132	4
" 30	75	4	131	0

OVERSEAS BANK
RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Aug. 26, 1943	Aug. 10, 1944	Aug. 17, 1944	Aug. 24, 1944
12 U.S.F.R. BANKS				
Resources				
Gold certifs. on hand and	1943	1944	1944	1944
due from Treasury	20,036	18,417	18,415	18,336
Total reserves	20,453	19,017	19,102	19,052
Total cash reserves	330	273	270	272
Total U.S. Govt. secs.	8,777	15,232	15,231	15,592
Total loans and secs.	8,829	15,295	15,296	15,709
Total resources	30,869	36,122	36,429	36,538

	Aug. 26, 1943	Aug. 10, 1944	Aug. 17, 1944	Aug. 24, 1944
LIABILITIES				
F.R. notes in circ.	14,710	19,332	19,440	19,521
Excess m. bank res.	1,110	1,000	1,000	900
Mr. bank res. dep.	12,702	12,810	12,915	12,922
Govt. deposits	304	487	317	549
Total deposits	14,611	15,987	15,056	15,237
Total liabilities	30,869	36,122	36,429	36,538
Reserve ratio	69.8%	55.5%	55.4%	54.8%

	Aug. 26, 1943	Aug. 10, 1944	Aug. 17, 1944	Aug. 24, 1944
BANK AND TREASURY				
Resources				
Monetary gold stock	22,292	20,996	20,998	20,947
Treasury & bank currency	4,098	4,108	4,109	4,122
LIABILITIES				
Money in circulation	18,303	22,910	23,020	23,047
Treasury cash and dep.	2,566	2,827	2,662	2,953

RESERVE BANK OF INDIA

Million rupees

	Aug. 26, 1943	July 28, 1944	Aug. 4, 1944	Aug. 11, 1944	Aug. 18, 1944
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	142	173	145	145	145
Balances abroad	943	2,055	2,249	2,326	2,419
Sterling securities	6,138	8,283	8,283	8,283	8,727
Ind. Govt. rup. secs.	934	578	578	578	578
Investments	77	111	111	111	115
LIABILITIES					
Notes in circ.: India	7,551	9,220	9,279	9,337	9,294
Burma					
Deposits: Govt.	334	1,231	1,308	1,256	1,513
Banks	627	972	976	1,042	931
Reserve ratio	86.0%	92.4%	92.4%	92.4%	92.4%

BANK OF CANADA

Million Can. \$'s

	Aug. 4, 1943	July 19, 1944	July 26, 1944	Aug. 2, 1944
ASSETS				
Reserve: Gold				
Other	4.3	13.84	19.89	27.58
Securities	1149.6	1403.58	1408.34	1406.08
LIABILITIES				
Note circulation	779.8	932.35	936.91	944.35
Deposits: Dom. Govt.	54.1	51.04	62.14	61.30
Chartered banks	287.7	394.74	394.24	396.96

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

SOUTH AFRICAN RESERVE BANK

Million £'s

	July 16, 1943	June 30, 1944	July 7, 1944	July 14, 1944
ASSETS				
Gold coin and bullion	72.15	90.86	91.66	92.70
Bills discounted	11.82	22.31	19.44	19.39
Invest. and other assets	87.21	87.07	86.66	87.74
LIABILITIES				
Notes in circulation	43.43	54.32	52.81	51.88
Deposits: Government	7.28	4.54	3.12	3.56
Bankers	111.04	136.86	137.97	137.97
Others	5.84	6.27	6.64	6.33
Reserve ratio	43.3%	45.4%	45.8%	46.3%

BANK OF PORTUGAL

Million escudos

	April 28, 1943	April 12, 1944	April 19, 1944	April 26, 1944
ASSETS				
Gold	1397.5	1405.2	1405.2	1407.8
Balances abroad	3697.9	4836.3	4849.5	4848.1
Discounts	212.9	232.7	236.0	236.9
Securities	399.1	396.7	396.4	396.4
LIABILITIES				
Notes in circulation	5469.2	6800.6	6756.6	6767.9
Deposits: Government	2408.5	2697.1	2695.5	2669.0
Bankers	4510.2	5916.4	6029.7	6070.2
Others	403.9	438.0	439.0	428.9
Foreign commitments	241.6	248.9	249.6	248.3

CENTRAL BANK OF IRELAND

Million £'s

	July 29, 1944	Aug. 5, 1944	Aug. 12, 1944	Aug. 19, 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	23.87	23.87	23.87	23.97
Sterling balances	1.32	1.66	1.80	1.80
LIABILITIES				
Notes in circulation	28.31	28.63	28.80	28.81

BANK OF SPAIN

Million Pesetas

	June 1943	Mar. 1944	April 1944	May 1944
ASSETS				
Reserve: Gold	749	1,056	1,074	1,102
Other	660	686	668	649
Discounts and advances	3,349	2,847	2,765	2,768
Investments and Govt. debt	15,791	15,981	16,071	15,994
LIABILITIES				
Notes in circulation	15,192	16,122	16,161	16,037
Deposits: Government	3,250	1,833	1,966	2,450
Other	3,532	4,107	4,023	3,634

AUSTRALIAN COMMONWEALTH
BANK—Million £A's

	Aug. 2, 1943	July 10, 1944	July 17, 1944	July 31, 1944
ASSETS				
Gold and English ster.	36.39	49.29	49.29	50.54
Other coin, bullion, etc.	10.30	15.13	15.55	16.23
Call money, London	50.83	115.54	115.20	123.18
Secrts. and Treas. bills	212.64	230.46	231.41	237.42
Discounts and advances	22.33	29.33	27.43	30.37
LIABILITIES				
Notes issued	144.26	191.74	191.74	194.99
Deposits, etc.	176.86	192.55	191.87	207.33

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	July 12, 1943	June 26, 1944	July 3, 1944	July 10, 1944
ASSETS				
Gold and str. exch.	31.25	34.40	33.40	33.20
Advances to State	39.98	44.33	43.26	42.41
Investments	10.31	11.73	11.74	11.74
LIABILITIES				
Bank notes	32.32	37.23	37.49	37.42
Demand liabs.: State	17.21	13.71	12.06	12.11
Banks and others	33.06	37.92	37.95	36.90
Reserve to sight liabs.	37.8%	37.3%	38.2%	38.4%

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average							1943				1944				
		1929	1932	1939	1940	1941	1942	1943	Mar.	Apr.	May	June	Feb.	Mar.	Apr.	May	June
Population June, 1940: 131,954,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kma.																	
1. Industrial production, adj. F.R.B.	1935-39=100	110	58	108	122	155	199	239	235	237	239	237	244	241	239	237	...
2. Manufactures, dur. adj. F.R.B.	"	110	58	109	125	162	199	239	232	236	239	238	240	238	237	237	...
3. Manufactures, non-dur., adj. F.R.B.	"	132	41	109	139	201	279	361	351	356	359	358	367	364	361	356	...
4. Minerals, adj. F.R.B.	"	93	70	109	115	142	158	176	174	175	176	177	177	175	172	170	...
5. Building contracts awarded:—	"	107	67	106	117	125	129	132	133	131	129	117	142	139	140	143	...
6. Total, adj. F.R.B.	1923-25=100	117	28	72	81	122	168	68	85	63	52	45	45	40	36	31	32
7. Residential, adj. F.R.B.	"	87	13	60	72	89	82	40	42	33	31	32	21	17	17	16	15
8. Other, adj. F.R.B.	"	142	40	81	89	149	235	92	119	87	68	55	64	59	52	42	46
9. Freight-car loadings, adj. F.R.B.	1935-39=100	152	78	101	109	130	138	137	138	136	135	127	143	140	138	138	143
10. Dept. store sales, adj. F.R.B.	"	117	75	106	114	133	149	168	163	159	158	167	176	185	173	183	175
Employment:—																	
11. Non-agricultural, adj. F.R.B.	'000	...	...	30,353	31,784	35,668	38,447	39,728	40,066	39,891	39,740	39,755	39,352	39,079	38,668	8,206	38,550
12. "																	

that was not just and right"; the sketch of Clemenceau who "alone both had an idea and had considered it in all its consequences." Whether there are, or will be, historical and personal parallels in this second peacemaking, only the record will show. But the warnings are very clear; there is cause for the greatest care and the deepest humility on the part of the new peacemakers.

"It was the task of the Peace Conference to honour engagements and to satisfy justice; but not less to re-establish life and to heal wounds"; neither part of the task was performed. Now at Dumbarton Oaks, spokesmen of the Great Allies have met again to work out the preliminary material and military arrangements "to honour engagements and to satisfy justice." It is absolutely essential that this should be done, that a system of world security with power, and will, to enforce the peace should be founded, in fact as well as in name. But much more must be asked of the peacemakers. What of the re-establishment of the life of Europe and the healing of wounds?

The purpose of the present conferences at Dumbarton Oaks is simple, direct and to the point. It is to secure that the Allies, having won this war, will remain in alliance to prevent its recurrence. They will be the only Great Powers left after the defeat of Germany and Japan, and only Great Powers have the force to make or prevent modern wars. The conception of a World Security Council of Great Powers is thus a straightforward recognition of the executive responsibility which must rest upon the possessors of industrial power. It also represents the learning of one lesson at least from the inter-war failure. The League of Nations was equipped with sanctions against aggressors, but the Great Powers declined to employ them. In this respect, therefore, the World Security Council may be an improvement upon the League, not because unlike the League it excludes small states, but because it includes all the big ones, under pledge of action.

But this improvement is only a possibility. It cannot be ensured beforehand by any constitutional formula. The test of the Council, as of the League, will be quite simply whether the Powers (and their peoples) will be willing to go to war in order to prevent it; and this willingness will depend, in turn, on conditions and circumstances which are not on the agenda at Dumbarton Oaks. Even in the narrowest sense of security, the preservation of peace means more than preventing a renewal of German, Japanese or Italian aggression. Indeed that task itself will not be carried out by Allies grown unfriendly. If Germany, Japan and Italy are stripped of their power to fight, the only Powers capable of making war will be the Allies themselves; and it has already been made clear at Dumbarton Oaks that the members of the World Security Council will not accept the possibility of the Council being used against them. Fundamentally, therefore, future security will not depend upon the Council at all, but on the relations between the Great Allies.

Dumbarton Oaks is thus only at the beginning of the road to real security. Indeed it may well be that, by their exclusive concentration upon sanctions against the aggressors who brought about this war and upon the special responsibilities of the Great Powers—both crucial and essential points—these discussions, and their continuation at the highest level of statesmanship, may miss what in fact will be the conditions of a lasting peace. One of those conditions, clearly, is a sense of security and an absence of suspicion on the part of both large and small nations. Already, both fear and resentment have been expressed by the spokesmen of several countries at the possibility of "Great Power domination."

Whether there will be war or peace depends, in fact, upon the readiness of the Great Powers to be good neighbours, not only to one another, but also to other states. It is therefore imperative, if it is to be effective, that the World Council should be broad enough to bring in, permanently, or in rotation, smaller Powers; that there should be joint security arrangements and joint bases in particular regions between Powers of all sizes; and that great stress

should be laid upon the creation of a climate and a habit of international cooperation by means of joint bodies to deal with specific problems of an economic, social and technical character.

The project of Dumbarton Oaks is indispensable and urgent. It is, in brief, to organise a police force—though the functions of the force will necessarily be limited by the fact that its members will be their own judges. But to make a world society which is simply a police state is obviously insufficient, indeed most perilous. The object of ensuring that the Great Powers, in certain circumstances at any rate, will pull their full weight is imperative; but it is no less necessary that the other Powers also should be permitted to pull their weight. Indeed, it is only by the continuous working-together of all countries, according to their abilities, in policies of common concern that real peace can be made at all possible.

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It is at this point that the argument comes back, in 1944 as in 1919, to the continent of Europe. Again the continent is in "fearful convulsions." Again it is "a matter of life and death, of starvation and existence." Again it is wilful folly to deny, in the smoke of the battle, that Europe is "deeply and inextricably intertwined by hidden psychic and economic bonds." Again it is vital to recall that there are essential liberties and rules of law, the legacies of the civilised growth of this continent which have been trampled down, not twice but many times by our foes in this Thirty Years War. These are the liberties and the rules that Mr Churchill himself pronounced in Rome a few days ago, in his own fine words.

Again, as in 1919, "we have been moved already beyond endurance, and need rest." But again, as in 1919, "the calculations of 'diplomacy' lead us nowhere." The temptation to leave the entire settlement this time to the private deliberations of the Big Three is very strong indeed. But it is we and our children who have the deepest interest of all in the establishment, in this second great peacemaking, of the conditions of real peace. It would be a poor end to all that has passed since September, 1939, and an ill-reward for the Allied soldiers who are now moving forward to the kill, if it could be said of this peacemaking, as Lord Keynes wrote of the last, that

The future life of Europe was not their concern; its means of livelihood was not their anxiety. . . . The Treaty includes no provisions for the economic rehabilitation of Europe—nothing to make the defeated Central Powers into good neighbours, nothing to stabilise the new states of Europe. . . .

It can be said already that no new Keynes will be able to level quite this reproach at the peacemakers this time. The Conference at Dumbarton Oaks is only the latest of a series, and all the earlier ones, at Hot Springs, Atlantic City and Bretton Woods, have dealt with the economic aspects of reconstruction, with food, relief and money. This is indeed a great advance. Nevertheless, it is still a question whether any security has in fact yet been provided for the future life and livelihood of Europe. It was not Lord Keynes's point twenty-five years ago that separate discussions should have been held, in Paris or elsewhere, to consider the economic future of Europe. It was rather that the peacemakers themselves, at the highest level of diplomacy and power, should have put that economic future first in their deliberations, as the foundation of the peace they were making.

The point made by Lord Keynes in 1919 is still sound of this other victory. If the peace cannot make of Europe a going concern, politically and economically, it will not last, and the security arrangements which are being devised at Dumbarton Oaks will be written down in history, like the League, as illusions. To say that UNRRA already exists for the relief and rehabilitation of Europe is to beg the question. Necessarily, UNRRA is a non-political body. It will serve Europe as well or as badly as the European political set-up to which it is attached. The fallacy is to suppose that economics and politics

can be separated. The political situation, in fact, will determine the economic outlook; and it is here that doubts about the peacemaking, which has been based so far upon the exigencies of the war itself and of power, must crowd in. Has any real attempt been made by the Great Powers or the small to create the conditions of good-neighbourliness, even among Allies?

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The principles of the peace so far—inasmuch as they have been revealed to impertinent enquiry from outside the chancelleries—are four: the permanent impotence for war of the enemy and the punishment of all his criminals—all of which is most sound and necessary; the piecemeal stripping of enemy territories by annexations; the restoration, as far as possible, of the *status quo* in Europe; and the setting up of expert economic bodies. There are no signs yet of plans for a "viable" Europe. The essential elements of an enduring peace—after the immediate tasks of defeating the enemy and rendering him powerless—are still lacking. It is apparently proposed to erect the peace of Europe upon history's biggest minorities problem, and—to take examples of the political vacuum—upon such relationships as those which at present prevail between Russia and Poland, or upon the unloosing, after the Nazi heyday, of old Balkan feuds.

Upon this foundation no peace can be built, however wisely and completely the specific task of Dumbarton Oaks may be done. It is only by a recognition, and a realisation, of the unity of Europe's regions, and probably, for economic matters, of Europe as a whole, that

the continent's future can be rendered hopeful and the prospect of world peace be made bright. It is only by realising that there are principles of good neighbourliness, applicable alike to both persons and nations and made explicit in Mr Churchill's Rome speech, that the possibility of European accord, political or economic, can be established. It is only by the recognition of certain rules of good and expedient conduct, in both political and economic matters, by both Powers and smaller states, that the conditions of sincere peace-seeking can be set up.

The cry will no doubt go up again—at this moment of righteous pride and boasting—that these are "soft words" and a plea either for kindness to the enemy or for disputes with powerful Allies. In fact they are no more than a commonsense plea for frankness, for realism and for peace. No doubt there must be several categories of Powers after the fighting. There cannot be, either in fact or pretence, an equality between the nations. There will be Great Powers, with the responsibilities of their power; there will be smaller states; and there will be defeated foes, under the strictest pains and the closest vigilance, shorn of every chance to renew their horrid crimes. But unless each of these has a practical and appointed place in a working European system, unless there is a common rule which the most chastened German citizen can follow, unless there is protection for Poles as well as for Russians, and unless there are common and concrete schemes for European employment, production and trade, yet another page of history will be rewritten—the sad page that spans the twenty years between 1919 and 1939. There will still be darkness in Europe after the victory and the lights; the lamps will remain unlit.

French Crossroads

THE last acts in the liberation of France are taking place. Only isolated German garrisons on the outlying fringes still defend themselves. The main towns, the centres of communication and almost all the countryside are back in French control. But the re-constitution of political life is only just beginning. The Provisional Government has moved from Algiers to Paris. General de Gaulle has been establishing contact with the leaders of the resistance movements on the spot, and he has slightly reshuffled his Government without bringing in any new representatives of the political parties and of the Resistance inside France. There may still be more radical changes.

The liberation of France has been accompanied by an internal upheaval which has overnight swept away all the laboriously constructed edifice of the "National Revolution," preached by Vichy. The work of the French Forces of the Interior has been directed, not only against the foreign invader, but also against the grotesque authori-

tarian régime of Petain and Laval; and the Resistance has shown a political élan which has sometimes defied all attempts to keep it within the framework of schemes prepared abroad in advance or of particular political conceptions. The rising in Paris was itself an almost spontaneous act, a *levée en masse* which in part took by surprise even the leaders of the Underground. When the hour struck the response proved stronger than even the most optimistic had dared to expect. The struggle for liberation and its accomplishment have let loose popular energies with their own momentum.

This is the first conclusion to be drawn from the record of the great days that France has just lived through. Another is the craving of the French people for freedom of speech and expression. Four years of enforced silence have pent-up the irrepressible urge to speak minds freely and loudly. While the rising in Paris was still going on fourteen dailies began to appear in the capital. At a stroke, the course of events obliterated all the press laws and

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regulations so carefully prepared at Algiers. The editors paid no attention at all to their elaborate provisions. The incident is an early and eloquent reflection of the unreality of some of the schemes produced at Algiers. The motive advanced to justify these restrictions on the freedom of the press—the desire to eliminate the collaborationist press—proved in practice meaningless: the collaborationist press disappeared automatically. And to the resisting Frenchmen nothing seemed more natural than that they should come out into the open, without let or hindrance, to state their convictions and set out their programmes. The re-birth of France is, at this early stage, the re-birth of French democracy.

The political parties, too, have returned to the stage. The press of Paris reflects all shades of French opinion, from Left to Right. Together with the political parties the Trade Unions (CGT) have emerged from the Underground. But it would be wrong to suppose that the new party alignment is the same as it was before the war. There have been important changes in personnel. Many old leaders have gone, either in consequence of their defection to Vichy or because they fell victims to persecution. New leaders have appeared, younger men steeled in the hard school of resistance but lacking the political experience of their predecessors.

The politicians are younger, and they are strikingly more radical in their social outlook. At first sight, indeed, it might seem that socialist ideas had won the day in most of the political movements. The demand for the nationalisation of key industries is voiced with equal zeal by Communists, Socialists, Gaullists, and Radicals. But it would be an error to over-simplify this development. More often than not these demands are formulated in patriotic rather than in socialist terms. The expropriation of industrialists is being demanded, not on grounds of doctrine, but as a means to punish the collaborators. The CGT, for instance, has proposed the confiscation of all factories whose owners have fled to Germany. Among the 4,000 collaborators arrested in Paris there are not a few members of the "two hundred families," the governors of the Bank of France, and the directors of trusts and concerns which, like the Renault plants, worked for Germany.

The radical mood of the people of Paris is reflected in the circulation of the papers which are now being published. The Communist *L'Humanité* heads the list with 200,000. The Socialist *Populaire* follows with 160,000. The other twelve dailies together have a total circulation of 120,000. Recruitment for the French Forces of the Interior provides a similar illustration. At first it was carried out independently by various organisations, including the political parties. In Paris, the Communist offices attracted the greatest number of volunteers for the FFI. Eventually recruiting by political organisation was forbidden. The relation of political forces in the capital is almost certainly not indicative of the political mood in the provinces. Even so, there can be no doubt that the Left has had a marked predominance in the ranks of the active resisters.

It would be quite wrong to deduce that the spectre of revolution is now haunting liberated France. During the years of the occupation the French Communist Party acted, not as a party of social revolution, but as the most energetic and vigorous faction inside the patriotic movement of resistance. Much of its increased prestige and influence is due to its fervent advocacy of French national interests. It is extremely unlikely that French Communism will now go back to its old revolutionary policy or that it will try to repeat the experience of the Paris Commune of 1871. Almost certainly, in France as elsewhere in Europe, the Communists will this time play a role very similar to that played by the Social Democratic parties after 1918. They will act as the Left wing in democratic coalitions rather than as an irreconcilable opposition to bourgeois governments. M. Marcel Cachin is not the French Lenin and M. Duclos is not another Blanqui; and revolutions do not succeed without their Lenins; nor can even abortive revolutions do without their Blanquis.

This is not to say that the great growth of Communist influence in France does not expose French political life to the risk of internal convulsions. Without necessarily being the party of revolution, the French Communists may be disposed to play with revolution, and so to stir the fear of revolution among the French middle classes and the peasantry. It was on such fears, more often than not unreal and exaggerated, rather than on real dangers of revolution, that all the authoritarian and fascist regimes of the inter-war period thrived. It was that fear that bedevilled French political life during the period of the Popular Front and gave rise to the outcry for "strong" government.

It is against this broader background that the role of Gaullism in liberated France must be viewed. For the mass of the French people, Gaullism has until now symbolised simply resistance to the invader; it has stood for no distinct political programme. Certainly the general acceptance of Gaullism has not meant, in the least degree, that the French people are willing to accept another authoritarian programme so soon after the failure of the ill-fated experiment of Petain. As the movement of resistance, pure and simple, Gaullism has nearly exhausted its glorious and memorable role. The question is whether it will be able to transform itself into a political party—into the ruling party of France.

This is the question to which General de Gaulle is now trying to find an answer. As a symbol of resistance Gaullism has swayed the whole of France. As a political movement it is still only a sect. It can stay in power only in a broad coalition with the other political movements. But it cannot form any such coalition without giving up some at least of its authoritarian aspirations. This is the dilemma confronting General de Gaulle.

The programme which he has brought with him from Algiers to Paris is so far largely negative; it has consisted mainly of the abrogation of old laws. The Constitution of 1875 has been abolished. The Chambers and the President (President Lebrun, who has never resigned from his office, is now in liberated France) have been swept aside. Confusingly, General de Gaulle appears in the double role of Head of the State and leader of the Government. In fact, he has also assumed the legislative powers of the two Chambers, since the Consultative Assembly, set up in Algiers, is itself only an advisory body. It is doubtful whether the political parties can agree to such an extraordinary concentration of powers in the hands of one man. If they do agree, then they will have voluntarily submitted to something very like a despotism, however benevolent or provisional the intentions of the despot may be held to be.

General de Gaulle may try to base his administration on the purely Gaullist Resistance only, and largely ignore the political parties; should he attempt to do this he will inevitably discover the weakness of Gaullism as a political movement. The Provisional Government would be a minority Government; and this in itself would at once give rise to fears of dictatorship—fears which might lead to just as lamentable consequences as the fear of revolution.

It would be a gloomy and misleading picture, however, which (from these first reports) presented liberated France as faced merely with the choice between fears of revolution and fears of dictatorship. There is no reason to believe that the prospects in France are nearly so grave as this. General de Gaulle has just been given the most cordial welcome by the people of Paris. The popularity and the confidence which he enjoys are quite exceptional. To suppose that he will squander these well-earned assets pursuing an unsound and perilous political path would be gratuitous and premature.

Apart from all the hopes and needs and hazards upon which the future of free France hangs, the war is not yet over, and the peace has yet to be made. France cannot afford internal dissension. But the difficulties which lurk in the present situation can only be overcome by the sustained and common effort of all Frenchmen to rebuild the Republic on the twin foundations of freedom and efficiency.

Industry and Capital

THE point at which the argument of this series of articles has arrived may usefully be summarised. The first article contended that a policy for increasing the productivity of British industry should take its place alongside the more familiar objectives of Full Employment and Social Security, which are indeed dependent upon it. It was suggested that the goal should be a doubling of the average output per man-hour within a generation. The second article argued that, though there are many factors in productivity, by far the most important is the volume of mechanical equipment with which each pair of hands is assisted; "Horse-Power per Head = Wealth" is the rule-of-thumb formula. The problem of increasing productivity is, therefore, very largely, one of increasing the rate of investment in productive equipment. The third article examined the supply of savings and reached the conclusion that, whether or not there would be enough savings to finance a greatly expanded programme of capital investment, there has been no shortage in recent decades. The small scale of productive investment is rather due to the apparent unwillingness of industry to engage in it. This may be partly due to the effect of taxation, which should be adjusted accordingly. But taxation affects only the disposition of profits, and the basic difficulty would seem to be that further investment is apparently not deemed to be sufficiently profitable to encourage industry to engage in it. The present article is designed to enquire into one aspect of why this should be so. Is the present structure of British industry limiting its willingness to expand its productive equipment, and would any reforms of structure or ownership increase the rate of capital formation?

The Socialist would, of course, answer Yes at once, without further enquiry. It was not the original contention of Socialism that public ownership would increase the productivity of industry but rather that it would improve the equity of the distribution of the product. But by natural extension, most latter-day Socialists argue that nationalisation is a specific for efficiency as well as for fairness. It is very doubtful, however, whether the argument holds any water at all. Productivity is very largely a matter of equipment, and unless any store is set by the contention that workers in a nationalised industry would feel so much happier that they would work well—a contention which is not borne out, but is rather contradicted, by experience—then the only way in which public ownership, as a general matter, could be better for productivity than private ownership would be if it speeded up the rate of capital investment. It is difficult to see why this should happen. It cannot be presumed that the managers of socialised industries would be any less careful or timid in assessing the prospective yield of new investment. Nor would they be in a position to ignore the prospective yield. A socialised industry would either be subsidised out of public funds or else it would be expected to pay its way. In the former case, its capital expenditures would be under Treasury control and would not be likely to gain as a result. In the latter case, the state manager would have to scrutinise the profit-and-loss estimate as carefully as the private manager. It is not as if the private manager, in the great majority of cases, insisted on an excessive rate of return, whereas the state manager would be content with less. Both would necessarily measure the prospective yield, after allowing for the risk of loss, with the cost at which they could raise money. The state manager might conceivably be able to raise money at a fractionally lower cost (though, if that involves a guarantee, only at the risk of Treasury control), but he is likely to have far more of his capital in fixed-interest form. On balance, if there is any difference at all, in this respect, between public and private ownership of industry, the verdict must be in favour of private ownership.

Nationalisation may or may not be desirable on other

grounds, either in general or in any particular industry. But it is not likely to speed up the accumulation of productive capital and thereby the rate of growth of the national income. There are examples in the contemporary world of the rapid accumulation of capital both under capitalism and under socialism. It seems overwhelmingly likely that the argument between private and public ownership can be dismissed as an irrelevance from the problem with which these articles are concerned. What is important for the growth of wealth is not the ownership of industry but the policy it pursues.

But there are, of course, ways in which ownership and structure do affect policy. The clearest and most familiar case is that of the coalmining industry which, on the testimony of every public enquiry for the past thirty years, is divided into units too small for technical efficiency. In this particular case, most people have probably made up their minds that public ownership is inevitable. Nevertheless, it is not the fact that the ownership is private, but the fact that private ownership is so diffused, that obstructs the path of technical reform. If the political and psychological conditions of the industry would permit, a series of large-scale privately-owned amalgamations might be the best way of increasing the efficiency of the industry. But, whether private or public ownership is decided upon, the crucial point is this: there is need for a reorganisation of the coal industry on the basis of technical rationalisation. Without rationalisation, both capital investment and efficiency will remain low; with rationalisation, both might advance very rapidly.

Another case in point is the iron and steel industry, where output per man-hour is very low in comparison with American experience. Here, too, the prescription should be for a technical rationalisation, in which the present complicated structure of ownership is disregarded, and the problem is thought of in terms of furnaces and mills, not of firms and companies. This could be done while preserving private ownership, or it could be done after nationalisation. The important thing is to leave on one side the sterile quarrel about ownership and to insist, in the national interest, that the technical task of rationalisation be carried through, as the prelude to a thorough modernisation of the whole industry. A similar necessity has long been recognised in the electric power industry. There also, the necessary technical rationalisation of the industry is being delayed by arguments over ownership, in which neither side is wholly right.

The only way in which these arguments can be brought to an end is by the Government abandoning its negative attitude of waiting until all the parties can reach agreement. It is not true that the state is an impartial umpire in these matters; it is the guardian of the greatest interest of all. At present, as has often been urged in these columns, the country is drifting into a position where the conduct of industry is dominated by the actions and the prohibitions of the state, but where the state has no policy to govern its actions. A Government that was really conscious of its responsibility would survey each of the major industries in turn, and wherever it found that, on strictly technical grounds, some degree of rationalisation would open the way to more rapid progress, would insist on its being carried through—under private ownership if desirable or under public ownership if necessary. Output per man-hour is the foundation of all wealth, and should be the objective of policy.

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An even clearer example of the effects of negativism in Government policy is the great growth in the past two decades of restrictive practices in British industry. Not only has the Government—in this case, chiefly the Board of Trade—failed to prevent this growth; it has

actually been encouraged, not least during the war. In 1939, it was an extreme rarity to find a manufacturing industry where anything approaching genuine competition prevailed, where no control was exercised over either prices or the scale of production or the conditions of sale—and such exceptions as existed before the war will be found to have disappeared at its end. Even in the various forms of trading enterprise, where a few pockets of competition can still be found, the principle of restriction has made great headway in recent years. Moreover, this trend, so much in evidence in Britain, has been largely confined to this country, at least among the English-speaking nations. If there is some peculiarity of British industry to explain, then this is more likely, *prima facie*, to be the explanation than anything else.

It would be inappropriate to recapitulate here the whole of the case against the restrictive cartel or trade association; the argument must be confined to its effect on the pace of capital formation. The main purpose of all cartels is to restore, maintain or increase the profits of their members, and it may be that in years of depression an industry thus protected has larger profits and can engage in greater capital expenditure, than if it were open to the full blast of competition. It has been argued, for example, that the very tight restrictions imposed on the British steel industry in the 1930's were the direct cause of much renovation work being undertaken. If true, this applies only to the particular industry in question; there is no economic magic by which restriction can lead to a higher real income for the whole community, and if the steel industry was more prosperous than it would have been without the protection of the cartel, the community must have been poorer. Nevertheless, it is just conceivable that restrictive cartels in heavily capitalised industries may serve to keep up the level of investment in years of general depression.

But this is the limit of the concession that can be made. In years of reasonable prosperity, there can be no doubt at all that restrictive trade associations greatly reduce the volume of capital investment. They are designed to protect the profits of the industry. Fair words, of course, are spoken; it is only the "reasonable" profits of "efficient" producers that are to be protected. But these are weasel-words, and the decision is given by a trade association elected by the producers themselves. It cannot afford to have too many dissidents; the managers must retain their majority. So a firm has to be manifestly incompetent before it is refused the cachet of "efficient," and profits become extortionate before they are adjudged "unreasonable." And if the existing costs of production, using the existing methods and the existing equipment, can be protected in this way, what inducement is there to spend a lot of money and take a lot of risks in lowering costs? Machinery will, indeed, be replaced when it is worn out, or when the slow and stately process of saving up cash to replace it has reached its leisurely conclusion. But the machinery-makers are also protected and cartelised, so that the new machinery is not likely to be

very much of an advance on the old. And in any case, there is no incentive to undertake any radical departures. If any member of the ring is ill-advised enough to try to get the cost of production down and thereby put pressure on his fellow-members to make themselves efficient too—well, he can usually be tripped up in his financial arrangements or brought to heel by some other method. In the sacred name of Security, no one should be allowed to disturb any established interest or practice. Why, somebody might be thrown out of work.

There is, unfortunately, very little element of caricature in this portrait of British industry. So far has slump-mindedness gone that the whole economic process is regarded as a desperate rearguard action utter collapse rather than a constant pioneering into fresh ground. The *entrepreneur* used to be a venturer, but in too many cases he has become, in sad literalness, an undertaker, an embalmer of corpses. To this state of mind the purely negative attitudes of the Government, obsessed with protection and blind to efficiency, have contributed, and continue to contribute, very powerfully.

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For a bold and positive prosperity policy two things are necessary: first, that there should be adequate profits to attract and reward investment in productive equipment; and secondly, that there should be the most powerful and unrelenting pressure to reduce costs of production, so that every keen mind in industry is on the alert to discover means whereby capital can be used to reduce human toil—the mechanism of progress. If the profits are not there, or not in prospect, there will be no investment and it will be hard to prevent the *saute qui peut* of restrictionism. But profits depend on general prosperity, and that is the function of a Full Employment policy. To the extent that the Full Employment policy succeeds, the justification for all restrictive practices will disappear; indeed, they must vanish if Full Employment is not to be a static concept but is to be transmuted into rapid progress. Nothing stimulates the formation of capital quite so strongly as the combination of prosperity with keen competition.

This is not the place to enter upon a discussion of the methods by which restrictionism can be prevented, and the good activities of trade associations be distinguished from the bad. But this is the place to insist that without some such campaign, there is only an extremely poor prospect for a Policy for Wealth. It is, tacitly, a bargain that must be struck between the state and industry: the State will do its duty by seeing that there is no recurrence of general depression; industry will do its duty to razing the constricting earthworks it threw up during the siege of the early 30's and thereby clearing the way for a rapid and general advance.

The argument of this article has been addressed to the managers of industry. But much of it applies almost equally to Labour. This aspect of the matter will be the subject of the next article.

The Co-ordination of Statistics

IN the past the function of the state in this country has been largely confined to treating the industrial and personal casualties of the economic system. In the future, however, whatever the precise blend between private and public enterprise that may be decided upon, the purpose of the state's activities will be more and more to control the arrangement and the environment of the system itself, and so by conscious direction to prevent casualties from happening. For this purpose the primary need will be accurate and complete intelligence about what is going on throughout industry and trade; and the secondary requirement, without which this information would be useless, will be the recruitment and efficient organisation of men capable of understanding, putting together and using the facts so gathered. It is not too

much to say that the new economic policy will stand or fall by the arrangements which it makes for the collection and co-ordination of statistics.

The recent White Paper on Employment Policy made the point strongly that the success of the Government's plans to maintain a high and regular level of employment will depend "on the skill which is shown in putting general ideas into day-to-day practice." The critics of bureaucracy can only be convinced by the "know-how" which is shown by Government servants and by the actual results which their policies achieve. It is, for instance, plain that the success of an employment programme, which involves preserving a delicate and shifting balance between the supply of, and demand for, both capital and labour, must depend on the

and accurate analysis of approaching dislocations and the almost simultaneous application of effective adjustments.

It is in recognition of the fact that employment policy will depend on there being a sufficiency of intelligence (in both senses of the word) that the Government intends to create "a small central staff qualified to measure and analyse economic trends and to submit appreciation of them to the Ministries concerned." This body clearly cannot function at all without complete information about economic movements; and the White Paper lists the following new classes of statistics which must be available if the efficient operation of an employment policy is to be made possible:

1. Statistics of employment and unemployment, including quarterly or monthly statements of present and prospective employment in the main industries and areas in the country, based on returns from employers.
2. Regular information relating to savings and projected capital expenditure by public authorities, and, as far as possible, by private industry.
3. An annual census of production showing the structure of the main groups of industries in the preceding year, including, *inter alia*, details of the quantity and value of output, stocks and work in progress.
4. Monthly figures of production, consumption and stocks, and, if possible, figures of orders on hand, based on sample returns obtained periodically throughout the year from large firms, trade associations, and public institutions.
5. Annual and quarterly estimates of foreign capital movements and balance of foreign payments.

The announcement of these proposed changes in the Statistical Service has already produced signs of restiveness in the business world, for the danger that the Government's proposals will involve the business world in a tiresome and burdensome overdose of questionnaires is not wholly imaginary. If the machinery of investigation works no better than it did before the war, then there will be much needless delay and duplication. Without adequate co-ordination between all the statistical branches of all the Government departments the necessary information will only be obtained by wasteful methods that would pester the business man continuously without achieving a corresponding measure of results.

Nor is it only the amount of information which it is proposed to collect that accounts for this restiveness on the part of business men. Even more, it is the kind of information that will be solicited. British business men are notably secretive about their financial and technical dealings and records. Largely, this is an attitude of mind rather than a considered policy. It is well known that some men carry discretion so far that they withhold a knowledge of the size of their incomes even from their wives or hide the nature of their work under, say, the comprehensive title "something in the City." At another level, there is the same covertness in the numerous items that are "hidden" in the average company's balance sheet. Partly, of course, this distaste for publicity is due to more or less vague fears of "giving the game away" to business rivals; and it is to counter this apprehension that the White Paper states clearly that the information provided for the employment programme

will, of course, be treated in confidence; and figures will not be published in a form which would prejudice the position of any individual firm.

Even so, it is surely time that the business world reconsidered its attitude to statistics. Secretiveness is not a stimulant to the competitive system; and it does not, in the long run, safeguard a business unit against the "predatory" inclinations of its rivals. In the United States, business is more intensely competitive than in any country in the world; but the American business man is far more ready to put his record-cards on the table. This is not to suggest that either the disposition towards secrecy or the disinclination to co-operate in the pooling of information is confined to non-official circles. It may be that the Government's proposals will not meet with the unanimous approval of departmental officials either. Government departments have themselves a tendency to

autarky in these matters and not infrequently acquire a possessive attitude to what they sometimes call "our figures." Even this attitude is not entirely unreasonable. The practical difficulties of ensuring a high degree of accuracy and the strict comparability and continuity of the statistics gathered are so great that the departments' reluctance to delegate duties of collection and co-ordination is to that extent understandable. Consultation in fact-finding may often mean either inexactness or delay.

But these are only potential dangers and weaknesses which can quite well be avoided. During the war the statistical branches of administration have been greatly strengthened, and many of the fears which have in the past produced an attitude of departmentalism have been much diminished, if not swept away—though there are still not a few departments where statistical organisation is inexpert.

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The task of refitting the Statistical Service is, therefore, two-fold: there should be an overhaul of methods of collection, and a new approach to the problem of co-ordination. Before the war, it was customary to regard the collection of statistics as a by-product of ordinary administrative work. Even the major departments, in some cases, had no statistical branches. This was true of the War Office and the Admiralty. No department possessed powers to collect such information as it might need—although the Board of Trade and the Ministry of Agriculture were empowered by statute to conduct the particular inquiries involved in making censuses of production and agriculture.

More statistics need not mean more forms of inquiry: if co-ordination between statistical branches is efficient, the relevant information may possibly be collected by the asking of fewer questions. It is clearly a great help to the precise use of figures if industrial information in respect of employment, production, earnings, etc., is secured in the same way by the different bodies concerned, and with some agreement as to the most useful periods to be covered. Before the war (as at present, in most cases) inquiries which might have been complementary could not be linked, because of easily avoidable differences in coverage and definition. The Government is committed to an annual Census of Production; but in the conduct of a policy of full employment even more frequent returns of production and employment will be needed. It would be most useful if they could be designed to match. If the terms of inquiry were common and constant for the two types of investigation the annual censuses could be compiled very largely each year from figures already in existence.

The necessary changes in methods of collection and co-ordination can be effected within the existing framework of the Statistical Service. It would be quite wrong to divorce completely the duties of collection from the administrative duties which bring departments into close contact and good relations with those who supply the information. But collection should not remain only incidental to these duties. It should be the task of the statistical branch of every Government department to control and formulate such inquiries as are needed. The first need is to strengthen the staffs of statistical branches. This involves a wider and more generous recognition of the status of statisticians with commensurate improvements in remuneration and opportunity for promotion. Much new talent has been recruited during the war, and a nucleus for the new Service is already in existence.

The trade associations are the chief repository of industrial statistics. For their own purposes these associations conduct inquiries of the most detailed character among their members; and there is a striking contrast between the willingness of companies to supply the associations with the most private details of production, sales and orders on hand and the many objections raised against the mildest Government inquiry.

Should this work of the trade associations be duplicated by that of Government departments, or should the duties of collecting Government statistics be delegated to them?

If the Government could be assured that the statistical service of the associations was expert and complete, there might be much to say for a considerable amount of delegation. But the terms of delegation would have to be made very clear; the form of the inquiry would have to be controlled by joint agreement, and the Government should have access to the complete returns as of right. That is, the securing of these data should be regarded as a Government function—albeit delegated.

But in no trade can the delegation of this statistical function be complete. Private (that is, non-association) firms would object very strongly to co-operation with the associations in this matter. If the associations were appointed to be the collectors of statistics for an entire trade or industry, there would be a danger that the information supplied by private units could so be used as to prejudice their chances of remaining private for long. It is fairly certain that the collection of statistics from private firms must remain a direct task of Government departments.

The machinery of co-ordination is also already in being embryonically. In 1941, the Central Statistical Office was formed to reduce the mass of departmental data to

terms that could be of service to the War Cabinet. Successful co-ordination between the various branches of the Statistical Service does not require a superior body but a catalyst. There must be a real co-ordination; and it is a well-tested principle that co-ordination works most smoothly and most efficiently if those whose work is to be co-ordinated are brought together to do the co-ordinating. Efficient co-ordination could most easily be achieved by continuous co-operation between the CSO and a committee chosen from the heads of the departmental statistical branches.

Internal co-operation is only one half of the story. Whatever form the organisation of the Statistical Service may take, the success of its labours will depend finally on the co-operation afforded by trade and industry. The Government's White Paper proposals on statistics must be regarded as a most significant step towards the rehabilitation of the British economy. They are in the interests of private enterprise itself; and it requires no great wisdom for industrialists and traders to see that, if they wish for public aid in avoiding depressions and idle resources, they must be ready to supply the facts upon which such a policy must necessarily be based.

NOTES OF THE WEEK

Mehr Licht

Certain newspapers are falling over one another to claim credit for having brought about the relaxation of the black-out and of civil defence duties that will begin next week-end. In fact, of course, the credit for this most welcome and symbolic relief belongs solely to the Allied armies. It was the capture of France four years ago that thrust the civilians of this country, and especially Londoners, into the front-line; had it that line had broken, even as lately as a few days ago the course of the war would have been very different. It is the liberation of France that now makes it possible to lighten the darkness and the labours. There could be no better proof of the imperative need—even apart from the two countries' common concern for popular and national liberties—of a lasting and peaceful accord between Britain and a strong, free and self-reliant France. When the lights go dimly on again on September 17th, the worst of the ordeal will be over, and the assurance and sense of victory-at-last will be nation-wide. Defence posts will not be deserted. Fire guards will still stand by. The black-out will remain in reserve for twelfth hour raids. But the long night will be over.

At Ease

The Canadians have gained in battle the reward of their long vigil in Britain. The Home Guard, which shared that vigil for over four out of five long years, have their reward in the absence of battle—for it was the existence of this national militia which helped to decide the enemy, after his first failure to overrun this country by victory in the air, not to try the hazards of an opposed invasion. Fittingly, the Home Guard will end their service as it began in the most dangerous days, as volunteers. There will be no compulsion either to join or to do duty. Wardens and firemen have been in action while, except as disciplined helpers in the air raids and bombardments, the Home Guard have not. But they have had the most laborious days of all. On top of their night duties, they have spent continual week-ends in parades and exercises, and the record will tell how they became highly trained and much-skilled soldiers. With the ARP men and women, they have written a page of history.

The Next Election

There is some confusion about the likelihood of a general election in the near future. It has been commonly supposed by ordinary folk that the question of whether or when there should be a general election, for the first time since 1935, would arise immediately after the end of the fighting in Europe; and this impression has been confirmed by the assiduity with which the political parties are

making their preparations for electoral battle. Local authorities, however (it is reported) have been told by the Home Office, when they have expressed their difficulties in preparing the emergency register of electors, that they can work on the assumption that there will be no election this year. This is, to say the least, surprising, for it is hardly for the Home Office to decide. Mr Attlee and, presumably, the other Labour Ministers are under an obligation to seek permission from the Labour Party, immediately the German war is over, for continuing in the present Coalition; and the signs have been that this permission would not be granted. Certainly the break-up of the Coalition, however good the intentions of Mr Attlee and his colleagues, would seem to make necessary an appeal to the electors. On the other hand, it is constitutionally for the Prime Minister, and for him alone, to decide whether or not such a swift dissolution would be either necessary or desirable. He has planned the programme of "food, homes and work" as an all-party agenda for the approval or disapproval of the people—which would seem to require the earliest possible election on the least possible partisan lines. Obviously, Mr Churchill envisages such a programme being carried out by some sort of Coalition. The question is whether the present Coalition, even if refreshed by new MPs, is best suited, with its great Conservative weight on the back benches, to carry out this programme.

Unfortunately, Mr Churchill is tied to the Conservative Party much more than his national prestige really requires; and it seems likely that, as a consequence, the election, whenever it comes, may be on the bitterest, rather than the frankest and most fruitful, party lines. There is also a case for some delay, if only because the reconstruction programme, though professedly only an agenda, contains items which are of a most immediate and most urgent importance for the earliest post-war period—before the election. Moreover, it is not likely that an immediate post-war election would be concerned with the real political issues; it would rather be a Victory March, with the Conservatives banking upon the fame of Mr Churchill, and the Labour Party, though equally responsible for the reconstruction programme, left somewhat helpless. On the other hand, as many members of the Labour Party see, to remain in a Conservative-controlled Coalition might be to invite the fate of the Liberal Party twenty-five years ago—whereas it is its members' wish, instead in the next election, or the one after, to capitalise the trend towards progressive ideas which is much evident among the people. Altogether, it seems an insoluble dilemma for the politicians; but the probabilities are that the next election, even though it may be on the most misleading lines, may come very quickly after the fighting stops.

The Balkan Scene

Two military events have dominated the political situation in the Balkans during the past few days. To the south of the Danube the Russian armies have reached the Bulgarian frontier; to the north of the Danube they have captured Brasov, a Rumanian town beyond the main chain of the Transylvanian Alps. The impact of the Russian advance in the south on Bulgaria's political life became clear, when a week ago the Bagryanov Government resigned and was replaced by the Government of Muraviev. The latter announced a comprehensive programme of internal democratisation (similar to that which King Michael of Rumania had outlined in his proclamation); and expressed the desire of his Government to adhere to "strict and genuine neutrality." On Tuesday night, the Soviet Government declared war on Bulgaria, accusing its Government of allowing the Germans retreating from Rumania to escape through Bulgaria or to regroup their units on Bulgarian soil. Five and a half hours later, Bulgaria asked the Russians for an armistice, after the shortest war in the embattled history of the Balkans. It is to be expected that this Soviet-Bulgarian crisis will be followed by further changes in the Bulgarian Government, as well as by some changes in the Regency, if not by an expulsion of the dynasty. The Russians will now march into Bulgaria. The paradoxical situation in the Balkans was best illustrated by the reports about clashes between the Bulgars and the Germans which occurred at the time when Bulgaria suddenly found itself in a state of war with Russia. The capture of Brasov, beyond the Transylvanian Alps, has not yet been followed by any startling political development. But its significance consists in the fact that, even before they reached the Iron Gate, the Russians had already opened a road that leads into the Banat and the Hungarian Plain. The range of the Balkan earthquake is spreading; and it may reach Budapest sooner than was expected.

The Unrepentant Satellite

The logic that governs the behaviour of the various satellites of the Germans and the attitude of the Great Powers towards them is one of the strangest diplomatic puzzles. Announcing Finland's break with Germany last Saturday, the new Finnish Prime Minister, Mr Hackzell, gave an extremely "realistic" account of the German-Finnish alliance. The Finns, he said, fought on Germany's side as long as they hoped that Germany would win. Finland decided to sue for peace when the signs of Germany's defeat became unmistakable. There was not the slightest trace of repentance in Mr Hackzell's speech. On the contrary, he warmly recalled Finland's brotherhood-in-arms with Germany and spoke of the good memories which the Germans would leave behind in Finland if they withdrew their forces before September 15th, the date fixed by the Russians. Yet this unrepentant satellite has been treated by the Russians with real generosity. No demand for unconditional surrender has been made. The Russians will probably not lay down conditions harsher than those presented to Finland earlier in the year. Finland has not been asked to abandon neutrality. If the Germans withdraw in time, which they have apparently agreed to do, there will be no Russian occupation of Finland. The Russian consent to allow six German divisions to leave Finland unmolested is due to the fact that wherever those divisions go to they will either be vulnerable to attacks en route or, if they retreat into Norway, they will be to all intents and purposes immobilised. Hitler will not be able to use them as reinforcements on any front. The most difficult issue between Russia and Finland is still the problem of reparations, which accounts for the fact that the Finnish mission to Moscow includes many economic experts. It can be assumed that, on the issue of reparations, the Russians will remain adamant to the end; and it will be interesting to see the form that the eventual reparation payments will take.

Liberation in the Low Countries

Belgium has been all but liberated in a few days. The liberation of the remaining part and of Holland cannot be long delayed. While pockets of German resistance may cause some trouble, it seems likely that the rapid Allied advance will not be delayed before the German frontier. The Governments of these two countries and of Luxembourg are expected to leave London at any moment to take up the administration of their country where it was severed

so abruptly more than four years ago. In the Low Countries themselves, the arrival of Allied forces has been followed by a spontaneous movement to restore the officials of the local government who had been removed by the Germans. The Burgomaster of Brussels, deposed by the Germans and then forced to live quietly in a village outside the town, has returned to his rejoicing city. This will mean that the work of the Civil Affairs Commission in deciding which are to be regarded as the legal authorities with whom the Allies can deal will be made much easier. The transitional period when the Commission would have acted as intermediary between the Belgian Government and the Allied military command will be greatly shortened and the Government and the Commission should soon be working side by side. The situation clearly differs from that in liberated France. There, the Provisional Government was evolved independently of the pre-war political system and of Vichy. In Belgium, the Government could hardly be held responsible for defeat, and it was generally accepted as the representative abroad of the Belgian hope of ultimate freedom. M. Pierlot has gone back to report as soon as possible to his Parliament and to strengthen his Cabinet by the co-option of leaders of the resistance. The Government was originally a coalition of Socialist and Catholic parties and, as most of the resistance groups are Socialist, Communist or non-political, there should be no difficulty in constructing a temporary Government acceptable to the people. The Degrelle Fascist Party has been thoroughly discredited by its collaboration with the Germans; and Belgian politics should be troubled no more by the Rexists—although it is possible that the movement may continue to work underground and in other forms. The constitutional dilemma caused by the removal of King Leopold to Germany will make necessary some adaptation of the existing law. It seems likely that Prince Charles, the Prince de Liège, will act for the King where necessary, until King Leopold can be released.

The Size of the Arsenal

President Roosevelt's sixteenth Lend-Lease report to Congress, for the second quarter of this year, is impressive

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not only for the size of supplies made available to the other members of the United Nations, but also for their direct contribution to the decisive victories of this summer on the numerous battle fronts. During the three months ended on June 30th, American Lend-Lease supplies were valued at \$4,045 million; the cumulative total of supplies since March, 1941, is no less than \$28,270 million, equivalent to about 15 per cent of America's total expenditure on defence during that period. Some 54 per cent of these supplies consisted of munitions, 21 per cent of industrial materials and products, 13 per cent of foodstuffs and 12 per cent of miscellaneous goods and services. Of all the munitions produced in the United States, 15 per cent were transferred to the Allies by way of Lend-Lease, 3 per cent were purchased for cash and 82 per cent were retained by the United States. But the ultimate recipients of Lend-Lease supplies, the President said, are not the Allies; they are the Germans and the Japanese whom the Allies are able to kill or capture by using these supplies. A rapid "tour" of the battlefields enabled the President to prove his statement. He listed the supplies sent to each of them, and he demonstrated the decisive part played by American supplies in the great victories achieved in France, Italy, Russia and in the Far East. Nor did he belittle the efforts of other countries. America has received Lend-Lease in reverse to the extent of over \$3,000 million, mainly from this country; this compares with Lend-Lease shipments to the United Kingdom of some \$9,322 million, but it must be remembered that the population of the United States is two and three-quarters that of this country. Man for man, the difference is not unduly large. Mr Roosevelt paid tribute to the war production of this country, and to the sacrifices made by Britain's workers in accepting a lower standard of living. Perhaps the most significant conclusion from the President's latest Lend-Lease report is that America has been able to raise and equip at record speed a large and tremendously powerful striking force, to contribute decisively to the striking power of its Allies by way of Lend-Lease supplies, and to do all this without reducing the volume of consumption of its civilian population, and without reducing the value of its cash exports.

British and American Exports

One of the most significant and, to British readers, startling facts revealed by President Roosevelt's report is the course of British and American exports. Britain's exports, exclusive of munitions, have declined by more than 50 per cent in value and by 70 per cent in volume since the outbreak of war; on the other hand, the value of America's cash exports during the first six months of 1944, at the annual rate of \$2,800 million, was somewhat above the average annual rate of shipments during the four years from 1934 to 1938. In the matter of exports, Britain will therefore start from a much lower level than the United States after the war; this is a serious disadvantage if it is remembered that Britain's merchant shipping fleet—normally an important source of foreign exchange—and the stock of its foreign investments have both been severely depleted during the war. No doubt, the President mentioned the facts about foreign trade in order to restrain ill-informed comment about Britain's economic position and intentions at the end of the war, and in order to put the case for prolonging some Lend-Lease shipments at least until the defeat of Japan. He assured Congress that, in any case, American industry will enjoy a greatly expanded foreign market; but he wisely emphasised the need for devising economic policies that "will make it possible for these nations to pay for their purchases." But America will not merely be able to start its peacetime exports from a higher level in relation to pre-war trade than Britain; the United States is also well ahead of Britain in its preparations for an expansion in the production of the goods of peace, and has, in fact, already begun the change-over. It would be ridiculous to deny America the right to utilise all surplus war production capacity for the purpose of civilian production. But it should not be impossible, through the agency of the Combined Boards in Washington, to ensure that Britain will participate in some measure in the reconversion for peace purposes of productive capacity no longer needed for war requirements. This does not mean that resources should be set free on a strictly proportionate basis in the two countries. But it does mean that there should be no needless time-lag or difference between them in the curtailment of war production programmes. Any unnecessary delay in the resumption of British export trade, or in meeting the very urgent needs of British civilians who have sustained serious

war damage to their houses, and whose stocks of durable goods have steadily dwindled for a period of five years, would be unjustifiable—on the American President's own statement of the facts.

Objections Answered

The local authorities do not like many of the provisions of the Planning Bill. Their objections have been answered in various memoranda recently published by both the Tory Reform Committee and the Central Landowners Association. In so far as the local authorities argue that the powers and grants given to them for the redevelopment of blitzed areas should be extended to all areas, they are mistaking the purpose of the Bill—and it seems to many a wilful and specious mistake. The Bill is intended to hasten and to guide rebuilding where it is most urgently needed, and not to present local authorities with what, as the Tory Reform Committee rightly remarks, would amount to a whole new code of powers for land acquisition. To demand, as the local authorities do, that all land should be liable to compulsory acquisition by the accelerated procedure recommended for blitzed areas, is to raise large issues which not only require a considered and unhurried judgment, but which do not need to be settled immediately. Their concession might, in fact, lead to the diversion of the country's strictly limited materials and resources from the areas where they are most needed at present.

The Landowners' Case

The Central Landowners' Association has, however, quarrels of its own with the Planning Bill. It is pleased with the clause which prevents development by the planning authority where other competent developers exist—though planning circles think that this refusal to allow a statutory corporation to undertake the sort of wholesale development that was done privately at Welwyn Garden City is one of the Bill's worst defects. But it objects to the ban on the creation of new freeholds in compulsorily acquired land (unjustifiably, since the real issue is whether such land should pass out of state ownership at all). The association naturally opposes the 1939 price level as a basis for compensation, and urges that the Uthwatt Committee itself intended "1939 values" and not "1939 prices" to be taken as the basis. The Landowners' Association speaks with most authority and feeling on the subject of agricultural land. It urges that farm buildings should not, as is now proposed for the first time, be subjected to planning restrictions. Perhaps the pleas that such procedure causes delays and nuisance, and that agricultural efficiency should not be prejudiced "by the aesthetic predilections of planning authorities," are too specious to be altogether convincing. The case is otherwise with the justifiable and inexpensive claims that new building and improvements carried out since 1939 should be paid for at actual cost, less wear and tear, and not on a 1939 basis; and that no land should be compulsorily acquired at less than its *post-war* agricultural value.

Compensation for War Damage

The Government's War Damage Scheme has been administered, so far, with efficiency and a commendable lack of bureaucratic fuss. From the start of the scheme, the War Damage Commissioners have laboured under big difficulties. Their first task was to clear off the large arrears of claims made in anticipation of the legislation which brought them into being. The long lull in the enemy's bombardment of Britain provided a much-needed breathing space; but the flying bombardment has increased the work of the Commission to an altogether unexpected extent. The strain has been taken without any sign of dislocation and, more important, without any complaints from the public. It is the Commission's task to administer relief—and relief depends for its effectiveness on the speed with which it dispels anxiety. The evacuees' lot is rendered incomparably more difficult when there is delay and uncertainty in the provision of documentary claims to compensation for lost or damaged property. In pursuance of their essential task, the Commissioners have very wisely shelved all delaying formalities. By the end of 1942 at least

2,750,000 houses had been damaged by enemy action, and of this total 250,000 were either totally destroyed or rendered unoccupiable. With shops, factories, churches, schools, hospitals and other buildings the total number of properties damaged during the major period of bombing was about 3,000,000. Recent estimates have put the property casualties in the flying bombardment at about one million houses. The two annual financial statements made so far by the WDC show that contributions (in respect of land and buildings) are well below payments out. In the period 1941-42 (March 31st) the difference amounted to £10 million; in the following year it was almost £20 million. The figures for 1943-44 are likely to reveal a much wider discrepancy. Most of the compensation paid during the 1941-43 period related to temporary and minor repairs, but the continued inactivity of the Luftwaffe encouraged the repairing of more seriously damaged property. When the accounts opened by the flying bombs come to be settled, and value payments for the whole war period are made, the finances of the WDC in respect of land and buildings may well reveal a total deficit greater than the £200 million tentatively fixed as the initial limit of Government liability. If this is the case, property-owners and landowners may be asked to increase their contributions.

Value Payments

In its memorandum on the War Damage Acts and the Town and County Planning Bill, the War Damage Committee of the Association of British Chambers of Commerce urges the Government to make a statement of their policy on value payments. It is recommended that owners who will receive value payments or "converted" value payments should be guaranteed compensation at a level sufficient to leave them in as good a position financially as if they had received a cost of works payment. A further recommendation urges that a "portable cost of works payment" (i.e., a cost of works payment in respect of rebuilding on a new site) should be awarded, where all owners of proprietary interests are agreed, on a basis not less equitable than that afforded by the WDC in respect of ecclesiastical buildings under section 69 of the Act. While the extent and variety of national war damage preclude anything more than the administration of rough justice in matters of compensation, it is very necessary that every reasonable care should be taken to spread the burden of loss. The equitable reconciliation of standards of compensation will depend on the successful modification of "standard" pre-war values by "escalator" treatment. Absolute changes in the value of money and relative changes in the costs of building materials have already thrown the two methods of compensation widely out of account. The suggestion that claims and appeals in respect of war damage payments and compensation under the Town and County Planning Bill should be afforded equal treatment has much to commend it. It would mean the setting up of a single tribunal for the purpose. On the question of "portable costs of works payments," the Committee's plea for equality of treatment with the churches is largely irrelevant. It was a particular and exceptional aspect of Government policy that determined the course of action to be followed in the replacement of churches—an example of Government paternalism in the interests of religion. Quite apart from this, there can be no parallel between the monetary assessment of a church and of property with a commercial market value.

Czechs and Slovaks

The rising in Slovakia, which has created a not insignificant threat to Germany's communications with Hungary and Yugoslavia, has abounded in quite sensational features. Father Tiso, the head of "independent" Slovakia, dismissed his commanding general, Catlos, for his alleged cooperation with the insurgents. Large parts of the quisling administration have been in sympathy with the partisans. Judging from this, one would think that the Slovaks had been definitely disappointed with the gift of "independence" which they were given when the Czechoslovak Republic was torn into pieces in 1939. Dr. Benes' Government takes the view that, by rising in arms against the Germans, the Slovaks have now as it were opted for their return into a reborn Czechoslovakia. It is also claimed that the insurgents take their orders from Dr Benes' Government. The Slovak nationalists in London have vehemently refuted those claims. The Slovaks, they claim, are not Czechoslovakia's prodigal sons now doing penance.

They fight against the Germans, but are determined to maintain their independence after the war. It would be wrong to generalise on the subject. The Slovaks, at home as well as abroad, are probably divided on this issue. While some of them look back to their association with the Czechs without bitterness and certainly look for reunion, others may continue to dream of separate sovereignty. In this controversy, Russia's attitude will be decisive. The Soviet Government, it will be remembered, has pledged itself to assist in the reconstitution of Czechoslovakia in its pre-Munich frontiers; but it favours a more federal structure in the Republic than there was before the war.

Pacific War

Admiral Nimitz's campaign in the Pacific islands goes steadily on. Japanese harbours and airfields are being bombed along an ever-widening arc, and everywhere this invasion of the air precedes invasion by sea and land. The Philippines have now become a major target. The port of Davao on the southern island of Mindanao, with its neighbouring airfields, has been heavily hit, and the Japanese air forces are being driven back to the north and west. In the north, Volcano Island and the naval base in the Bonin Islands have been attacked from the air—an action which follows naturally from the capture of Saipan, 900 miles to the south. An attack from the sea, however, will have to wait on further defeats or retreats of the Japanese navy, as these islands are only 700 miles from Tokyo. Equally encouraging are signs of increasing exhaustion among Japanese garrisons in the islands already partly held by Allied forces. In New Guinea, the chief object of the depleted garrison is to escape, either to the west and then by sea, or overland to the Vogelkop Peninsula to Sorong. Elsewhere, in New Ireland, New Britain and the Solomons, the stubbornness of the remaining troops is gradually being weakened by the running-out of supplies, by disease and by exhaustion. The slow defeat on the islands is undoubtedly quickened by the effectiveness of Allied attacks by air and sea on Japanese shipping. A ship of over 2,000 tons venturing east of the Celebes, is now a rarity, and the toll of merchant shipping is gradually mounting. In the three months April to June last year, 29 merchant ships were



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accounted for; this year the total for this period was 70. By contrast, the number of naval ships sunk was less, seven against ten last year. This may be taken as an indication that the Japanese are withdrawing their much-diminished fleet nearer to home waters. Meanwhile, the gradual transfer of British submarines and naval craft of all kinds to Pacific waters may help to quell the wholly-ungrounded suggestion that the British intend to play no more than a token part in the Japanese war—in which their direct interest is at least no less than that of the Americans.

Advising Mr Morrison

The Home Secretary is not, apparently, going to allow his Advisory Council on the Treatment of Offenders to think they have an easy task. The members of the Council were only appointed on the last day of the Parliamentary session. They have now had their first meeting, and have been told what they have to do. Their chairman will be Mr Justice Birkett, and among the 20 other members of the Council there is a good sprinkling of social workers, with representatives of law, politics, economics, local administration, and the Church. In an introductory speech on Tuesday, Mr Morrison outlined the problems he is expecting them to tackle. In the first place, he would like advice on how the courts, and particularly the magistrates' courts, by whom the bulk of criminal justice is administered, can be helped to make right decisions about the offenders who are brought up before them. The whole question of juvenile delinquency will cover another part of the Council's work, and, linked with it through the present practice of imprisoning young people with hardened offenders, the difficult problem of reconciling the reformatory and deterrent purposes of imprisonment. Mr Morrison extended an open invitation to the members of the Council to go and see for themselves the prison conditions which they will be planning to reform. Lastly, the Council was asked to see if it could devise methods of spreading ideas accepted by "the best instructed and most enlightened administrators, magistrates, lawyers and other experts" among those who will have to administer the law and its penalties, and among the general public, whose opinion on the reform of criminal justice will be a major factor in determining the rate of progress achieved.

Letters to the Editor

Terms for Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—With reference to the correspondence aroused by your article "Terms for Germany," so far no single writer has touched upon the main issue, which is, that the restriction of war is not a judicial, but instead a pathological problem. War is the effect of a diseased state of peacefulness. Call this disease "Nazism," then the question is, what gave rise to it? Should the answer be "Hitler," then the next question is, what forced him to the fore and gave him power over 65,000,000 Germans? The answer is well known, it is 6,000,000 unemployed. And what threw these men out of work? A world-wide financial and economic crisis resulting from the victorious nations imposing on the world a financial and economic system which did not fit its needs.

Lord Keynes saw this no sooner than the 1919 Peace Conference was concluded. In his book *The Economic Consequences of the Peace* he wrote: "To what a different future Europe might have looked forward if either Mr Lloyd George or Mr Wilson had apprehended that the most serious of the problems which claimed their attention were not political or territorial but financial and economic."

Does not the same hold good to-day? It does not matter how just, how Carthaginian or how moderate the peace is, for so long as the financial and economic causes of war remain, Nazism will sooner or later break out again, and if not in Germany, then somewhere else.

In 1925 Mr Churchill said: "The causes of war have been in no way removed; indeed, they are in some aspects aggravated by the so-called Peace Treaties and the re-

Empire Casualties

The latest total of casualties to all ranks of British Empire forces is 925,963. This number comprises:—killed, 242,995; missing, 80,603; wounded, 311,500; prisoners of war and internees, 290,865. Of the three categories of killed and missing (together), wounded, and prisoners of war, each accounts very roughly for a third of the total. The casualties of merchant seamen in British ships number 33,573 (29,381 killed; 4,192 internees). Civilian air raid casualties in the United Kingdom have been 132,092 (56,195 killed or missing, believed killed; 75,897 seriously injured). The complete casualty total of fighting forces, merchant seamen, and civilians is 1,091,628. These totals cover roughly, but not completely, the first five years of war. They are up to July 31, 1944, in the majority of cases, but to the middle of August in the case of some categories of the Armed Forces. By contrast, the total casualties to British Empire forces in the four years and three months of the last war, which exclude prisoners of war, were 3,490,907, comprising 1,089,919 killed and 2,400,988 wounded. The war has so far cost the Empire in total casualties rather under a third of its losses in the First German War—or, if prisoners of war are left out of the calculation, less than a quarter. On the other hand, the proportion of killed or missing to wounded appears to have doubled in this war; even so the total of killed and missing is only, to date, a third of the last war's total. The war in Europe is not yet over, much less the war against Japan. But it would be an unexpected and unkind fate which now upset this comparison at all considerably. These casualties are lighter than would have appeared possible to the pre-war observer, impressed with the destructive powers of modern engines of war, or indeed to any average citizen who attempted a cold calculation in the summer of 1940. This does not alter the fact that the totals are heavy and grievous enough. Other countries, especially Russia, Poland and Germany, have suffered much more severely—and the experiences of occupied Europe make plain enough that figures are no precise guide to the sufferings or even the losses of a nation. No calculation of world casualties in this war is yet possible; but when and in so far as the full story is told, there is evidence to suggest that the world as a whole will have suffered at least as heavily as in the almost unbelievably heavy and localised carnage of 1914-18.

actions following thereupon." And in 1938: "I have always said that if Great Britain were defeated in war, I hoped we should find a Hitler to lead us back to our rightful position among nations."

In this scientific age the judicial method of restricting war is alchemical. Are we then going to return to our old sorcery of 1919 and once again bind the poison up in our war wounds—this time with hangman's rope? Or are we going to play the part of peace pathologists whose object is not exorcism but cure? Should the majority of the letters you have received reflect the answer, then it would appear that World War No. 3 is inevitable, yet it does not necessarily follow that Germany will next time be our enemy.—Yours faithfully,

J. F. C. FULLER.
Limpsfield, Surrey.

TO THE EDITOR OF THE ECONOMIST

SIR,—The letters published in your issue of August 26th show how profoundly some of your readers disagree with your views on the kind of peace to be made with Germany. Mr L. J. Cadbury agrees that the Carthaginian Peace was entirely successful, but asks "Does the most fire-eating Allied national really propose to go to these lengths with Germany?"

There is a method of destroying Germany as effectively as Carthage was destroyed without the physical destruction of a single individual.

Most of the Allied nationals would doubtless approve in principle to the annexation of some German territory. Why not go a stage further and parcel out the whole

German Empire? The German language would be replaced by the languages of the succession states. Germany as a nation would disappear and, except for the dialects surviving in Austria and part of Switzerland, the German language would be relegated to the classics.

This would be the modern equivalent of a Carthaginian Peace, and in my opinion only such total destruction of Germany will be effective in destroying future German aggression.

When Germany succumbs, the Allied Powers will be all-powerful, and it only needs agreement among themselves to make such a peace possible.

In their first flush of victory the Nazis boasted that they would settle the fate of Europe and the world for a thousand years. Let us take a leaf from their book and give them a totalitarian peace, such as they would have made if they had been victorious.—Yours faithfully,

J. LANDMAN.
London, W.1.

TO THE EDITOR OF THE ECONOMIST

SIR,—Referring to the correspondence published in your issue of August 26, 1944, concerning your leader "Terms for Germany," I would like to point out that the Carthaginian treaties of St. Germain and Trianon, while crushing Austria and Hungary, did not in the long run benefit Czechoslovakia, Yugoslavia and Rumania nor, for that matter, Italy and Poland. Carthaginian terms, amply justified by her conduct, could be imposed on Germany, but this would ensure that Europe will never rise again.

Taken by itself, the problem of Germany is insoluble. The maintenance of future peace, however, depends primarily not so much on Germany as on the solution of the Polish-Baltic, Danubian and Balkan questions. If a real working order can be inaugurated in these regions, good relations between Britain and the USA and Russia could be maintained, and Germany permanently reduced to the status of a second-rate Power. Lacking settlements which will safeguard security and prosperity for those small nations, there is no doubt that the Germans will not fail to restart their well-known practices.—Yours faithfully,

Highgate, N.6.

LEO GESTETNER.

TO THE EDITOR OF THE ECONOMIST

SIR,—As you have printed so many letters disagreeing with your leading article "Terms for Germany," may I for one say that I believe you are entirely right.

To-day we see Germany in the blackest colours. I think we are justified in doing so. Yet what likelihood is there that in another twenty or thirty years, when Germany has for long been disarmed and helpless, when a new disposition of forces confronts us in Europe, we shall still keep the crimes and aggressions of the Nazis in the front part of our minds? Did not some of us condemn the very moderate treaty of Versailles almost as soon as it was made? Did not others of us help the Nazis to rearm? Did not our Government, after Munich, negotiate a trade agreement with them at the expense of the USA? Who can guarantee that we shall not repeat, I do not say exactly these things, but something like them? Or, if not ourselves, then that Russia or America will do so? Let those who deny this indignantly stop and reflect on the changes that history brings.

The only solution to the German problem is to cure the Germans. To-day we are showing that aggression does not pay—that is the first part of the cure. But to-morrow we must show that good conduct and a civilised attitude bring rewards—that is the second and equally essential part. Let us then punish crimes that can be traced to individuals: let us exact suitable reparations and apply such precautions as may be feasible: but let us also bear in mind that the one over-riding requirement of the peace treaty, on which alone it will be judged by our successors, is that it should create conditions in which the German people can live, work and respect themselves as equal members of the European family.—Yours truly,

Marlborough, Wilts.

GERALD BRENNAN.

TO THE EDITOR OF THE ECONOMIST

SIR,—"Every country," writes Dr Drucker, "is responsible for its leaders." In other words: Hitler and the Nazis rule Germany; therefore they reflect the will of the German people; therefore all Germans are Nazis. Dr Drucker sup-

ports the Nazis' myth of the monolithic Nazi State which has been recently so rudely debunked by highly placed members of an essential part of the German State apparatus.

However, it did not require the "revolt of the Generals" for one to recognise this as a myth. The following voting figures show clearly that, up to March, 1933 (after Hitler became Chancellor, January, 1933), the majority of Germans opposed Hitler:

	Social Democrats	Communists	Republic	Nazis	Nationalists
1928	9,151,000	3,263,000	8,838,000	809,711	4,380,000
1930	8,572,000	4,587,000	8,054,000	6,401,000	2,458,000
1932 (July)	7,951,000	5,278,100	6,581,000	13,732,000	2,172,000
" (Nov.)	7,247,000	5,974,000	6,313,000	11,713,000	3,064,000
1933 (Mar.)	7,176,000	4,845,000	6,260,000	17,265,000	3,132,000

After Hitler became Chancellor, and before the election of March, 1933, a campaign of terrorism against, and violent oppression of, the Socialist and Communist opposition was waged. No observer in Germany, with any claim to objectivity, failed to realise that the Nazi Party played not merely with marked cards—but with guns by their hands. Yet even in these conditions 18 million odd German men and women voted against Hitler, while a minority of 17 million odd voted directly for him!

That Hitlerism is by no means the "natural" expression of the German people's will is surely made clear by the measures taken by the Nazis to crush all political, or even potentially political, opposition, and to forever prevent any such opposition from again crystallising.—Yours faithfully,

London, S.W. 11.

H. DEWAR.

TO THE EDITOR OF THE ECONOMIST

SIR,—Arising out of the correspondence in your columns of August 26th, may I be allowed to ask two questions?

First, there is much use of the word "Peace." Does not an Armistice usually precede a Peace? And why should there be any peace with Germany for, say, ten years or more, so as to give us all breathing time during which we can only hope she can get rid of her gangsters big and small, overcome the internal dissensions and killings that are bound to arise over the next few years, and possibly develop gradually some form of stable and reasonably trustworthy democratic Government under honest, decent but strong leadership?

Secondly, there is constant mention of the word "Disarmament." What is disarmament in these highly technical times? It not only embraces material but mental planning and experimentation. While the Allies are destroying German guns, airplanes and so on, the German General Staff, their boys in the back room and the industrialists will be preparing their plans and experimenting for V5 to V15 without the people of the world being aware of what is going on in the cellars or forest wilds of Germany.

On the last occasion, say what one will, she was not disarmed materially or mentally, nor had she any really stable Government until the Nazis came into their own. Added to this, the General Staff never stopped functioning, while internal strife and small foreign wars (the Chaco, Spain, Abyssinia, &c.), gave the fighting elements, young and old,

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continuous opportunity over two decades to keep their hand in for practice and experimentation.

On this occasion, and for the sake of the youngsters, let us hope that the Allies will face up to long-term reality in dealing with this whole question.—Yours faithfully,

London, S.W. 1.

G. J. SCOVELL.

TO THE EDITOR OF THE ECONOMIST

SIR,—The recent correspondence following your article "Terms for Germany" appears largely to miss the main point of the submission.

As I see it, your view is that the peace terms must not only be such as to preclude Germany from entering into another war in our time, but must be of a kind certain to be enforced by succeeding generations, who will not have the penalties of false sentiment so vividly before their eyes.

Few of us would quarrel with that view, but most will hope that the terms imposed—while initially severe—will be capable of adjustment, so that a new generation of Germans, having proved their sincerity, may be permitted to take their place on level terms with members of all other peace-loving nations.

Clearly some such hope must be given to Germany if there is to be any prospect of future peace; but we have been deceived as to her sincerity before, and it is vital that this time we make no mistake.

Fortunately there is one stipulation which can be made in the Peace Treaty which, if all other prohibitions are relaxed, will still ensure that Germany can neither prepare for nor wage war, and it is of such a commercially minor nature that its imposition could not reasonably be looked upon as punitive.

It is not generally realised that mechanised warfare would be impossible without alloy steels, i.e. without steels to which have been added greater or lesser amounts of certain special metals.

These special metals, the principal ones being tungsten, vanadium, molybdenum, chromium and nickel, give to the steel the hardness, toughness or heat-resisting characteristics which alone have made modern armaments possible, and without adequate supplies of these materials no nation could contemplate war.

Because of their nature, it is usually necessary before adding them to the steel to convert the ores of these special metals into ferro alloys (i.e. into an alloy of iron and the particular metal concerned) and, as a result, most steel-producing countries also possess a ferro-alloy industry.

Since Germany does not produce sufficient of the ores of these special metals to supply even her normal commercial needs, it is clear that a complete prohibition of the manufacture of ferro-alloys and the control of imports of these materials, together with a total ban on imports of the ores of the special metals would effectively prevent the production of armaments and ensure that Germany's wars of aggression are not repeated.—Yours faithfully,

F. C. MANNOX

Hornchurch, Essex

TO THE EDITOR OF THE ECONOMIST

SIR,—I think that many of your correspondents are treating you hardly. Your point is quite clear to me, and I am sure it is valid.

There is a myth which is being sedulously propagated that "appeasement" was a disease which afflicted only the "Right." This is as dangerous as the German "stab in the back" myth. It overlooks the Fulham by-election, the speeches of Labour Ministers at the ensuing General Election and the Peace Ballot. It overlooks, too, the happy visits of Sunday-school parties to Germany, during which the Hitler Jugend, strictly to order, showed off the Germany which Hitler and his predecessors did not create. It overlooks further that the attacks on Lord Vansittart, who knows what he is talking about, come mainly from the "Left."

What is now happening at Dumbarton Woods, has a bearing on this issue. A friend said to me years ago, "The trouble about the League of Nations is that people thought they were taking out a fire insurance policy, while really they were joining a fire brigade." I have never heard the point better put. The peace must provide effective machinery for enforcement, and must be so framed that American, British and Canadian voters now in their infancy or as yet unborn will fight or tax themselves to uphold it, if that should become necessary.—Yours, &c.,

Peterborough.

GEOFFREY TOULMIN.

TO THE EDITOR OF THE ECONOMIST

SIR,—Your article on "Terms for Germany" and the correspondence so far published seem agreed that the sole guilt for this war rests with Germany. The point at issue concerns the nature and degree of punishment.

Personally, I challenge the whole basis of your own and your correspondents' approach to the problem. It savours to me of blimpish righteousness. Neither war-mongering, racial arrogance nor organised brutality are peculiar to Germany.

The problem of Germany is the problem of Europe and the world—the problem of so ordering social relations that men in pursuit of their vital needs, their rights and their vanities, will find their collective and their individual good coinciding.

This will not be achieved by any scheme of punishment for Germany—Carthaginian or otherwise. It will be achieved only by destroying the roots of conflict among men: by a process of institutional changes that will take away the power of one class or nation to batten upon another.

In making those changes the common people of Germany have as much to contribute as the people of any other nation.

GEORGE LAWSON.

Glasgow.

TO THE EDITOR OF THE ECONOMIST

SIR,—I enjoyed *The Economist's* article, and I think its case against a Carthaginian peace is final, though it might have been put even more strongly.

But is there any real objection to a generous peace? We have it from Mr Morrison himself, no friend to the Germans, that Germany aggressed because she was poor, and there seems no reason to doubt Hitler's statement of January, 1939, that Germany must export or die. Why not see to it that Germany becomes prosperous and has a fine export trade?

Your anti-German correspondents would object that it would be easy for her in that case to make a successful bid for world power. But nations are composed of people, and people who are comfortably off do not want to boss the world. People who are poor want to get their own back on the world, tend to hate the Jews and develop other peculiar psychological manifestations. I know this because I have been poor myself.—Yours faithfully,

Oxford.

TERENCE GREENIDGE.

TO THE EDITOR OF THE ECONOMIST

SIR,—In his letter which you published on August 26, Mr Midgley writes: "Perhaps you think that future wars will be carried on without armaments," and he dubs the idea "fantastic." But is it?

Much of this war, both before and after 1939, has been carried on in just such a way, by propaganda, suggestion and skilful demoralisation. Almost throughout Europe the Nazi machine was at work before 1939. It is this that you call "the political war without end" in your leader of September 2nd. It is something to be feared as much as German rearmament—because the majority will not understand that it is going on.

It is, in my view, quite arguable that the political war would be easier to counter were Germany to be partitioned, not as a means of reward or compensation to surrounding countries, but into constituent states for her own good—these states to have a customs union and possibly some common system of communications, but no other unifying machinery (no unified police or bureaucracy and, of course, no arms).

The traditions of the old German states are many of them worthy to be remembered and might well prove satisfying to their inhabitants. Almost all the greatest Germans belong to the period before the Empire.

Is there not a great hope of regeneration in Germany by reviving the traditions of which Germany and Europe can be proud—the traditions of a culture which flourished before "kultur" was invented. Is not this a way to introduce into our policy that positive element which is now lacking but which is essential for a lasting peace settlement.—I am, Sir, yours faithfully,

M. P. MURRAY.

Bramley, Surrey.

AMERICAN SURVEY

Businessmen's Expectations

(From a Correspondent in Boston)

AMERICAN businessmen have no affection for crystal gazing. Yet expansion of their type of private enterprise requires much forecasting of events. The turn of the fighting finds them well advanced in the timing and planning of their post-war activities.

That this looking forward is done with relish is indicated by their advertisements. These have gradually changed from the "Whee-look-at-me-in-the-war" theme to pictures of the White Knight of American Business, astride his championing steed and eager to be off to rescue suffering American housewives from interminable war hardships, by carrying to their doors new cadmium-plated, plexi-glass kitchens that will automatically cook the meals and wash the dishes, at the simple touch of lily-white fingers on two-ball-bearing push buttons.

In this transition of business thought from war to peace certain time-table assumptions and certain economic limitations have shaped up. The current *Harvard Business Review* (Summer, 1944), among other publications, affords a basis for the following postulates:—

1. *The European phase of the war will end by late autumn this year; the Pacific phase by the middle of 1945. The initial stage of demobilisation and reconversion will continue until June, 1946, when the "normal decade" will begin.*

2. *There will be such an organisation of peace as will secure a tolerable world security during the decade. The United States will have an active, but not disproportionate, share in that organisation.*

This seems to be a safe assumption in the light of the Dumbarton Oaks Conference. Secretary Hull has already let the cat out of the bag about the World Security Organisation. President Roosevelt's endorsement is inevitable. So is that of the Republican nominee, Governor Dewey, although he may feel under some compulsion to advance a few points of criticism for the benefit of his following in the Middle West—who still feel they can patch up the hole in their window that the war has made, and once more aloofly peer at the queer world outside. But Mr Dewey's principal adviser on foreign affairs is John Foster Dulles, a New York lawyer and internationalist who has been a State Department visitor for some years and whose views in a general way parallel those of Mr Hull.

Incidentally, this assumption indicates how casually Americans in general are taking extremist demands for continued vast armaments in the post-war period, and the equally extreme insistence in some minor quarters of Congress for outright possession of strategic island bases.

3. *There will be no further shifts of enterprise from the private sector to the Government.*

This slips off the tongue rather easily, but it is possible that it represents wishful thinking on the part of business rather than hard realities. It is difficult to reduce anything so complex as an American political campaign to a single, simple issue. Yet if there is one dominant philosophical point of divergence between the Republicans it is the extent to which the agencies of Federal Government should be used in helping the people to meet the economic shocks of an industrial society.

The position of business in this is clear. For years it has lined the highways with great billboards proclaiming "The American Way of Life," and insisting that this "way" is one of private enterprise and Government *laissez faire*. Labour, in turn, has raucously dubbed it, "The National Association of Manufacturers' Way of Life," and has energetically insisted that when industrial wheels slow down it is the duty of democratic government to do what it can to speed them up, while simultaneously cushioning the hardships of those who suffer most. The Kilgore-George fight that occupied Congress through much of the hot Washington summer revolved around the amount of money to be given to those unemployed during the period of reconver-

sion, and whether the Federal Government (Kilgore Bill) or States (George Bill) should disburse it.

4. *The average United States price level will be close to that of 1942.*

In relation to the previous decade the 1942 price level was quite high. It entailed wage payments and standards of living that exceeded any previous level of American experience—even that of the lush and lamented 1920's.

In terms of trade it means that American business is assuming it will have a high price product to sell in a generally deflated world. It conjures questions as to how American business proposes to trade competitively and reciprocally in the global markets that are from time to time so glowingly portrayed in the press. The answers are not forthcoming; it cannot be said that American business is even pondering them yet.

5. *America's average annual net income will range between \$115 and \$125 billion during the "normal decade," 1946 and 1956.*

This is a middle ground assumption. Liberals believe it will require an income of \$130 billion to supply adequate employment and living standards. But a \$115 to \$125 billion average means that business contemplates a reasonably happy way of life.

6. *Finally, business assumes that the Federal Budget will be balanced.*

It seems to be agreed that the post-war Budgets will run around \$20 billion (during the war they have reached \$100 billion). If this \$20 billion is balanced with revenues, it means that the present heavy war taxes cannot be cut by more than half; that the good old days when a middle-class family paid only \$50 or \$60 a year to the Federal Government in income taxes will never return. This family, it is true, can look forward to relief from the taxes that now take \$500, but even half of that amount still represents a new fiscal era for Americans, and perhaps portends a more acute interest in how their Government is conducted.

American Notes

The Farmer's Future

The American farmer has enjoyed quite exceptional prosperity as the result of the war and, as is only natural, Congress, the Administration, and the farmer himself wish to see this desirable state of affairs continue. The pro-

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rection of farm prices is already guaranteed for a two-year period after the end of hostilities. What is most encouraging about current discussion is the hope that a return to the scarcity economics of the thirties may be avoided. Then, measures of agricultural restriction failed to solve the "farm problem" and destroyed food desperately needed by the undernourished one-third of the nation. The war has shown that, when adequate purchasing power is available, all but a very small proportion of American production can be absorbed at home. Department of Agriculture experts now estimate that, with full employment, 95 per cent of American farm produce will be consumed in the United States, leaving only 5 per cent for export. Mr Wickard, the Secretary of Agriculture, in testimony before a House committee, has stated that the three conditions necessary for adequate, permanent demand for all farm products are full employment at fair wages; assistance to low income families in obtaining more food and textile production; and the possibility of exporting a certain volume of farm products. Presumably the assistance to low-income families might take the form of the food stamps already tried out, whereby commodities declared to be surplus were distributed free to needy families. Where it came to more strictly agricultural policies, however, both Mr Wickard and Mr Jones, the Food Administrator, were more cautious, and emphasised such uncontroversial measures as soil conservation, the retirement of sub-marginal land, rural electrification, better roads, and improved marketing facilities. Both mentioned the desirability of the family-sized farm, and Mr Wickard insisted that the farm problem was primarily one of people, rather than economics; that the main aims were the provision of abundance to the consumer and a good way of life for the farm family rather than—although he did not say so—the most efficient production. It is hard to avoid the conclusion that in some respects agriculture was over-extended in peace-time; and that basic maladjustments have only been glossed over by wartime demands. It is certainly true that continued guidance of production in accordance with estimates of demand might avoid the repetition of unsaleable surpluses. But it is unlikely that farmers would stand for the extension of wartime controls. The result may be a heavy, if concealed, charge upon the taxpayer and consumer if the need for reducing the farm population and increasing agricultural efficiency are not met.

Leakages

The speciality of Mr Drew Pearson, columnist, is leakages, and he has been severely taken to task in the past by President Roosevelt. But his most recent effort has caused more than the usual sensation. In his syndicated column, Mr Pearson asserted that the resignation of Mr William Phillips from General Eisenhower's staff was due to the demand of the British Government, who declared him *persona non grata* as the result of a critical secret report sent to President Roosevelt when Mr Phillips was in India as special Ambassador. This is a fabrication, but the effect of denials by Lord Halifax and the State Department was merely to elicit from Senator Chandler (who once said, "I am neither anti-British nor anti-Russian, but I am prepared to be both") what purports to be the full text of Mr Phillips' letter to President Roosevelt in 1943, and in addition, what he declared was the decoded version of a recent cable from Sir Olaf Caroe, Secretary to the Department of External Affairs, India, to the Secretary of State for India, dealing with the publication by Mr Pearson of excerpts from Mr Phillips' letter. In Congress there have been sharp demands that the British Government should cease meddling in American affairs, and a resolution was even introduced into the House demanding that Sir Ronald Campbell and Sir Girja Bajpai be declared *persona non grata*. This has now been pigeon-holed. It is the election season, and on the fringes of both parties no holds are barred, no matter what restraint prevails at the centre. Indeed, at any time, irresponsibility is one of the cardinal features of the American political system; and Senator Chandler is distinguished neither by his caution nor his discretion. What remains a mystery, and something of a scandal, is how American confidential documents and even coded British telegrams came to find their way into Senator Chandler's hands, for him to make political use of, and to misinterpret in the most mischievous way.

Wedding March

There is a popular American song, "They're Either Too Young or Too Old," bemoaning the miserable lot of the war-time spinster. Facts bear out the catastrophic decline in eligible bachelors. In February, 1944, there were only 2,500,000 single male civilians from 20 to 44 years old, compared with 8,400,000 in 1940. This decline is not entirely due to the ruthless demands of Selective Service. There has, in fact, been a most impressive increase in the number of marriages in the war years. In 1940 there were about 30 million married women, constituting not quite 60 per cent of the female population 14 years and older. In February, 1944, this number had increased to 32.9 millions, nearly 63 per cent of the total. This is a striking change from the decade 1930-1940 when there was practically no change in the proportion of married women. Some of these "war marriages" unquestionably are the result of better wages and postponements from the "thirties." More, however, are the direct, rather than the indirect consequence of war, as is shown by the fact that the main increase has been among women under 25. In 1940, 28 per cent of the female population aged 14 or over were married; in 1944 the proportion was 33 per cent. About 2.7 million women report that their husbands were in the Armed Forces in February, 1944. Almost half of these women were under 25. Of the married women from 14 to 19, about 40 per cent were married to Servicemen, and of women from 20 to 24, the proportion was about 30 per cent. But marriage is in the air. Even among men over 45 the proportion of those married has gone up, significantly more than the figures for women of the same age group. This trend is not likely to continue for long. For one thing, as more Servicemen are sent overseas opportunities for marriage will fall. In the long run, too, the present march to the altar will prove to have robbed the future. Some of these marriages, as is the nature of war marriages, may prove to be less than permanent, although as yet there is no change in the proportions of widowed and divorced persons in the population. But in the years following the war, it would seem wise to expect a substantial increase in the demand for new houses, furnishings, baby carriages, lawn mowers, and all the other equipment needed for a large population of newly-married people, enabled for the first time to set up housekeeping.

The Railroad Suit

The most recent of the Department of Justice's many pending anti-monopoly suits was instituted last week against Western Railroads, the Association of American Railroads, the Western Association of Railway Executives, J. P. Morgan and Co., and Kuhn Loeb. The charges are those of violating the Anti-Trust Act by collusive rate-fixing and by discouraging improvements in service and equipment. It was alleged that the two investment houses control substantially all the financing operations of the railroads in question. The case has its special geographical and political, as well as economic, interest. The West and the South have long complained that their industrial development and agricultural well-being were retarded by discriminatory freight rates, which were used to maintain the industrial supremacy of the North-East. This is the last remnant of the bitter hatred of the railroads which characterised the Middle West at the end of the last century, and led to increasingly strict control of railroad rates, financing and policy. In the defence of the Western roads, it is probably fair to say that returns on heavy capital investment are less in the more thinly populated West than in the East; and the position of the railroads has been very adversely affected by competition from motor transport. What the conservative Eastern press finds difficult to understand is the possibility of collusive rate-fixing when rates are controlled by the Inter-State Commerce Commission; and it has concluded that this is a campaign gesture on the part of the Administration for the benefit of the South and West. If this be so, it appears to have been a successful move. The Middle West, Conservative and Liberal, has endorsed the allegation of unfair rates, although there is some doubt as to the wisdom of pressing the case during the war. It is their contention that the Interstate Commerce Commission now does little more than accept the rates fixed by the railroads. If this is true, Attorney-General Biddle's housecleaning might well begin in Washington.

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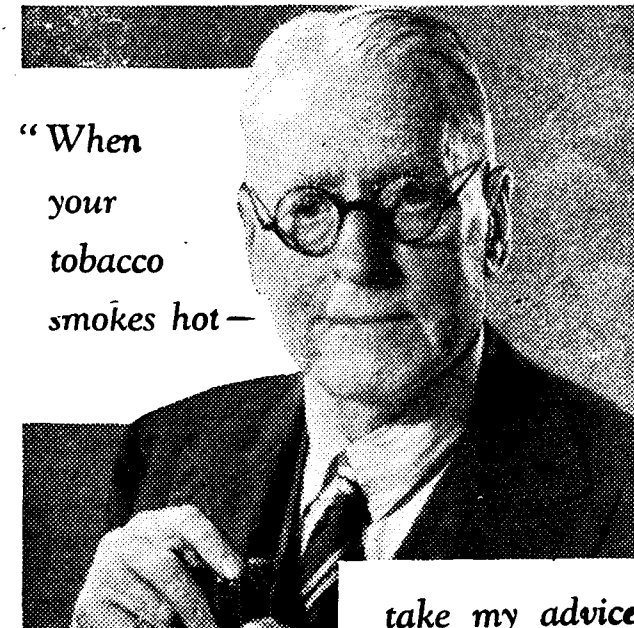
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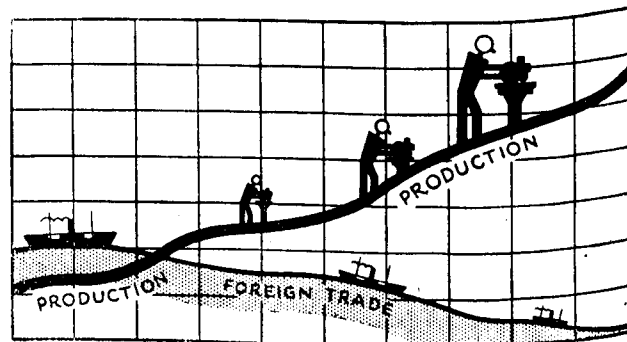
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THE BUSINESS WORLD

The International Bank

DISCUSSION of the Bretton Woods Agreements has been almost wholly occupied with the merits and shortcomings of the Monetary Fund for exchange stability. Yet it may be that the proposals for the International Bank for world investment will prove to be of greater importance. Certainly the Bank may have better prospects than the Fund of being put into operation. If the Monetary Fund proposals were not to be ratified by the United States and Britain, as might happen, it is safe to assume that some workable alternative would take their place. International trade will not stop if the Bretton Woods recipe for arranging the relationship of the world's currencies is rejected. Some other temporary system of exchange stabilisation, perhaps resembling the Tripartite Agreement of the pre-war years, would take its place. But if the plan for an International Bank miscarries, it is by no means certain that there will be an alternative to take its place. As long as there is international trade, currencies must find some relationship one to another, and that relationship must be rationalised into some sort of system—however elastic. But there is no comparable necessity for capital to flow from one country to another, however great the need for such a movement. It is all too probable that, without some international institution such as the proposed International Bank for Reconstruction and Development, the international capital market would in the immediate post-war years be crippled.

It is, therefore, some consolation that, in the present political temper of both this country and the United States, the Bank probably stands a better chance than the Fund of being accepted and implemented. As defined in the Final Act of the Bretton Woods Conference, the purposes of the International Bank are as follows:

- (1) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by the war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.
- (2) To promote private investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and other resources.
- (3) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labour in their territories.
- (4) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.
- (5) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank is clearly intended to fit into a state of world affairs in which there is comparatively free multilateral convertibility of currencies; it is the present widespread doubts about the likelihood of this state of affairs which has caused corresponding doubts about the practicability of the Bank and the Fund. It is specifically stated that "the Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members." Currencies paid into the Bank by way of capital subscriptions are to be loaned only with the approval of the member countries whose currencies are involved, but in most other respects the currencies held by the Bank will be available without restriction.

There can be no quarrel with the declared objectives of

the Bank. The desire to aid reconstruction and development and the intention to do so, while fostering the balance of international trade, and within the framework of a steadily expanding world economy, are unexceptionable and most necessary. The means by which the Bank intends to operate is to assist and supplement private investment—not to supplant it. The proposed size of its resources should not, therefore, be judged by the criterion of post-war needs for international investment. There will be other sources from which the need will be fed. The capital of the Bank will in any case be quite sizeable—\$10,000 million, which about equals the vast outpouring of capital over the frontiers of the United States during the decade following the last war.

It is only intended to call up 20 per cent of this capital, but this does not necessarily mean that the direct loans of the Bank will be limited to \$2,000 million. The Bank is to have power to issue its own obligations in the market and to use the proceeds to make direct loans. Such loans, however, will only be made "when private capital is not available on reasonable terms"; and it may be assumed that the credit of the Bank will be used primarily to guarantee loans made by private investors. This mechanism of guarantee will mean that international loans are placed in the countries best able, by the state of their balance of payments, to provide such capital, but that there will be a true international responsibility for the loans. The risk will be taken by all, but the actual cash will be provided by those best fitted to furnish it.

But it is quite impossible to pass judgment on the Bank merely on the basis of the Bretton Woods description. It all depends on the conditions in which the Bank will be called upon to work. Its capitalisation might look much less than adequate if the Bank were saddled with the task of filling every prospective deficit in international balances of payments; but that cannot be its responsibility. The temporary balancing of such deficits will be the rôle of the Monetary Fund or of whatever organisation takes its place. On the face of it, therefore, the adequacy of the resources of the Bank should not be judged by estimated variations in international balances of payments. On the other hand, those variations in balance and the policies adopted in regard to them will have a powerful influence on the prospects of international investment and, most of all, repayment. Large international loans can, should and, no doubt, will be made. The Bank will be a most valuable and necessary instrument and aid in making them. But will they, or can they, be repaid? That is the crux on which the maintenance, though not the resumption, of international investment depends.

If reasonable conditions for the much-needed resumption of international investment do exist—as it is most devoutly to be hoped—then the success or failure of the Bank will be decided, first, by the quality of its management; secondly, by the fiscal policies of the investing and creditor countries; and thirdly, by the measure of financial honesty in the post-war world. Perhaps the last of these points deserves first mention. At the basis of every loan operation there stands the willingness, as well as the ability, of the debtor to pay it back. No ingenuity of lending technique, no freedom from customs barriers, no full employment policy on the part of the lender will serve if the debtor's policy is one of default. Some recent events do not perhaps augur too well for such honesty.

The success of the Bank's loans, given the willingness of debtors to repay, will then be a function of the wisdom with which its operations are conducted, especially of the judgment shown in choosing borrowers, and—inexorably—of the kind of world in which it will operate. In comparison

with these two factors the mechanism of its loans and the form they take will matter very little. The first problem will be that of selecting honest borrowers and constructive investment projects. The second will be to see to it that the creditors are prepared to accept the service of their loans in goods or services. The experience of the inter-war years has naturally caused this subject of international investment to be regarded in a defeatist light. There is, of course, no inherent difficulty in fitting the flow of international capital and of the subsequent service on international debts into the pattern of a reasonably well-balanced account of international payments. Between 1870 and 1914 Britain invested abroad to the amount of about £3,700 million, and, on the whole, those investments proved extremely profitable. By and large, they were wisely chosen and brought profit to creditor and debtor alike. Nor was the slightest difficulty ever encountered in remitting the service of these loans to Britain, even in years when Britain was comparatively depressed. British money opened up the Argentine and British mouths ate Argentine beef and wheat.

In quality the post-1918 international loans did not, on the whole, compare well with those made before 1914; and

the conditions were different. The loans often appeared under far more impressive auspices. The League of Nations had its reconstruction loans and Government guarantees abounded. But many of these loans were mere "deficit plugging"; their proceeds were not used productively. Moreover, and even more important, many borrowers were not in a position, whether the loans were productive or not, to make the necessary exchange transfers for service and repayment. Debtors must be able as well as willing to repay. The multiplication and heightening of tariff barriers made it increasingly difficult for the loan services to be remitted. The readiness of the creditors—and for the time being that must largely mean the United States—to accept payment of the service on these loans in goods or services is crucial; and this readiness to import as befits a creditor will in large measure depend on the level of national income and employment maintained in the creditor countries. The International Bank can play a vital rôle in the right conditions; and there is nothing in its proposed size or constitution to prevent it from fulfilling that rôle most successfully. It represents a hope for the return of mutual aid, economic sanity and political honesty as the principles of world order.

The Future of Inland Transport—II

THE post-war aim of public transport policy, as of economic policy generally, must be to ensure the conditions of rising productivity. In the case of transport, a rise in productivity means the provision of an efficient service at the lowest possible total real cost within the widening limits of technical knowledge. What is needed is a system of incentives designed to ensure a flexible integration of the various means of transport, in which the test of the efficiency of rail, road, air, coastal shipping and canal will be their contribution to national efficiency.

In a first and fact-finding article last week an attempt was made to show why the pre-war regime of public transport did not adequately satisfy these conditions. It could not bring about the distribution of capital expenditure on the various transport facilities, and the allocation of traffic between them, that would have ensured the lowest total real costs. This was due, not so much to the inefficiency of the parts, as to peculiar technical, economic and legal obstacles.

It has long been recognised that this pre-war set-up could not be maintained indefinitely. But there is anything but unanimity about the lines on which a satisfactory solution should be sought. It would be naive to explain this lack of unanimity simply in terms of a conflict of interests between the various means of transport or of opposed political views. It is due in large measure to the complexity of the problem and to the lack of relevant facts. The solutions that are advocated may be grouped under three headings. A large body of transport (rail and road) and independent opinion sees the solution in price competition on the basis of equality of opportunity. Among the less orthodox, one group (including certain of the transport interests) advocates joint price-fixing and a sharing of traffic between the financially independent means of transport, with "competition in service"; another (favoured by a growing body of independent opinion) suggests the creation, under the auspices and supervision of the Government, of a community of interest between the various facilities as the best and quickest way to achieve technical integration. The merits of these suggested solutions can be ascertained by submitting them to two tests. First, how far do they satisfy the criterion of efficient transport? Secondly, are they capable of practical application?

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At first sight price competition on the basis of equal opportunity seems undoubtedly the most attractive. Its advocates believe that it would automatically ensure the right kind of "balance" between the various means of transport and provide the necessary incentives to technical progress and adjustment. If, for strategic reasons, unprofitable facilities have to be maintained, or if, for social or economic reasons, certain goods and passengers have to be conveyed at prices lower than market prices, the cost should be borne by the community in the form of a subsidy and not by the owners of transport.

The creation of conditions of equal opportunity would

inevitably involve the abolition of legal discrimination between the various means of transport. This means, for example, that the railways would be able to enjoy the same freedom as the road in fixing its prices—they pressed for this before the war—and that the road would be able to enjoy the same freedom as the railways in adding to its rolling stock. Such general regulations as may be necessary to ensure reasonable wages, conditions of work, safety, and so on would be applicable to all means of transport. The sweeping aside of legal discrimination, while not necessarily preventing the road from carrying an increasing proportion of the light traffic in the area of business where road and rail present in fact competitive alternatives, would enable the railways to charge more in the area of business where (for the reasons given in last week's article) there is, for practical purposes, no competition—that is, the carriage of coal and bulky goods and, presumably, certain passenger journeys.

The abolition of legal discrimination alone, however, will not create conditions of equal opportunity. One of the difficulties of the railways is that, in planning capital expenditure, they have to look much farther ahead than road operators; the average length of life of railway equipment is about four times that of road equipment (exclusive of the roads themselves, which are owned by the state). More important is the difference in track costs which, as was shown in last week's article, is one of the chief clues to the success of the road; track charges represent a much higher proportion of costs for the railways than they do for road operators.

On this matter of track costs, the views of road and rail are diametrically opposed. Road users define track costs as the amount actually spent by the Government in interest charges and maintenance, and, on this basis, point to the fact that the total revenue derived from the taxation on public and private vehicles actually exceeds the Government's road expenditure. Railway spokesmen, on the other hand, contend that the main reason for the lower track costs of the road user is the fact that the bulk of past expenditure on road construction has been met from taxation and therefore does not carry interest; that the petrol engine, in fact, has inherited a large part of its track free of charge; and that, if the railways had "written down" their own track below its present value the railway user would have had to pay higher charges in the days when they had a virtual monopoly of inland transport. The difficulty is a real one, but none of the many schemes proposed by railway interests can offer an adequate solution. Most of them, inevitably, are based on the "handicap" principle in that their object is to deprive the road of its inherited advantage. This applies to the scheme for the pooling of track costs between the various means of transport that has been recently under examination.

In spite of the difficulty about track costs, it would no doubt be possible, with rough justice, to devise conditions of greater equality of opportunity between the various transport facilities. But even then it is doubtful whether price competition would automatically bring about the desired result—that is, the lowest possible total real costs of public transport.

The second solution, which involves joint price-fixing, has few sponsors among independent students of transport, for it would confer a private monopoly upon the public transport industry. It has some adherents on the road side; its railway exponent, Sir William V. Wood, president of the LMS, outlined the scheme in these words during an address on October 12, 1943:

I consider that the way is now clear for the adoption of complete equality in regard to charging powers, leaving the users of public transport free to choose the system they prefer to use at a particular time, thus achieving a natural allocation of traffic between the various forms of transport. It would permit a system of correlated charges, not necessarily uniform, agreed between the forms of transport, and that in turn should lead to a re-routing of various traffics, "through" movements of both passenger and merchandise traffic by two or more forms of transport and pooling of resources. Such natural flow would be very greatly facilitated by area fusions or associations of road hauliers (apart from purely local hauliers) like those already achieved by the omnibus undertakings. There would be competition in service to provide the stimulant to progress, but it would be regulated competition and not wasteful. There would be scope for expansion and for the development of new facilities for all forms of transport, leading to a balanced general scheme. One example is the electrification of the railways for main line purposes. In the past, the lack of consideration of transport requirements as a whole, and the undue risk incurred in expending large capital sums on fixed plant have been the chief obstacles to such developments.

Sir William's ultimate objective is evidently the technical integration of the means of transport. His means are joint price-fixing and, apparently, a sharing of traffics. True, there would be safeguards in the form of profit limitation, competition in service, tribunals to investigate and settle complaints about charges and facilities, as well as alternatives to public transport in the "C" licence for the haulage of goods and in the private car and the cycle for the conveyance of passengers. But would a private transport monopoly of this kind necessarily ensure the conditions of

efficient transport? And is it likely to be accepted as a solution by the public and Parliament? Even if the solution were generally acceptable—which is most unlikely—there is a great danger that, in spite of the best intentions, it would not achieve its object. There would inevitably be a tendency for rates to be fixed at a level that would provide a return on the capital of the party with the highest costs; profit limitation would be to the disadvantage of the party with the lowest costs. The incentives to cost reduction and technical progress are not likely to thrive in conditions of financial security. Joint price-fixing would be a step in the wrong direction.

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Both price competition on the basis of equal opportunity and joint price-fixing as proposed by Sir William V. Wood have as their ultimate objective a "balanced" transport system. In most fields of industry and trade, competition secures efficiency and the necessary technical adjustments, but in the peculiar conditions of British transport the competitive solution is not only beset with a host of practical difficulties, but it may also be a remedy of doubtful efficacy. Joint price-fixing and traffic sharing by an all-embracing private monopoly, though no doubt technically feasible, might, in spite of good intentions and safeguards, impose upon this country a regime of high costs to which the consumer of transport would take the strongest exception.

There is a third solution, and it seems likely that this is the one that is most practicable as well as fulfilling the conditions of efficient transport. The basis of this solution is the technical (as distinct from financial) approach to the problem. Its aim is to create the technical conditions that will ensure the efficiency of the whole as well as of the separate parts. The form in which this solution might be put into practice will be outlined in a final article.

Business Notes

Paris Bourse Re-opens

A week ago the first of the stock exchanges of the Continent to be freed from German control, the Paris Bourse, recommenced business. It will, presumably, be followed in the immediate future by Brussels and after no very long delay by Amsterdam. Although these exchanges will now be free from the German yoke, their contact with the outside world must, for some time, be of a very modified character. In the first place, assets of the nationals of the liberated countries in Britain are still under the control of the Custodian of Enemy Property. Every effort will be made to remove this control, but the process must of necessity be a lengthy one in view of the difficulty of ensuring that no freed assets should pass into German ownership or control. Further, there is the question of protecting the value of the pound. It is to be hoped that there will be all-round relaxation of controls, but the movement is likely to be a slow one. There can certainly be no question of an immediate resumption of arbitrage business between the liberated countries and Britain. Nonetheless, the liberation is a large step towards an eventual restoration of market contacts, and it is probably a realisation of this which has caused a considerable fall in the so-called "internationals," dollar securities such as Canadian Pacific, Brazilian Traction, and International Nickel. It seems probable that, after a delay which may be long or short, the holders of such securities, or their Governments, will be sellers of these stocks in order to obtain dollars. Granted some freedom of intercourse between markets, all these will be sold in London so long as the price here is above parity, and, even after the recent fall, there is still a considerable margin in favour of London. This argument does not apply with the same force to other securities, such as South African gold mining shares, in which the Continent is largely interested. But it may be the case that there will be some selling pressure in this market also.

The Setback in Equities

The country is now sufficiently adjusted to the Allied armies' great exploits in the west for it to be possible to assess the effects on Stock Exchange securities. Although the extent of the reaction in prices was, at its greatest, much larger in some of the market leaders, the extreme range in the equity index of *The Financial News* was a fall from 116.9 on August 9th to 111.0 on August 22nd, a drop of 5 per cent. The weekly average figures of the same index, of which a chart is given on page 364, show a maximum decline of under 4 per cent. Meanwhile, fixed interest stocks improved by rather less than 2 per mille. An even less striking picture is presented by the equity share figures of *The Actuaries' Investment Index*, also given on page 363, which is made up to a date a week after the fall had reached its maximum. Here the recession is approximately 1½ per cent on the month to 85.4. This is still above the June figure. This index also shows that there were exceptions even among industrial equities to the general rule of falling prices, for the figures for investment trusts, cotton, electrical distribution and gas are all slightly higher on the month. So far, the picture is of a fall which is sharper but shorter than any of its recent predecessors. Owing to its shortness it is not yet equal in extent to that of last autumn. It is scarcely necessary to point out that the events are moving much more rapidly now than then. The actual fall of August, like that of September and October, 1943, was largely due to the technical position. Whether there will be a further decline or a renewed rise, and the extent of either of these movements, will depend upon how far the natural tendency for abundance of money to push up prices of shares—of which the supply is still fixed—is offset by doubts as to the intentions of the authorities and their ability to carry them out. The immediate prospect may be one of quiet markets with little movement, but it is probable that, in the comparatively near future, the upward trend will be resumed with rather larger fluctuations in individual prices and, perhaps, in equity indices than have been common in the past three years or more.

Liberation Currencies

The progressive liberation of Belgium and Holland has brought into operation arrangements made long ago for the supply of Belgian and Dutch currency to the Allied armies. In each case the notes required by the military authorities have been provided by the Governments and are expressed in local currency. A substantial quantity of National Bank of Belgium notes was taken out of that country at the time of the German invasion in 1940. In addition further considerable quantities of Belgian notes have been printed in England from the original plates, which were removed from Brussels before the Germans entered. An issue of new currency appears to be essential to the currency plans of the Belgian authorities because these plans envisage a recall of the whole of the currency—other than coins and notes of small denominations—circulating in Belgium and its conversion, partly into new notes and partly into blocked credits available for investment in long-term Government loans. The Dutch Government has made guilder notes available for the Allied armies of liberation. The notes thus issued by the Belgian and Dutch Governments will rank as part of the mutual claims between the Allied countries that will have to be cleared after the end of the war. The rates of exchange at which the claims are being booked is 176½ Belgian francs and 7.60 guilders to the pound.

Currencies for Germany

The currency arrangements for the Allied armies when they enter Germany have not yet been announced. Three types of notes that would serve for the purpose exist. They are the yellow seal Federal Reserve dollar bills and the British Military Authority sterling notes that were used in the initial stages of the Italian campaign. In addition a special issue of military mark notes has been prepared. All three may ultimately find their way into circulation; the present disposition of the Allied armies suggests that the dollar bills may be the first to establish themselves. A rate of exchange between reichsmarks and the Allied currencies will have to be fixed as soon as any sizeable part of Germany is occupied. The pre-war rate of 11 marks to the pound was at that time a wholly artificial quotation, and a nearer approximation of the true relationship between the two currencies was provided by the travel mark rate, which stood at approximately 60 per cent discount on the official rate. The divergence of price movements in Germany and Britain during the war years has not been considerable. The measure of currency inflation would seem to have been greater in Germany than here, but direct comparisons of note circulation and bank credit are vitiated by the largely increased territories which, until recently, the Reichsmark circulation had to serve. The rate of conversion to be fixed between marks and Allied currencies need not, therefore, depart greatly from the former gold parities of 20 marks to the pound, with an equivalent of 5 marks to the dollar. It remains to be seen what will be the actual rate chosen by the military authorities.

The Price of Houses

The Government was quick to freeze the rents of unfurnished houses at the outbreak of war, and has thus prevented, over a large field of housing, the rise in rents that would otherwise have taken place as a result of the growing shortage of houses and the rise in incomes. Since rent control did not make provision for adjustments to rising living and repair costs, tenants of controlled houses have enjoyed a special advantage. By contrast, the Government has done nothing to control the price of houses. Inevitably, prices have risen steadily; such information as is available suggests that, apart from the temporary inflation caused in safe areas by the flying-bomb, the rise has often outstripped the advance in building costs, for many houses are now changing hands at double and even treble their pre-war market value. During the war, the advance did little harm; land and houses provided one of the outlets for surplus purchasing power—and for the speculator. But, if unchecked, the rise in prices will cause a serious problem during the period of shortage after the war. Prospective purchasers—especially those who cannot find accommodation to let—will be faced with prices altogether out of relation to the average increase in many incomes or in the cost of living; moreover, they face the prospect of a loss. In the absence of general and sustained inflation, prices will

tend to decline after a few years when the housing shortage will be less acute. The Government has shown much more ingenuity than during the last war in controlling the prices of scarce commodities. The Board of Trade has even tackled the formidable task of controlling the price of second-hand furniture. Why not tackle houses now?

Furniture's Future

Homes, in the physical sense, are made up of two parts, houses and furniture. Despite the Government's slowness in coming to decisions which can be translated into actual houses, aims have been expressed and preparations are being made. Little, however, has been heard of a policy to provide furniture, without which the new houses would be useless. The demand for furniture depends upon the speed with which families set up homes, and it is likely to follow closely upon the execution of the building programme. The present demand for furniture is relatively small, and the utility scheme, in a fair measure, keeps pace with a section of it, within the limits of a narrowly defined need. Those who require better furniture, or who are not eligible for utility furniture, have more difficulty, although the new price regulations for second-hand furniture have brought prices down to some extent. In the Portal house period of reconstruction, utility, or at any rate good quality furniture at reasonable prices, furniture will have to be produced in considerably larger quantities than at present. Assuming that each house would have the present ration of 60 units each for a couple, 15 million units' worth of furniture will have to be produced. Designation of firms has been speeded up, and as the labour position is eased this quantity would present no major problem within the utility scheme, even if the programme for 250,000 houses is completed before October, 1947. The demand for low-priced furniture will not, of course, be confined to occupiers of Portal houses. Some 300,000 permanent houses are provided for in the Government's two-year post-war building programme. In addition, some families who have been bombed out of their homes (some 4,000,000 buildings have been destroyed or damaged since the war began) and whose furniture is destroyed will want to refurnish.

The Government's housing plans can only provide a minimum guide to demand after the war. The planners of furniture will have to reckon with a larger demand—probably a large number of the nearly 2,000,000 couples who have married since the war will want new furniture. Again, in addition to domestic requirements, furniture will be wanted in schools, offices and shops. The problem which faces the Board of Trade and furniture manufacturers is not only one of providing an adequate quantity of low-priced furniture—which must be given priority and which will have to be utility—but to meet the demand for better quality and more varied design. To bridge the space between utility furniture and freedom from control, a scheme for a better-grade furniture with a wider choice of design could be evolved. The recommendations of the manufacturers themselves (outlined in a Note in *The Economist* of March 18, 1944, page 380) for the gradual relaxation of control might provide a solution. Utility furniture has been accepted as being the best of a bad job—and it has done its job on the whole admirably—but no one would wish to see every home in the next ten years confined to utility or the dwindling and often hideous stock of second-hand furniture. Room must be left for experiment. The war has produced many new materials and processes which can be used in furniture manufacture. Some of them may perhaps be incorporated into utility furniture schemes, but some will only flourish in an atmosphere free from control, and especially in an industry which is a craft.

Exports of Motor Cars

There seems to be a fairly widespread impression that the motor car industry will be able to go full speed ahead after the war on the production of large numbers of private cars. Doubts are, however, beginning to be expressed about the rate and size of the expansion in production. For example, Sir Miles Thomas, vice-chairman of the Nuffield Organisation, recently questioned the adequacy of steel sheet supplies, especially if Portal houses are to be constructed in large numbers. (This point was discussed on page 325 in *The Economist* of September 2nd.) This week

Lord Nuffield himself drew attention to the difficulty of industry in looking and planning ahead.

Until a much-needed pronouncement is made by the Government on such matters as the continuance of war-time controls, EPT, purchase tax and labour restrictions.

It may well be necessary, at any rate until some of the more pressing shortages have been met, to limit the manufacture of private cars for the home market. On the other hand, there is a strong case for encouraging manufacture for export as a means of securing much-needed foreign exchange to finance essential imports. It might, of course, be said that a large home market is essential for the adoption of large-scale methods of production which is necessary to market cars abroad at competitive prices. But this argument only holds good on the assumption that exports are likely to be comparatively small after the war. Is it not conceivable that total export demand will be large enough, at any rate for a few years, to enable the industry to sell abroad, if not the major but at least a substantial part of its output, to prepare some of its designs on the basis of export rather than home demand, and thus to ensure a permanent expansion in exports? In view of the prospective hunger for cars and the anxiety of the Dominions and Latin American countries to convert their sterling assets into goods, such a policy might, perhaps, hold out better prospects than is generally realised.

Tilling Enters Insurance

Considerable interest attaches to the statement, made at the end of last week, that Thomas Tilling has acquired a substantial interest in Cornhill Insurance. There is no direct indication about the size of the interest, but Sir Frederick Heaton, chairman and managing director of Tilling, is joining the board of the Cornhill and retiring from that of the Alliance. He joins, however, as an ordinary director and there is no other change in management. This would seem to suggest that the "substantial" interest is to be read as about 50 per cent. Nor is there any indication as to the reasons for the acquisition. One can infer from the past history of the group that it is not likely to be unprofitable and if, as seems certain, it is to do the insurance business of the Tilling companies there is an added advantage which may be expressed either as cheap insurance or an important expansion in lucrative business to the Cornhill Insurance. It appears that this company engages in all types of business other than life, so that the investment marks a considerable widening of the field of interest of the group. But Sir Frederick seems to be bent on expanding its influence by taking on only new fields of activity which have some direct connection with the central business of running road transport. In view of the large reserves of the associate companies, there would seem to be room for considerable further expansion without raising new money. This policy of limited diversification can hardly be other than beneficial to the group as a whole. As to the suitability of the present venture it may be recalled that Sir Frederick was the founder of Road Transport and General Insurance, subsequently sold to General Accident.

Diversion of Railway Traffic

The accompanying table shows, by way of a footnote to the article on the future of inland transport in *The Economist* of September 2nd, the estimated rate of diversion of goods traffic from the main-line railways to the road during the five years preceding the war. Details are given for general merchandise and for minerals other than coal, which is largely tied to the railways. The tonnages originating in places where the railways have facilities vary, of course, with changes in the total volume of traffic. Changes in the volume of railway traffic due to variations in the total volume of traffic are, of course, excluded from the figures of diversion from rail to road. The cumulative loss in tonnage during the five-year period was about 3,700,000 tons. Taking the average receipts per ton at 17s. 6d. for goods and 5s. for "other minerals," the cumulative loss in railway receipts from diversion amounted to about £1,900,000; this figure does not, of course, take into account the loss in receipts due to reductions in charges made by the railways in order to slow down the rate of diversion. In contrast to the fairly even rate of diversion in the general merchandise category, the rate of diversion in the "other minerals" category rose steadily during the five-year period. Unfortunately, the lack of data precludes the recalculation of the rate of diversion to the time when the

first haulier appeared on the road. A rough estimate shows that of the freight (excluding coal) of 88.3 million tons originating, in 1938, in places where the railways have facilities, some 53.7 million tons, or about 60 per cent, were moved by road. In so far as the growth of road transport

ESTIMATED GOODS TRAFFIC ORIGINATING IN PLACES WHOSE RAILWAYS POSSESS FACILITIES AND DIVERSION OF TRAFFIC FROM RAIL TO ROAD, 1934-38

	1934	1935	1936	1937	1938
<i>General Merchandise</i> —					
Total originating tonnage (000)	43,240	43,329	46,269	48,189	42,394
Diversion to road (000)	303	397	228	220	584
Percentage	0.70	0.92	0.49	0.46	0.91
<i>"Other Minerals"</i> —					
Total originating tonnage (000)	49,307	49,228	53,258	57,013	45,919
Diversion to road (000)	33	112	276	328	1,416
Percentage	0.07	0.23	0.52	0.58	3.08
<i>Total (excl. Coal)</i> —					
Total originating tonnage (000)	92,547	92,557	99,527	105,202	88,313
Diversion to road (000)	336	509	505	548	1,800
Percentage	0.36	0.55	0.51	0.52	2.04

actually "created" new traffic, the total diversion of traffic from rail to road is smaller than the tonnage actually carried by road in 1938. But it does provide a broad indication of the importance acquired by road haulage in modern transport.

Municipal Conversions

The announcement of the Chesterfield Corporation conversion appears to inaugurate an important series of such operations with regard to corporation stocks with first optional maturities in 1945. The actual offer is to convert up to £300,000 of £470,000 4½ per cent maturing stock into a 3 per cent issue at 99. This is the same price and yield as the Sheffield conversion of January, but the average and minimum life of this new stock are rather shorter, 1964-69 against 1967-69. The offer is open until November 1st, and, as has been the case since conversions were permitted once more in 1941, any of the £300,000 not taken in con-



"FIRST of all I know I can trust its judgments. Then, if you share its political colouring, its opinions are especially valuable to you. But they're stimulating even if you're on the other side of the fence! Then it's what I call a good paper. It has always been noted for its sane and balanced views on all subjects. It also has a reputation for giving a first airing to subjects which eventually become of national importance. In these days we've got to remember that distances no longer divide interests like they used to. In the area where *The Yorkshire Post* is published there are four and a half million people and what goes on among them is of real concern to the rest of us."



version will be covered by the Treasury. It is to be noted, however, that over one-third of the total is being paid off out of the corporation's own resources, and it seems that local authorities are to be encouraged to reduce their replacements in marketable stock to a minimum by increasing their borrowing on mortgages. Read in conjunction with the Treasury scheme for centralised borrowing, this seems to constitute a plan for the reduction of all marketable securities of local authorities to a minimum. To some extent, however, investors, as a body, have the matter in their own hands, and the disappearance of marketable loans of large authorities seems improbable. Nonetheless, the operations to be undertaken shortly may show a substantial reduction in the amount of stock outstanding. The total to be dealt with, excluding Chesterfield, is some £51 million of some 23 authorities. The whole bears interest at rates of 4½, 4¼ or 5 per cent, the largest issues being some £28½ million 4½ per cent London County Council 1945-85, £3,395,000 City of London 5 per cent 1945-65, and a Glasgow issue of £2,896,000 5 per cent 1945-55. Partial redemption of this block of stock and the conversion of the remainder into 3 per cent issues must cause a further levelling down of yields on other fixed interest stocks, especially those of trustee status.

The Tinplate Scheme

South Wales manufacturers are anxious that the President of the Board of Trade should no longer withhold his approval from their scheme for the elimination of redundant plant in the tinplate industry, which they have submitted to him under the provisions of Section 25 of the 1935 Finance Act. This scheme appears to have the unanimous support of the tinplate industry. Its main proposals follow those of the Essendon Report of October, 1941. The intention is to scrap mills representing about 30 per cent of the pre-war nominal capacity of the industry, thus adjusting its effective maximum capacity to the 1937 peak production of 20½ million boxes (approximately 958,000 tons); and to compensate the owners of eliminated mills from a levy on the production of the surviving firms, spread over three or four years. During discussions in 1941 the large groups agreed to scrap a percentage of their plant at their own expense and proportionately to reduce their claims for compensation, and it is understood that some such discrimination in favour of smaller manufacturers is embodied in the present scheme. Producers take the line that the solution of the redundancy problem must precede the ensuing scheme for the reorganisation and modernisation of manufacturing methods—an attitude which has the support of the Joint Industrial Council of the industry, the British Iron and Steel Federation and the Welsh Reconstruction Advisory Council. Mr Dalton, on the other hand, is said in some quarters to be demanding fuller details of the reorganisation scheme, particularly how many strip mills it is proposed to build and where they are to be located. The difficulty is that such plans for the future cannot be definitely fixed until it is known for certain which plants will be officially scheduled as redundant. Further, the manufacturers urge the specific point that agreement has not yet been reached between

Tinplate Processes, Ltd. (representing 75 per cent of the industry), and two important outside firms, largely engaged in sheet manufacture, who have their own plans for post-war improvement. Another argument by manufacturers is that Mr Dalton has ample powers to influence the location of new plant, anyway. Some of the manufacturers' objections to looking beyond the immediate problem are somewhat specious. It is in the interest of the industry to submit a reorganisation scheme on the basis of the compensation for redundancy which appears to have been agreed already. There is no evidence that Mr Dalton objects to the proposed compensation. It is, however, quite clear that, redundancy apart, a good deal of the plant for the scrapping of which compensation is suggested is merely obsolete. It is not at all clear why future consumers of the industry's products, including exporters, should be saddled with the cost of compensation for plant which is not capable of competing with modern methods.

Dust in Steel Foundries

Silicosis is an industrial disease commonly associated with mining, but in practice any workers engaged in dusty operations are subject to it. The wartime expansion in the production of steel castings for the engineering and ship-building industries has resulted in a serious increase in silicosis cases in steel foundries, and in addition to those certified there must be many cases of damage to lungs which will only be apparent in later years. Silicosis is contracted by inhaling very small particles of silica in the free or uncombined state, the most dangerous particles being so minute as to be invisible to the naked eye, so that the air in which there is little or no visible dust may be highly dangerous to breathe. This makes it very difficult to control the dust, but a special committee, appointed by the Ministry of Labour in January, 1943, has made a number of valuable recommendations for reducing the risks and tackling the problem at source. In a report on Dust in Steel Foundries (HMSO) it suggests certain measures for the reduction of the use of siliceous materials, such as prohibiting the use of "parting" powders containing free silica and of sand or other siliceous materials in "blasting" operations. Certain general precautionary steps, such as effective ventilation, the periodic examination of "blasting" plant, and the use of protective helmets, gauntlets and overalls, are proposed, and it is further suggested that no boy under 18 should be employed in "blasting" operations. The actual numbers affected by silicosis are small. In 1942, six died, nine were totally disabled and eleven suspended on account of the disease, but the total of 26 workers lost to the industry represents a fourfold increase on the 1937-39 figure. Sir Wilfrid Garrett, Chief Inspector of Factories, urges firms to adopt the Committee's recommendations, since these "would go far to remove the dangers in certain of the processes."

Patons and Baldwins

The fall in the earnings, after taxation, of Patons and Baldwins from £520,000 to £480,000 is perhaps not surprising in the light of the reasons given by the chairman, Mr Forrester-Paton, of reduced turnover for which shortage of labour, and to some extent rationing, were responsible, and of increased costs without any counter-vailing advance in selling prices on a substantial portion of total trade. These conditions are unlikely to improve while the war lasts, but there can be no doubt about the urgent and vast demand for textiles which will follow close upon the heels of an armistice in Europe, and bearing this and the company's strong liquid position in mind—net liquid assets are now over £4,500,000—the present price of the shares perhaps undervalues the company's immediate prospects. It is true that—as well as reduced turnover—there is another fly in the ointment in the shape of a smaller EPT recovery this year—£80,000 against £122,000 refund, and nil against £134,000 reserve not required. The EPT refund, it is pointed out, will not for the future make good partially or wholly any further deficiency against standard profit for EPT purposes. The total amount available, excluding carry forward, is thus lower by nearly £200,000, but last year's figure was exceptional. The ordinary dividend has, in fact, been reduced from 20 per cent to 17½ per cent, but a fall in the rate of taxation payable

from 9s 4d to 8s 6d almost offsets the loss to shareholders. Buildings and plant reconstruction reserve receives £185,000 against £250,000. The increasing cost of replacing plant is clearly Mr Forrester-Paton's chief worry. The statutory depreciation and obsolescence allowances, being based on the original value of the plant in question, can only now provide for two new machines for three old. The Chancellor's Budget concessions are welcomed, but

they do not begin to deal with the hard core of this vital problem.

Sickness Records

There are, unfortunately, no general statistics relating to the ill-health of industrial workers. Certain specific industrial diseases and poisonings must be reported, under the Factory Acts, 1937, or the Lead Paint Act, 1926, and the cases notified are published monthly in the *Ministry of Labour Gazette*. Nothing, however, is known of the time lost through ordinary sickness, although it is certain that it is the main cause of lost time. Sickness records are generally inadequate, but the value of keeping them is increasingly recognised. In response to demands for practical methods of recording, the Industrial Health Research Board set up a sub-committee, whose report the *Recording of Sickness Absence in Industry* (Industrial Health Research Board Report No. 85, HM Stationery Office, price 4d.), has been published this week. It deals with the forms required for the records and methods of dealing with them. The cost of keeping them is estimated to be small—for example, £400 a year in a factory of 4,000 workers, a cost of 2s. per worker a year. For this trifling sum, much information of value in the administration of the factory can be obtained, and the cost can be more than covered in the saving made by improvements in employees' health and consequent higher output. Other more general advantages would result from the collection of more detailed records. Information about the health of groups of workers can assist in determining the best conditions for their work. Knowledge of the collective health of industrial workers would provide valuable data for research and for assessing the value of preventive measures. Although statistics can assist in these and other ways towards a healthier nation, industrial health depends basically on the general level of fitness, which in turn will be influenced by a comprehensive health service with a preventive outlook. The number of doctors in industry seems lamentably small. At the end of 1942 there were about 850 works medical officers, of whom only about 180 were full time. There were 4,000 trained nurses in industry at that date, but the number has since risen considerably. There is a need for more doctors in industry, to study the special factors bearing on the health of industrial workers. These studies will be aided by statistics, and, as merit, would assist in the raising of productivity in this country.

Stock Market Co-ordination

It would appear from the evidence of Mr Anthony Alan Fisk before the Cohen Committee on Company Law Reform that the arrangements for co-ordination between the stock exchanges of the country, while generally excellent, are insufficient as regards the treatment of new issues. Mr Fisk, who is chairman of the Liverpool exchange, represented the Associated Stock Exchanges, and it appears from his statement that there is no formal machinery by which one exchange advises another of a refusal to grant permission to deal. He was unable to give any information as to "placings" in the provinces, a fact which may arise from the circumstances that Liverpool is less devoted to industry, and more to commerce, than several other members of the Association. This is unfortunate. On issues by prospectus or offers for sale it is, perhaps, probable that the news of a refusal would "get round." A private placing is another matter. It has been the case recently that placings which London was not prepared to accept have been made in the provinces. These, however, had been rejected by London for reasons connected with the Treasury ban, on which there was for some time plenty of room for a difference of interpretation between two authorities. The matter of capital issues, however made, is one of the first importance, and the closing of this apparent gap should be dealt with speedily. It is a matter which can easily be handled through the machinery of the Joint Committee of the London exchange, the Associated Exchanges and the Provincial Brokers' Stock Exchange.

Free Gold and Silver

The lure of the high free market prices for gold and silver as quoted in India and the Middle East has reached the United States. A joint resolution introduced in Congress last week by Senator Scrugham and Representative Engle would permit the movement of newly mined United States gold and silver out of the country and its free disposal in the world markets. The spokesmen for the resolution have indulged in special pleading which does not altogether carry conviction. One of their arguments is that, since the US Treasury already holds too much gold and silver, it should welcome the prospect of seeing the newly mined metal exported. Another is that the countries to which the gold would be exported would welcome the opportunity of obtaining more gold, because they have all underwritten the Bretton Woods proposals and would, therefore, have more metal to contribute to the Monetary Fund. Unfortunately, for the silver and gold lobbyists, there are arguments on the other side, and they carry rather more weight than those used to support their case. If any profit is to be made on the abnormal price for bullion quoted in certain isolated free markets, there is every reason why it should be made by the US Treasury and not by the producers. They are pampered enough as it is. In any case, the countries in which these free markets exist are, for the most part, in the sterling area, and the demand for dollars arising within that area is heavy enough not to be further burdened by the proceeds of free silver and gold sales by United States producers.

Tankers Dividend Arrears

For the second time in four months the directors of Tankers recently announced the payment of 2½ years' arrears of dividend on the 8 per cent cumulative participating preference shares of the company. The previous payment was one of 8 per cent only, made just previous to the offer of three years ago, in virtue of which United Molasses acquired virtually the whole ordinary and preference capital

(Continued on page 363.)

£1,000,000,000

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COMPANY MEETINGS

ASSOCIATED BRITISH
PICTURE CORPORATION,
LIMITED

SIR PHILIP WARTER'S STATEMENT

The seventeenth ordinary general meeting of this company was held, on the 7th instant, in London.

Sir Philip Warter (the chairman) said that the total trading profit of the group as a whole, after providing for E.P.T. and deferred repairs, amounted to £2,106,460. The gross income of the Corporation amounted to £1,240,523 and after deducting directors' fees, interest on debenture stock, provision for depreciation and amortisation, and income tax, there remained a net profit of £389,389, to which must be added the amount brought forward from last year, making £489,729. Out of that had been provided provision for war damage, balance of costs of debenture conversion, transfer to general reserve £100,000, preference dividend, and an interim dividend paid last February, totalling £255,201. The directors now recommended the payment of a final dividend of 7½ per cent., less tax, and a bonus of 2½ per cent., less tax, leaving £134,528 to be carried forward.

A RECORD YEAR

Notwithstanding the difficulties in adequately staffing the cinemas, the restrictions on repairs and renewals of equipment and the continued shortage of product, the Corporation had had a record year's trading, providing first-class entertainment for an average of 4,500,000 people per week.

The report which had been recently submitted to the President of the Board of Trade by the Cinematograph Films Council, in which they submitted their advice on what further practical measures, if any, were necessary to check the development of monopoly in the film industry, included a broad and detailed survey of the whole industry. Whilst the export of British films was both desirable and essential, a virile and prosperous production industry could, in his view, only be built up on the solid foundation of the home market. It was this Corporation and the other large circuits who had, by building modern and well-equipped theatres and providing the finest entertainment obtainable, made the cinema part of the daily life of the community. Although it was a popular cry to protect and assist the small independent producer and exhibitor, by the very nature of the industry, it must rely for its healthy development on the strong progressive combines and, if those were to be weakened and restricted, then the future of the industry would be seriously prejudiced. The view of the board was, therefore, that in the interests of the shareholders they must oppose the recommendation for any form of control of the industry contained in the committee's report.

CURRENT YEAR'S TRADING

As to the current year's trading, the attendances at the cinemas in London and southern England had, naturally, been affected by enemy activity, but notwithstanding these attacks, the trading profits of the group were being maintained and the results for the year should be in every way satisfactory. He looked forward to the future with confidence. The Corporation, due to its conservative dividend policy, the large sums placed to general reserve and the amounts available for deferred repairs, would, as soon as conditions permitted, be in a position to re-equip and modernise its properties.

Whilst they must anticipate some falling off of attendances after the war and were already faced with increased expenditure, the improved quality of the films they were obtaining from both British and American sources should, given reasonable prosperity in industry, enable the Corporation to maintain and improve its financial position. The report was adopted.

MORRIS MOTORS LIMITED

ANNUAL GENERAL MEETING

Accounts for the year ended December 31st, 1943.

NET PROFIT - £1,980,852
TOTAL DIVIDEND - 17½% TAX FREE

The Eighteenth Ordinary Annual General Meeting of Morris Motors Limited, was held on the 5th September, 1944, at Cowley, Oxford.

The recommendations of the Directors, which were unanimously adopted, included the following provisions:—

An interim dividend of 10% free of income tax on the Ordinary Stock as declared on the 17th December, 1943, accounted for £265,000 of the profit earned. After meeting that sum and the dividend on the Preference Stock (£225,000), Taxation (£997,899), Air Raid Precautions Expenditure (£52,790) and Special Provision for Rehabilitation of Factories for Post-War Production and Deferred Repairs (£100,000), there remained a balance of profit of £340,163, to which must be added the balance brought forward from last year of £248,361, giving a total of £588,524.

This sum is dealt with in the following manner:—

By payment of a Final Dividend of 7½% on the Ordinary Stock, free of income tax ... £198,750
By Transfer to Dividend Equalisation Reserve Account ... 100,000
And by carrying forward to next year the balance of ... 289,774
£588,524

Chairman:

The Rt. Hon. Viscount Nuffield, G.B.E., F.R.S., M.A., D.C.L., LL.D.

Vice-Chairman:

Sir Miles Thomas, D.F.C.

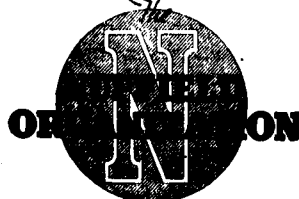
MORRIS MOTORS LTD.

MORRIS COMMERCIAL
CARS LTD.MORRIS INDUSTRIES
EXPORTS LTD.NUFFIELD MECHANICAL
ZATIONS LTD.NUFFIELD TOOLS AND
GAUGES LTD.

RILEY (COVENTRY) LTD.

THE M.G. CAR COMPANY
LTD.THE NUFFIELD PRESS
LTD.THE S.U. CARBURETTOR
COMPANY LTD.

WOLSELEY MOTORS LTD.

Aveling-Barford,
LIMITED

IMPROVED POSITION

The forty-ninth annual ordinary general meeting of this company was held, on the 6th instant, at Grantham, Mr Edward Barford, M.C. (the chairman), presiding.

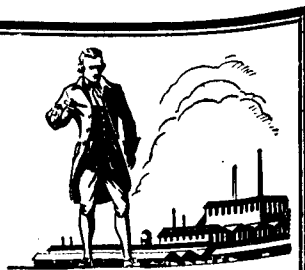
The following is an extract from the chairman's speech circulated with the accounts: The profit amounts to £90,446, against £84,223 last year, while the net amount available for distribution is £42,854, against £42,669. The liquid position has improved very considerably. Liquid assets total £1,284,172 and current liabilities £880,235, showing a balance of £403,937, as against £244,875 last year.

The company's interests and prospects rest upon a broad foundation, since its manufactures embrace several distinct fields, in each of which there should be scope for further development and consolidation. Our products include road rollers and concrete road surfacing machinery, a wide range of contractors' and builders' plant, large-scale cooking apparatus and hospital sterilising equipment, and certain dairy and other machinery for the farmer.

It would appear that much of our machinery will assume high priority directly the war is over for reconstruction and housing at home, for the rehabilitation of Europe and for the development work which will be so necessary in many parts of the world.

Aveling-Barford, Limited, were expanding rapidly before the war, and we see no reason why this progress should not be resumed when we are free again to concentrate upon our commercial activities. For more than three quarters of a century this company has devoted much effort to export trade, and its principal specialities are known the world over and hold a reputation second to none.

The report was adopted and a final dividend of 5 per cent. (free of tax), making 10 per cent. (free of tax) for the year, was approved.



A boon to mankind

The original idea behind the steam engine may not have been James Watt's, but it was his painstaking research that eventually produced the first successful model, and thus opened a new era of industrial development. At the Christie Hospital doctors and scientists are engaged in ceaseless research to find the cure for Cancer. To maintain and extend this vital work funds are needed. Will you make your contribution by sending a donation?

The CHRISTIE HOSPITAL
&
Holt Radium Institute
MANCHESTER 20

(Continued from page 361)

of the company. The 10s. shares of the latter class were taken over at 12s., and that is still the nominal price, there being in effect no market in the very small fraction of the total preference capital still held outside United Molasses. The two payments recommended this year amount to some £156,000 after deduction of tax at the full standard rate, and they leave an equal amount still due to bring the payment up to March 31st last. The first of the two absorbed virtually the whole distributable profits of 1943, but in respect of the current year there will, presumably, be a further distribution. It is impossible to say how long the improved earning power will last, but it is clear that United Molasses are receiving a handsome return on their investment in the preference shares. It is reasonable to suppose that the parent company sees its way to obtain dividends on the ordinary, on which no payment has been made in the history of the company.

Shorter Notes

A new denomination of Treasury bills for £25,000 was issued to the market this week. This increases the range of denominations to five, namely, £5,000, £10,000, £25,000, £50,000 and £100,000. Bills of larger denomination are probably issued through the tap for investment of public departments' funds, but they never appear in the market. The new £25,000 bills made available through the tender were asked for by the market, for whom they are particularly convenient. Most money market loans are made in units of £25,000, and the new denomination of Treasury bills, therefore, provides a convenient collateral for deposit with the lending banks. The larger Treasury bill denominations—£50,000 and £100,000—are a wartime innovation.

*

As shown in a Note on page 327 of *The Economist* of September 2nd, the change in the monthly earnings of workers between July, 1943, and January, 1944—the date

of the latest census—was comparatively small. A table on page 364, based on the statistics published in the *Ministry of Labour Gazette* for August, shows, for the different groups of industries, earnings in the last pay week of January, 1944, together with the change in earnings from October, 1938, and July, 1943.

Company Result

Associated British Picture Corporation.

	1942	1943	1944
Profits*	1,246,257	1,231,996	1,240,523
Depreciation	175,000	175,000	175,000
Taxation	507,431	529,012	536,512
Mortgage interest	154,048	150,983	137,487
Directors' fees	3,183	2,607	2,135
Debiture conversion costs	...	100,000	7,701
War damage	30,000	15,000	12,500
Preference dividend	60,000	60,000	60,000
Ordinary stock:—			
Earned	316,595	199,394	309,188
Paid	150,000	175,000	175,000
Earned %	31.7	19.9	30.9
Paid %	15	17½	17½
General reserve	100,000	100,000	100,000
Carry forward	175,946	100,340	134,528

Consolidated Balance Sheet:—	1942	1943	1944
Net fixed assets	13,650,151	13,829,920	19,255,923
Net inter-company items	£1,174,682	£1,281,365	£63,201
Net liquid assets*	Dr. 1,420,991	Dr. 1,998,877	Dr. 2,447,319

Gross liquid assets:	1942	1943	1944
Film production rights, etc.	189,474	213,346	£200,464
Government securities	...	300,000	£1,060,325

* Gross trading profits for the whole group, after E.P.T. and deferred repairs, came to £1,579,550 in 1942, £1,510,443 in 1943, and £2,106,460 in 1944; out of which, the net profits applicable to the parent company were stated to be £406,667 in 1942, £381,321 in 1943, and £490,501. These net figures do not square with the net profits given in the parent company's own profit and loss account.

† Consolidated figures for 1944 include, for the first time, the Union Cinemas group, which makes them not comparable with the figures for previous years.

‡ Including investments in subsidiaries having a different accounting date of £550,159 in 1942 and £1,262,606 in 1943. This item disappears in 1944.

§ After deducting provision for war damage insurance.

¶ Not included in gross liquid assets.

⌘ Tax reserve certificates.

The 5s. units of ordinary stock, standing at 17s. 10d. ex dividend, yield £4 17s. 11d. per cent.

RECORDS and STATISTICS

INVESTMENT

Stock Exchanges: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Aug. 31...	4,817	6,035	112.0	134.5	3.15	3.75
Sept. 1...	4,704	5,998	111.9	134.5	3.15	3.75
" 4...	6,193	6,903	111.7	134.5	3.16	3.76
" 5...	5,421	5,346	111.0	134.4	3.16	3.79
" 6...	5,843	5,522	110.8	134.5	3.16	3.80

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		Aug. 16, 1944	Aug. 23, 1944	Aug. 30, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	105.3	105.4	105.0
32 Rails	88.9 (a)	106.8	102.9	102.2	101.6
40 Utilities	85.0	92.8 (c)	92.4	92.7	92.8
419 Stocks	93.6 (a)	105.7	103.2	103.3	103.0
Av. yield %†	4.84 (b)	4.43	4.58	4.58	4.50

† Common Stocks. (a) Feb. 9. (b) May 3. (c) August 30.

STANDARD STATISTICS INDICES
DAILY AVERAGE OF 50 COMMON STOCKS

	1944	Average	Transactions	1944	Average	Transactions
Aug. 25...	126.3	599,000	Closed	Aug. 29...	126.2	620,000
" 26...	126.3	599,000	Closed	" 30...	126.5	895,000
" 28...	126.1	554,000	Closed	" 31...	126.8	605,000

1944: High 161.8 (July 14). Low 113.8 (Feb. 8).

Capital Issues

Week ending September 9, 1944	Nominal Capital	Conversions	New Money
To Shareholders only	2,000,000	2,052,000	...
Particulars of Government issues appear on page 365			
Year†		Including Conversions	Excluding Conversions
1944...	1,097,114,084	1,082,320,358	1,082,320,358
1943...	1,258,599,157	1,238,971,084	1,238,971,084

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944...	1,079,917,703	2,147,721	254,934	1,077,157,220	2,332,789	2,830,349
1943...	1,235,746,564	2,585,843	638,677	1,228,432,491	1,652,701	8,885,892

* Conversions excluded. † Includes Government issues to August 30, 1944, only.

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

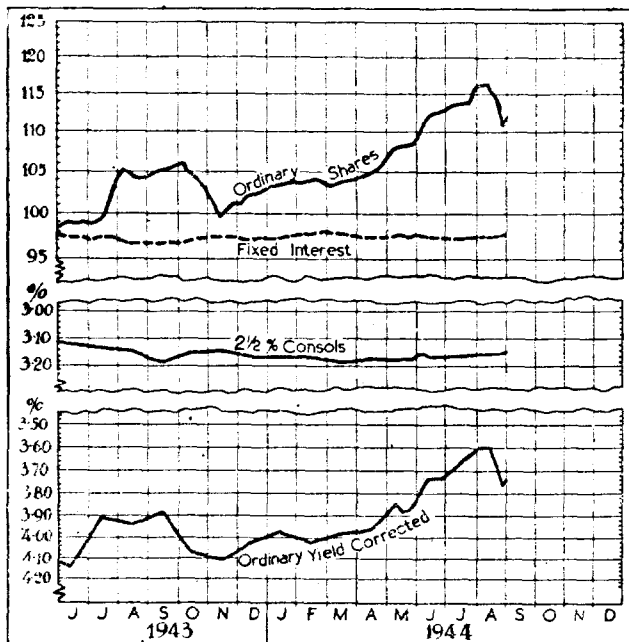
ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	Aug. 31, 1943	Nov. 30, 1943	July 25, 1944	Aug. 29, 1944	Aug. 31, 1943	July 25, 1944	Aug. 29, 1944
21% Consols (1)	141.8	142.2	141.1	141.3	3.14	3.16	3.16
Home Corps. (4)	142.1	141.7	141.5	142.2	3.28	3.29	3.28
Ind. Deb. all classes (42)	121.3	121.2	122.5	122.4	3.91	3.85	3.85
Ind. Pref. all classes (101)	110.8	111.1	114.5	114.3	4.38	4.24	4.26
Investment Trusts (9)	47.5	48.7	51.8	52.8	4.82	4.41	4.33
Building Mats. (6)	97.5	93.0	110.8	106.3	3.05	2.76	2.87
Cotton (5)	50.4	47.5	53.9	54.5	3.26	3.01	3.05
Electric Dist. (16)	115.0	114.5	121.4	123.9	4.08	3.85	3.77
Gas (8)	101.5	100.0	104.3	105.9	3.17	3.57	3.71
Oil (4)	91.6	88.9	104.8	101.7	2.81	3.14	3.23
Total Production (90)	80.0	77.7	86.0	85.2	4.31	4.32	4.45
Total Distribution (28)	71.5	69.9	82.3	80.8	3.90	3.66	3.75
Miscellaneous (20)	72.7	70.1	80.6	79.7	3.89	3.58	3.62
Total Miscellaneous (40)	85.1	83.1	93.9	92.8	4.12	3.84	3.89
Industrials—							
(All Classes) (158)	78.9	76.8	86.7	85.4	4.30	4.08	4.18

FIXED INTEREST AND EQUITY PRICES. CONSOL 2½% AND EQUITY YIELDS

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols.

(Logarithmic Scale)



INDUSTRY AND TRADE

Trade Disputes.—Although the number of working days lost through disputes was higher in July than in June, the number of workers involved were fewer. Days lost numbered 63,000, compared with 42,000 in June and 98,000 in July, 1943. The number of people involved last July was 9,000, compared with 27,100 in June and 34,900 in July, 1943.

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

	Mar. 31, 1937*	Aug. 30, 1939	Aug. 31, 1943	Aug. 15, 1944	Aug. 29, 1944
Cereals and Meat	93.0	66.9	109.9	108.0	105.5
Other Foods	70.4	61.1	107.5	107.3	107.3
Textiles	74.2	54.3	92.7	104.0	103.7
Minerals	113.2	95.4	135.9	143.6	145.5
Miscellaneous	87.0	77.6	126.8	128.8	128.8
Complete Index	87.2	70.3	114.3	118.0	117.6
1913=100	119.9	90.8	157.3	162.5	161.8

WAGES IN INDUSTRY

AVERAGE EARNINGS IN JANUARY, 1944, COMPARED WITH EARNINGS IN 1938 AND JULY, 1943

Industry Group	Average Earnings in the last Pay Week of Jan., 1944					Average Percentage Increases between Oct., 1938, and Jan., 1944†					Percentage Increase or Decrease (—) between July, 1943, and Jan., 1944				
	Men (21 years and over)	Youths and Boys (under 21 years)	Women (18 years and over)	Girls (under 18 years)	All Workers	Men	Youths and Boys	Women	Girls	All Workers	Men	Youths and Boys	Women	Girls	All Workers
Iron, stone, etc., mining and quarrying	96 0	51 1	†	†	90 1	60	69	...	...	59	-2.0	-1.8	...	...	-1.6
Treatment of non-metallic minerals and quarry products	109 7	51 7	59 2	34 8	98 5	65	66	99	93	61	0.2	-0.3*	0.3	-8.6	0.6
Bricks, pottery and glass	106 0	46 1	49 11	30 3	79 3	68	67	79	104	66	1.7	3.6	1.2	3.1	1.3
Chemical, paint, oil, etc.	120 2	43 8	65 3	31 6	95 0	73	48	100	73	69	3.4	2.3	2.6	-1.9	3.2
Metal, engineering and shipbuilding	141 10	50 8	71 8	39 2	111 2	89	94	115	97	86	2.6	-0.2	2.6	1.3	2.7
Textiles	103 6	41 9	53 8	35 8	64 11	71	74	69	81	72	0.8	0.8	1.4	Nil	1.2
Leather, fur, etc.	101 2	40 4	50 10	30 10	56 0	62	63	49	78	64	3.3	-2.0	2.1	-0.5	3.0
Clothing	104 0	40 11	53 1	31 7	74 8	57	66	59	2.3	2.1	4.4	3.8	2.7	...	...
Food, drink and tobacco	102 6	37 7	57 10	34 0	79 5	55	61	72	95	53	0.2	-0.2	1.9	Nil	0.1
Paper, printing, stationery, etc.	119 2	34 5	53 4	28 11	84 2	41	40	56	69	46	5.9	6.2	4.2	Nil	4.6
Building, contracting, etc.	101 6	42 4	60 4	†	93 7	54	69	...	...	53	-6.3	-9.6	-1.8	...	-6.7
Miscellaneous manufacturing industries	126 1	48 5	62 1	36 3	87 5	83	82	96	97	88	2.6	-0.7	4.8	1.2	4.0
Transport, storage, etc. (excl. railways)	108 3	46 2	74 8	†	98 8	55	70	114	...	51	3.9	5.3	4.6	...	3.9
Public utility services	90 0	36 10	48 0	28 1	81 6	43	34	73	31	37	2.1	-0.7	0.4	4.0	1.6
Govt. industrial establs.	134 6	50 5	84 0	40 4	111 1	79	55	88	...	58	1.7	2.0	3.7	-0.4	3.3
All the above	123 8	46 10	63 9	34 3	95 7	79	80	96	85	79	2.0	-0.7	2.6	1.2	2.1

* In calculating the average s for women and for all workers, given in this table, women employed as part-time workers for not more than 30 hours a week have been included, on the basis of two part-timers taken as representing one full-timer. † The number returned in this group was very small. ‡ In the case of the Government industrial establishments, the comparisons between the average earnings in October, 1938, and January, 1944, are materially affected by the fact that the returns for the latter date covered a number of establishments, employing large numbers of workers, which were not in operation in October, 1938.

"The Economist" Sensitive Index.—There was no change in the index during the week ended September 6th. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	July 1, 1944	Aug. 1, 1944	
Beef, British—	s. d.	s. d.	s. d.	
Ribs.....	1 2½	1 3½	1 3½	11
Thin Flank.....	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs.....	0 9½	1 1	1 1	35
Thin Flank.....	0 4½	0 6	0 6	23
Mutton, British—				
Legs.....	1 3½	1 5½	1 5½	13
Breast.....	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs.....	0 10½	1 0	1 0	16
Breast.....	0 4	0 4	0 4	50
Bacon.....	1 3	1 10½	1 10½	27
Fish.....	0 11½	1 2½	1 2½	29
Flour (per 7 lb.).....	0 8½	0 9	0 9	9
Bread (per 4 lb.).....	2 4	2 10	2 10	21
Tea.....	0 3	0 4	0 4	32
Sugar (gran.).....	0 6½	0 9	0 9	32
Milk (per qt.).....	1 4½	1 8	1 8	21
Butter {fresh.....	1 3½	1 8	1 8	31
Cheese.....	0 10	1 1	1 1	30
Margarine, special.....	0 6½	0 9	0 9	18
standard.....	0 1½	0 5	0 5	1
Eggs, fresh (each).....	0 2	0 1½	0 1½	35
Potatoes (per 7 lb.).....	0 6½	0 8½	0 8½	35
Index all foods weighted (July, 1914=100).....	138	169	170	23

Source: Ministry of Labour Gazette.

FINANCE AND BANKING

THE MONEY MARKET.—With the turn of the month conditions in the money market have become much easier. The banks have been keen buyers of bills from the discount market. The market for its part has had fewer Treasury bills to take up, its allotment at last week's tender falling to 30 per cent. of the applications as compared with the previous week's figure of 34 per cent. This reduction in the market's share of the £110,000,000 of bills issued was due to increased outside competition evident in the fact that applications for this week's bills reached £222,530,000, the highest total ever recorded. The banks had to pay £100,000,000 against TDRs this week which compared with effective maturities of about £70,000,000. The Bank return reveals a considerable contraction of credit, correcting the previous week's end-month and window dressing expansion. Government securities have fallen by £15,717,000 partly as a result of the maturing of bills bought by the Bank in order to help the market during the previous week. Other securities are £12,982,000 lower, a customary drop at this period of the month. The main counterpart to these movements is a fall of £30,099,000 in bankers' deposits to £171,790,000.

MONEY RATES, LONDON.—The following rates remained unchanged between August 31st and September 7th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%.

(Continued on page 366)

GOVERNMENT RETURNS

For the week ended Sept. 2, 1944, total ordinary revenue was £76,570,000, against ordinary expenditure of £148,858,000 and issues to sinking funds of £2,353,926. Thus, including sinking fund allocations £6,174,165, the deficit accrued since April 1st is £1,430,144,000 against £1,379,069,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Sept. 4, 1943	April 1 to Sept. 2, 1944	Week ended Sept. 4, 1943	Week ended Sept. 2, 1944
ORDINARY REVENUE					
Income Tax.....	130,000	314,211	359,019	15,478	29,869
Corporation Tax.....	80,000	10,635	9,055	260	160
Stamps, etc., etc.....	100,000	42,403	47,862	1,627	2,570
Excise.....	19,000	6,620	5,832	130	130
S.D.C. (S.D.C.).....	500,000	194,053	201,327	15,250	10,552
Other Ind. Rev.....	1,000	178	110	10	...
Total Ind. Rev.....	200,000	579,131	635,973	33,595	44,191
Customs.....	564,900	229,431	238,786	13,453	18,079
Excise.....	472,900	201,690	214,160	2,057	13,092
Total Customs & Excise.....	1,037,800	431,121	452,946	15,510	31,171
Motor Duties.....	27,000	3,609	3,674	...	...
O. (Net Receipts).....	4,850	1,260	1,290	...	200
Firearms Licences.....	800	450	450	...	100
Receipts from Crown Lands.....	7,350	1,931	2,353	...	13
Sundry Loans.....	24,000	35,398	31,959	1,102	895
Miscell. Receipts.....	310,180	105,290	112,865	50,207	76,570
Self-Balancing O. & Brdcastg.....	112,370	46,650	49,400	1,800	2,150
Total.....	3,214,170	1,099,551	1,178,045	52,007	78,720

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Sept. 4, 1943	April 1 to Sept. 2, 1944	Week ended Sept. 4, 1943	Week ended Sept. 2, 1944
ORDINARY EXPENDITURE					
Man. of Nat. Debt.....	420,000	179,539	201,613	22,515	33,607
Payments to N. Ireland.....	9,000	3,012	3,237	332	...
Other Cons. Fund Services.....	7,000	3,269	3,348	8	79
Total.....	436,000	185,820	208,198	22,855	33,686
Supply Services.....	550,139	224,001	226,848	118,265	115,171
Total.....	593,739	242,584	247,604	141,120	148,858
Self-Balancing O. & Brdcastg.....	112,370	46,650	49,400	1,800	2,150
Total.....	604,979	242,484	252,546	142,920	151,008

A change has been made in the method of showing excess of Post Office Expenditure over the Post Office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £23,899 to £2,664,840, the other operations of the week (no longer shown separately) used the gross National Debt by £7,759,290 to £20,931 million.

NET ISSUES (£ thousands)

Govt. and Telegraph.....	100
Overseas Trade Guarantees.....	6
Total.....	106

NET RECEIPTS (£ thousands)

Damage Act.....	735
Act.....	130
Total.....	865

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1943						
Sept. 4	1170.0					
1944						
June 3	1300.0					
" 10	1320.0					
" 17	1340.0					
" 24	1360.0					
July 1	3536.0		437.8	29.5	1351.0	5354.2
" 8	1400.0					
" 15	1420.0					
" 22	1430.0					
" 29	1430.0	2138.9	483.9	1.2	1418.0	5472.0
Aug. 5	1430.0					
" 12	1430.0					
" 19	1430.0					
" 26	1430.0	2199.0	390.9	...	1478.5	5498.4
Sept. 2	1430.0					

TREASURY BILLS

(£ millions)

Date of Tender	Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1943				
Sept. 3	90.0	200.4	90.0	20 2.40
1944				
June 2	110.0	216.1	110.0	19 11.89
" 9	110.0	203.4	110.0	20 0.45
" 16	110.0	197.5	110.0	20 0.49
" 23	110.0	199.5	110.0	19 11.93
" 30	110.0	203.6	110.0	20 0.57
July 7	110.0	197.4	110.0	20 0.89
" 14	110.0	199.7	110.0	20 0.54
" 21	110.0	204.2	110.0	20 0.26
" 28	110.0	214.2	110.0	20 0.46
Aug. 4	110.0	217.1	110.0	20 0.11
" 11	110.0	208.9	110.0	20 0.51
" 18	110.0	200.9	110.0	20 0.83
" 25	110.0	202.9	110.0	20 2.84
Sept. 1	110.0	222.5	110.0	20 2.45

On Sept. 1st applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday Friday and Saturday of following week were accepted as to about 30 per cent. of the amount applied for, and applications at higher prices in full. £110 millions of Treasury Bills are being offered on Sept. 8. For the week ending Sept. 9 the banks will be asked for Treasury deposits to the maximum amount of £100 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1952-54
June 27	9,899	3,820	8,629	15,870
July 4	7,270	7,658	7,658	9,235
" 11	6,472	2,556	7,123	8,833
" 18	7,002	2,628	6,211	8,074
" 25	7,691	2,450	10,143	9,727
Aug. 1	6,974	2,185	4,729	6,593
" 8	5,387	1,426	12,484	5,481
" 15	5,801	1,670	2,368	10,841
" 22	5,315	1,404	2,272	4,689
" 29	5,229	1,339	3,628	3,332
Sept. 5	...	...	4,280	6,587
Totals	1,212,127*	750,893*	1,735,975*	691,852*

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

12 U.S.F.R. BANKS	Sept. 2, 1943	Aug. 17, 1944	Aug. 24, 1944	Aug. 31, 1944
Gold certifs. on hand and due from Treasury	19,968	18,415	18,336	18,324
Total reserves	20,388	19,102	19,052	19,048
Total cash reserves	317	276	272	269
Total U.S. Govt. secs.	9,187	15,251	15,592	15,852
Total loans and secs.	9,267	15,296	15,709	15,947
Total resources	31,263	36,429	36,538	36,662

LIABILITIES	Aug. 14, 1943	Aug. 14, 1944	Aug. 24, 1944	Aug. 31, 1944
F.R. notes in circ.	14,960	19,440	19,521	19,695
Excess m. bank res.	1,150	1,000	900	900
Mr. bank res. dep.	12,915	12,915	12,922	13,132
Govt. deposits	213	317	540	518
Total deposits	14,701	15,056	15,237	15,229
Total liabilities	31,263	36,429	36,538	36,662
Reserve ratio	58.7%	55.4%	54.8%	54.5%

BANK AND TREASURY RESOURCES	Aug. 14, 1943	Aug. 14, 1944	Aug. 24, 1944	Aug. 31, 1944
Monetary gold stock	22,243	20,998	20,947	20,945
Treasury & bank currency	4,098	4,109	4,122	4,114

LIABILITIES	Aug. 14, 1943	Aug. 14, 1944	Aug. 24, 1944	Aug. 31, 1944
Money in circulation	18,571	23,620	23,047	23,221
Treasury cash and dep.	2,492	2,662	2,953	2,725

BANK FOR INTERNATIONAL SETTLEMENTS—Million Swiss gold francs of 0.29 grammes

ASSETS	May 31, 1943	Mar. 31, 1944	April 30, 1944	May 31, 1944
Gold in bars	75.8	118.3	118.2	118.9
Cash	27.9	17.8	14.7	18.2
Sight funds	15.6	6.9	6.7	6.9
Commercial bills	122.8	81.3	84.1	74.6
Treasury bills	26.3	24.1	23.1	30.3
Time funds at interest	20.9	21.1	21.1	21.1
Sundry bills and invest.	194.7	197.5	198.5	197.5
LIABILITIES	May 31, 1943	Mar. 31, 1944	April 30, 1944	May 31, 1944
Deposits	152.7	152.6	152.7	152.7
Annuity	76.3	76.3	76.3	76.3
German	15.2	7.0	7.0	7.6
Central Banks	1.3	1.6	1.5	1.5
Other	38.9	29.6	28.8	28.6

CENTRAL BANK OF IRELAND
Million £'s

ASSETS	Aug. 5, 1944	Aug. 12, 1944	Aug. 19, 1944	Aug. 26, 1944
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	23.87	23.87	23.97	24.07
Sterling balances	1.66	1.80	1.80	1.60
LIABILITIES	Aug. 5, 1944	Aug. 12, 1944	Aug. 19, 1944	Aug. 26, 1944
Notes in circulation	28.63	28.80	28.81	28.73

RESERVE BANK OF INDIA
Million rupees

ASSETS	Aug. 27, 1943	Aug. 4, 1944	Aug. 11, 1944	Aug. 18, 1944	Aug. 25, 1944
Gold coin & bullion	444	444	444	444	444
Rupee coin	149	145	139	145	153
Balances abroad	967	2,249	2,326	2,419	2,488
Sterling securities	6,188	8,283	8,283	8,283	8,283
Ind. Govt. rup. secs.	884	578	578	578	578
Investments	77	111	111	115	115
LIABILITIES	Aug. 27, 1943	Aug. 4, 1944	Aug. 11, 1944	Aug. 18, 1944	Aug. 25, 1944
Notes in circ.	7,546	9,279	9,337	9,294	9,270
Deposits: Govt.	396	1,308	1,256	1,613	1,571
Banks	606	976	1,042	931	1,024
Reserve ratio	86.5%	92.4%	92.4%	92.4%	92.3%

REICHSBANK
Million reichsmarks

ASSETS	July 31, 1943	June 30, 1944	July 22, 1944	July 31, 1944
Gold and foreign currencies	77	77	77	77
Bills and cheques	32,317	42,150	42,054	43,228
Reichsbank notes	214	598	599	571
Advances	34	26	19	33
Securities: for note cover	1	1	1	1
Other assets	1,744	1,765	1,765	1,792
LIABILITIES	July 31, 1943	June 30, 1944	July 22, 1944	July 31, 1944
Notes in circulation	27,597	35,920	35,701	36,888
Daily maturing liabilities	5,199	6,754	6,877	6,814
Other liabilities	750	898	885	946

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LETTERS TO THE EDITOR

Terms for Germany; Post-War Controls.

AMERICAN SURVEY

The Green Light; Launching the Campaign; The Irreconcilables; Surplus Soldiers.

THE WORLD OVERSEAS

The German Conspiracy; Demobilisation in Canada; Russia at War.

THE BUSINESS WORLD

BUSINESS NOTES

Production and Resources; Europe's Coal Needs; Military Currencies; Antwerp Re-enters Diamond Trade; Supplies and Prices; Halt in Selling or Recovery; Criticism of Film Report; Grocers' Post-War Plans; Unified Control; More Municipal Conversions; Harland and Wolff Scheme; Bombay Bullion Slump; Cheaper Farm Loans; Retail Trade and Bombardment; Anglo-Argentine Tramways; Clearing Bank Returns; Coal in the Home; Wholesale Trade Index; Shorter Notes.

COMPANY MEETINGS

RECORDS AND STATISTICS

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

Far Eastern Stake

THE first meeting between Mr Churchill and President Roosevelt in Quebec in August, 1943, plotted the course of military events which led first to the final defeat and unconditional surrender of Italy and thence to the rout of Germany. Few years in history have been more momentous, few military plans as decisive. Now Mr Churchill and the President are meeting for a second time at Quebec. A new course is to be set to include the final defeat and unconditional surrender of Germany and the rout of Japan. The new phase will be as momentous as the year that has passed, the new plans as decisive as the old. The only question mark is the time which must elapse before the last enemy is defeated and peace restored.

There is no secret about the Allies' military success. The advance which took them from Tunisia to Rome, and the invasion which has carried them in three months from the Channel ports to the frontiers of Germany were both based on one supremely successful principle of organisation—the complete pooling of two nations and three Services in a series of the most gigantic combined operations the world has ever seen. It is safe to affirm that if, in the plans which must now be laid, there is any depar-

ture from this principle of pooling the victory will not be as rapid and the cost will be far heavier.

It is therefore disturbing to find that, on the eve of the Conference, considerable criticism has arisen in the United States over the part the British Empire is expected to play in the Far Eastern war. The critics vary the details of their tale, but the burden is always the same. The British are not prepared to give the United States anything like their full support in the Far East. To quote the unfortunate phrases of Mr William Phillips, who in the last two years has advised the President upon the political situation in India and General Eisenhower upon the politics of Europe,

there is no evidence that the British intend to more than give token assistance . . . We alone sumably will have the major part to play in the struggle with Japan.

It is difficult for the British observer to fathom why many responsible American publicists can have come estimate the likely British contribution so poorly. nation's participation in a war tends to equal its stake victory. It can be argued perhaps that the stake of British Isles in the Far East is rather less than tota-

UNITED KINGDOM: MONTHLY STATISTICS

Unit of Measurement		Monthly Average							1943			1944					
		1929	1932	1939	1940	1941	1942	1943	June	July	Aug.	Mar.	Apr.	May	June	July	Aug.
Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.)																	
1. Retail trade, Gt. Brit.: Food	Avg. daily sales	...	...	96	98	97	100	102	119	111	105	109	111	111	...	...	...
2. " Other merchandise	in 1942=100	...	...	100	105	98	100	93	90	76	79	100	104	99	86	...	...
3. " Total	Thousands	...	...	97	101	98	100	98	105	98	96	103	107	105	101	...	...
4. Registered unemployed G.B. (a)		1,212	2,756	1,514	963	350	123	27	...	73	...	...	75	...	...	63	...
5. " United Kingdom		1,276	2,813	1,690	1,035	392	144	33	...	90	...	...	91	...	...	78	...
6. " London		118	306	239	214	59	29	5	...	14	...	...	15	...	...	8	...
7. " E. and S. England (b)		50	142	93	99	28	10	2	...	4	...	...	4	...	...	4	...
8. " S.W. England (c)		69	157	76	33	16	5	1	...	2	...	...	3	...	...	2	...
9. " Midlands & N. Midlands (d)		165	371	153	92	28	7	1	...	3	...	...	4	...	...	3	...
10. " N.E. England (d)		280	602	151	75	30	8	2	...	5	...	...	4	...	...	4	...
11. " N.W. England (e)		285	562	309	149	54	15	3	...	10	...	...	10	...	...	8	...
12. " Northern		...	...	139	89	37	13	3	...	8	...	...	10	...	...	8	...
13. " Scotland		156	378	217	125	51	24	6	...	17	...	...	17	...	...	16	...
14. " Wales		116	228	127	89	41	14	4	...	10	...	...	10	...	...	10	...
15. " Northern Ireland		36	68	76	75	42	21	6	...	17	...	...	16	...	...	15	...
16. Industr. disputes. No. days lost		676	541	107	78	87	126	151	116	98	139	1,600	719	46	42	63	...
Wholesale Prices: Economist;																	
17. Cereals and meat	1929=100	100	70.4	76.2	93.9	102.4	110.1	113.1	114.3	114.8	113.5	112.2	112.8	112.3	112.1	112.1	...
18. Other foods		100	72.8	76.4	95.4	111.0	118.3	125.0	125.3	125.3	125.3	125.1	125.1	125.1	125.1	125.1	...
19. Textiles		100	53.4	63.8	93.0	100.7	100.7	100.6	101.6	100.5	100.5	100.8	122.3	112.8	112.8	112.8	...
20. Minerals		100	76.3	100.0	125.0	135.7	139.2	142.0	142.1	142.1	142.1	147.2	147.2	147.2	147.2	147.2	...
21. Total, incl. miscellaneous		100	67.8	80.3	104.3	114.4	120.1	123.5	124.2	123.7	123.7	124.5	127.3	127.3	127.3	127.2	...
Cost of Living: Min. of Labour:																	
22. Food	"	100	81.8	92.4	107.2	103.7	104.9	107.9	109.1	106.5	107.8	109.1	109.1	109.1	109.8	110.4	...
23. Total	"	100	87.8	96.4	113.1	121.4	121.9	121.2	120.7	122.0	120.7	122.0	122.0	122.0	122.6	123.3	...
24. Industrial securities, Fin. News	Jul. 1, 1936=100	102.0	64.0	78.1	68.2	74.3	82.9	100.7	98.5	105.0	104.7	104.4	107.0	109.6	113.2	116.7	112.2
25. Fixed interest	1928=100	96.8	113.6	116.8	122.8	129.6	133.9	134.8	133.9	134.0	133.3	134.5	134.4	134.8	134.2	134.1	...
26. Govt. Revenue, cumulative (f)	Mill. £'s	815.0	827.0	1,132.2	1,495.3	2,174.6	2,922.4	3,149.2	5,665.7	8,237.7	10,447.5	5,149.2	64.5	407.3	629.4	877.2	1,099.9
27. " expenditure (f)		829.5	859.3	1,408.2	2,397.0	4,487.6	3,573.9	5,899.1	14,333.4	19,235.6	23,229.6	6,899.1	126.9	907.4	1,456.7	1,931.1	2,374.0
28. Bank of Eng.: Notes in circ. (g)	"	362.3	258.5	509.9	566	651.3	806.9	1,014.5	947.4	956.7	977.4	1,099.3	1,122.0	1,129.6	1,132.0	1,135.1	1,146.6
29. " Bankers' deposits (g)	"	62.9	81.3	102.8	110	121.1	136.3	160.3	165.7	156.2	150.8	181.9	177.7	166.9	184.4	197.7	182
30. " Gov. sec. B'king Dept. (g)	"	55.9	64.0	107.0	143	142.8	150.7	181.1	170.8	170.7	188.1	187.6	204.1	210.2	229.7	248.5	193
Clearing Banks: (h)																	
31. " Deposits		1,738	1,791	2,248	2,484	2,970	3,376	3,680	3,630	3,628	3,670	3,988	4,017	4,051	4,100	4,121	...
32. " Cash & bal. with B.E.		194	187	244	265	311	344	385	387	375	383	423	430	418	427	426	...
33. " Discounts		229	308	255	366	231	235	186	236	244	232	113	149	174	202	213	...
34. " Treasury Deposit Receipts		...	...	...	...	495	642	1,002	859	90.0	957	1,331	1,314	1,310	1,246	1,310	...
35. " Advances		257	348	608	659	944	849	795	750	744	743	732	772	754	756	770	755
36. " Investments		591	348	608	659	919	1,069	1,147	1,159	1,162	1,162	1,136	1,152	1,161	1,169	1,175	...
37. Interest Rates: Bank rate	Per cent.	5.438	3.008	2.24	2	2	2	2	2	2	2	2	2	2	2	2	2
38. " Three months' bank bills		5.26	1.87	1.18	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.0
39. " Day to day loans		4.47	1.61	0.87	0.76	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.0
40. " Yield on 2½% Consols		4.61	3.75	3.76	3.40	3.12	3.02	3.09	3.10	3.10	3.13	3.16	3.17	3.15	3.16	3.18	3.1

is not, as Hitler's war has been, an immediate affair of survival. But for two of the most progressive members of the Anglo-Saxon world, Australia and New Zealand, the issue is precisely survival, and the effort in both cases matches this total stake. At one remove, the interest of Canada in a peaceful Pacific is as great as its interest in Atlantic security. South Africa's eyes are turned as much to the Indian Ocean as to the South Atlantic. The sum of interest in the Far Eastern war represented by all the members of the Commonwealth is at least equal to their interest in the struggle in Europe.

Even if the Dominions had no particular stake, Great Britain's own interests are quite important enough to warrant an all-out effort. Singapore has for the British quite as much emotional content as has Pearl Harbour for the Americans. That gloomy February of 1942 represented the nadir of British policy and British arms. There were taken in Singapore alone some 60,000 prisoners who have since been submitted to indignity, torture and worse. The British score against Japan has behind it a deep desire to revenge a wrong, wipe out a disgrace and vindicate a proud tradition. It is no small thing for a sea-faring people to lose one of its greatest naval bases. It might even be said that no defeat in Europe cut so deep as the tragic and still unavenged sinking of the *Repulse* and the *Prince of Wales*.

There is indeed a sense in which the British stake in the Far East is greater, not less, than that of the United States. The United States, like Russia, is a continental power. It may need Pacific bases to build up the outer wall of its defences; but neither Far Eastern trade nor Far Eastern bases are vital to its existence as a Great Power. For Britain, and in similar measure for France and Holland, the Far East is a necessity of greatness and wealth. The stability and strength of the maritime commercial empires of Western Europe depend upon the use of bases, on the ability to trade in all parts of the world and on free passage across every sea. From all these—and in an area whose economic potentialities have barely been touched—the Japanese would have excluded the Western Powers. The conception of the Co-prosperity Sphere was an inconvenience to the United States. To Britain, to the Netherlands and to France it was a death sentence passed on their fundamental way of life. To suppose that they would not fight to their utmost to remove such a threat is to attribute to them an innocence and an indifference to their own interests which American critics have been very slow to detect in other aspects of their policy.

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Thus some part at least of the American criticism of Britain's supposed Far Eastern Policy is not very tightly anchored to the facts. Much of it is confused. Some of it is disingenuous. Like so much else in this momentous year, the Far Eastern war has become involved in election politics. Ever since Mr Roosevelt transferred fifty destroyers to Britain in the summer of 1940, a strong body of Isolationist opinion has accused him of having been drawn step by step into an Atlantic war by the machinations of Mr Churchill. The result of this policy, they maintain, was the neglect of America's real interest, the Pacific, the tragic unpreparedness of Pearl Harbour and the subsequent diversion of American military strength from its real enemy, Japan, to fight Mr Churchill's enemies in Europe. The presentation of Uncle Sam as an innocent abbad never fails, for some peculiar reason, to strike a responsive chord in the breast of the American voter. Thus, though it may be bad neighbourliness, it may also be good electioneering to suggest that, after pulling Britain's chestnuts out of the fire, Mr Roosevelt is now to be left in the lurch in the Pacific.

There is also, strangely enough, the unanswered question of how much assistance the American military and naval leaders will really welcome. The power and capacity of the American fleet in the island hopping warfare it has of its own accord so great that the temptation must be to finish the job alone. On the land fronts, there has been some friction between General Stilwell and the

British commanders. It is possible that he increased British contribution might be viewed, not as an effective reinforcement, but as an interference in a primarily American sphere. If such an attitude exists, it should be brought into the open and thoroughly exploded now, while the Quebec meetings have brought all the Chiefs of Staff together. As a theory, it is fundamentally pernicious. It underestimates the help the British army, air force and navy have already given; it contradicts the whole principle of pooling upon which the European war has been so speedily won; it rests on the quite fallacious assumption that, in view of the might of the American naval concentration, more ships and more aircraft thrown against the weakening power of Japan would have no effect on the speed and effectiveness of victory; finally Britain is not only willing to make a full contribution to victory in the Far East. She is determined to do so; and her utmost participation is indispensable. Any suggestion to the contrary has in it the seeds of disastrous political misunderstandings in the period after victory.

For it is to the post-war world that a number of the critics are looking when they attack British policy in the Far East. The strong American prejudice against "imperialism"—British, French or Dutch—has led many of the post-war planners to assume that the old sovereignties will not be re-established in South-East Asia and that some form of international control, or the transfer of the imperium to local peoples, will take the place of the old authority exercised by the Western nations.

Since this attitude exists and is even backed by some of the most widely distributed American journals and newspapers, it is time that the future intentions of the British, the French and the Dutch were frankly and fully explained. Since none of them has any intention of abandoning its colonial empire, but on the contrary regards the restoration of Malaya to the British, the East Indies to the Dutch and French Indo-China to the French as an essential part of the destruction of Japan's Co-prosperity Sphere, it would be inviting the worst sort of misunderstanding, and even accusations of bad faith, if the three nations allowed any doubt on the matter to continue in the mind of their American ally.

★

But this clearly is not the whole story. If it were, the election gibes at the sacrifice of American blood for the British Empire would long outlast election year and continue to foster bad relations between the Western Powers. The British, the French and the Dutch will go back to the Far East, but there is a condition attached to their return. That return will be effective and fruitful—and justifiable—only if it marks a turning point in their colonial policy. Economically, the plantation system must be modified, agriculture diversified, the dependence of the different territories on single crops reduced, the building up of local industry fostered. Politically, there must be new energy, purpose and positive planning in the preparation of the different peoples for full self-government; the goal must be independence. The area of the colonial dependencies lends itself to some extent to a federal solution. A definite political obstacle to such a development is obviously the existence of three different sovereignties among the metropolitan Powers. The new era of Western influence in the Far East will therefore have to be based upon a far closer assimilation of the colonial policies of Britain, France and Holland—a step which requires to be set on foot now, when the fortunes of war and the strategic necessities in Europe have thrown them into so close a comradeship.

A joint Anglo-French-Dutch policy for economic development and political progress would make a definite break with the compromised past. Even so, it would require to be supplemented by an even wider association in the sphere of economics and strategy. The prosperity of the millions in South-East Asia depends upon the economic well-being of China, Burma and India, and on world-wide conditions of prosperity. Effective defence, as this war has shown, depends upon the security of the

Pacific as a whole and thus upon the participation of the United States. For this reason, a wider regional council for economics and defence would be necessary to complete the re-ordering of Japan's present sphere of co-prosperity. Colonel Stanley has spoken in favour of such councils in the Commons. Australia and New Zealand drew up plans for a similar regional organisation, including all Pacific Powers, at their meeting in Canberra last January. The difficulty is that with the project of the wider council, as with the possibility of a smaller association between the British Empire, the Netherlands and France, the schemes have not reached the stage of positive policy and, as far as is known, no work at all is being done to work out the details.

Hitherto, the demands of Europe on the thought, time

A Policy for Wealth—V

Labour and Wealth

THERE is inevitably something paradoxical about the attitude of organised labour towards the process by which wealth is increased. On the one hand, the only way in which the standard of living of the working man can be increased is by enabling him to produce more. If the wage-earner of to-day enjoys a standard of living higher than that of all but the very richest two hundred years ago, the reason is to be found in the very great increase, since the Industrial Revolution, of mechanical aids to production. In the strictest sense, the only way to save labour is by labour-saving machinery. Nevertheless, the Luddite passion is both very strong and very natural. The first impact of labour-saving machinery may be quite disastrous on some individual workers, while its benefits to all workers (though certainly greater) may be imperceptible.

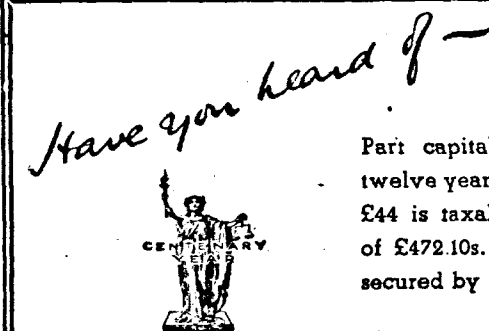
This instinctive passion has been reinforced in more recent, and more sophisticated, decades by a further misconception about the relationship between wages and profits. At any one moment and in any one industry, wages and profits may be competitors for the divisible product. But this is only a qualifying footnote to the much greater truth; that wages and profits are partners in increasing, and then in dividing up, the product of industry. Whether the comparison be made over the centuries, or from one year to another, wages and profits go up and down together, not in opposition to each other. In determining the worker's standard of living, it is the size of the cake that matters most, not the angle of the slice he demands. Indeed, the proportion of the total product that goes to labour quite naturally and inevitably diminishes as wealth rises. When there are no machines and no capital, when all labour is unassisted hand labour, then the whole product (minus the exactions of the landlord) can go to wages—and they will be miserably low. The

and energy of the Government have excused a shelving of the urgent problems of Far Eastern reconstruction. The day is coming when further postponement may have disastrous effects. The existence of a definite and positive British policy, co-ordinated with that of France and Holland, would meet the American critics who accuse the Western European Powers of lack of interest in the Far Eastern crisis. At the same time, it would go some way to pacify those other American critics who accuse the British, the French and the Dutch of too great and too exclusive an interest in the Far East. And, quite apart from criticism, it is obvious that if Britain's return to the Far East has been prepared by no forethought, no consultation, and no planning, the likelihood of settled peace and co-operation after the war is remote indeed.

first introduction of capital requires that some part of the product go to providing it, to maintaining it, to increasing it. And as man gets machines to do more and more work, the proportion that goes to capital necessarily rises.

This does not necessarily mean that the proportion going to rich men rises. If that is the result, it is an accident of the social structure. But it is not the result. In "capitalist" countries such as Britain and America, a rising proportion of the national income going to the provision and nourishment of capital has for a long time past been combined with a falling proportion going to the rich. In Soviet Russia, the proportion of the national resources devoted to capital was steeply increased by a regime which entirely abolished the rich. Nevertheless, the wage earner's natural feeling that the rich man gets too much and the poor man too little is transmuted into a bias against profits. It is difficult for the working man to see that profits are the best friend of wages, not their worst enemy.

Thus, for two quite separate reasons, there is a tendency for Labour to obstruct its own interests. Short-sightedly, it opposes the rapid introduction of more efficient (that is, more labour-saving) machinery. And if profits can be whittled down to such a level as prevents the growth of capital, Labour is more apt to rejoice than to complain. In past ages, when organised labour had little influence on business policy, these attitudes were perhaps unimportant. But to-day they cannot be disregarded. It may be no coincidence that the years in which capital formation has proved more difficult have been those when Labour has been in the ascendant or that, of the trio of leading industrial nations, the one that was falling behind in productivity was the one where the influence of Labour was greatest.



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Let it be said at once and with all emphasis that the argument does not lead to the conclusion that Labour's advance should be reversed or the trade unions shorn of any of their power. But it does lead to the conclusion that the ends for which that influence is exerted need to be brought very carefully into accord with the interests of the community, of which the workers themselves are the greatest part. Any gang of workers who went round with sledge-hammers smashing machinery would be very properly condemned. Yet many practices of organised labour have precisely the same effect.

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The chief reason for saying that the present is the time for re-examining the objects of labour organisations lies in the new policy of Social Security or (as it could be better called) the National Minimum. What inspired, and partly justified, the Luddites was the fact that they were starving. The nearer the community can get to the goal of ensuring that no man suffers when his livelihood fails through no fault of his own, the more complete is its justification for refusing to countenance any obstruction to the march of technical advance. The more completely the victims of progress are succoured, the less need is there to make progress itself the victim of humanitarian scruples. The present generation is making a very rapid advance towards Social Security. Moreover, within the last few years, the state has shown a willingness to go beyond the mere succour of the unfortunate and to use its powers to reinstate him: that is the purpose of the new policies of location, transfer and re-training. All these will be very costly; but not if they are made the means towards a more rapid growth of wealth. The necessary corollary to Social Security is Social Flexibility, and the most important element in that is the abandonment by organised labour of all of its many obstructions to technical progress. At present, the slump-mindedness that afflicts Labour as it does Capital may be an obstacle. The effect of their experience over the last twenty years has made the fear of unemployment an obsession with British workers. If the great experiment of Full Employment succeeds, there should be a complete change of mood, and there is here an opportunity for the leadership of the unions to show their capacity for constructive statesmanship.

Possibly this abandonment of old prejudices will be easier if it is made clear that there is no assault on wages. If wages should recognise profits as a partner, the converse is also true. Indeed, high wages are good for technical progress. This can perhaps be most easily seen by considering the case of a poor country such as, say, China. Firms which operate both in China and in Western countries find that it does not pay to mechanise in China because labour is so cheap. And the labour is cheap because its productivity is low. The best way of breaking out of this vicious circle is by insisting on high wages. It is a commonplace that the high degree of mechanisation in the new countries is very largely due to the fact that labour has always been expensive there. The employer was compelled to find means of economising labour and—the obverse of the medal—the saving to be derived from each new invention was the greater. Thus there is justification for the belief that the high wages came first and the high productivity as a consequence. Whether the argument could be transplanted bodily to this country, and used to justify an immediate and general increase in all wages, is perhaps questionable; but at least it is clear that a steady pressure for higher wages is more likely to speed up than to slow down the pace of technical progress. True, there are more or less convenient occasions for preferring wage claims, and to say that wages should be high does not exclude the desirability of imparting some flexibility into them, as between the upward and downward phases of the trade cycle. The two desiderata are combined when there is an element of profit-sharing in wages. The coal-mining industry has not much to teach other industries, but the principle of the "ascertainment" by which, after the payment of

standard wages and standard profits, any balance is shared between the two in a pre-arranged ratio, is one which could be copied with much advantage.

But if the pressure for high wages is, in this respect, one that coincides with the interests of the community, the same cannot be said of many other claims put forward by organised labour. Apprenticeship regulations and demarcation disputes are often the cause of great wastefulness in the use of labour. Some trade unions (the bricklayers are the standing example) engage in the direct limitation of output. When new machinery is introduced, the unions, if they are strong enough, will insist on as many men being employed on each new machine as have hitherto been employed on the old machinery—even though this may remove the whole purpose of the improvement. All machinery is necessarily and intentionally labour-saving, and if it is not allowed to have its desired effect, it is purposeless. The Americans have the expressive name of "feather-bedding" for all these devices. They have one feature in common—they increase the number of man-hours that are needed to produce a unit of product. Indeed, to the extent that they originate in a fear of unemployment, that is their purpose. But they are none the less wrong and anti-social, and a Policy for Wealth will need to provide for the removal of the restrictive practices of labour just as much as those of capital.

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If pressure for higher wages is good and "feather-bedding" is bad, pressure for shorter hours comes halfway. Since the national income is the product of the number of workers multiplied by what each worker produces in a year, any general reduction in the amount of work done must result in a national income lower than it would otherwise have been. In the particular circumstances of Great Britain to-day, a rapid increase in the total output of the whole community is most necessary to enable the nation to carry the burdens it has assumed. But once the emergency has passed, the community will have a free choice between more wealth and more leisure. The economist can properly insist that it is a choice, and that the workers should not be deluded into thinking that they can have both at once. But if, understanding the choice, they choose more leisure and shorter hours rather than a higher standard of material consumption, the decision should be final. Leisure, after all, is a boon and a sign of wealth. A productivity policy should take as its criterion the output *per man-hour* and should leave to the democratic process the decision whether the wealth brought into existence by rising productivity shall be consumed in material goods or in leisure. In this general sense—and provided that the implications are understood—pressure for shorter hours does not run counter to the objects of a productivity policy.

But man-hours are one thing and machine-hours are another. To work an expensive machine for only 40 or 48 hours out of the possible 168 hours a week is very wasteful. The machine, to be sure, suffers less wear, but it obsolesces just as quickly, and the capital charges have to be spread over a much smaller output. In peacetime, multiple shift working is practised in this country only in industries where continuous working is technically necessary and in transport. But if the necessity of raising productivity to a maximum is recognised, a great extension of shift working should be considered. Nor need this involve night work in the usual sense of the word. It is perfectly possible to have, say, a 45-hour week for the men and women and a 90-hour week for the machines without asking anyone to work earlier than 7 a.m. or later than 10 p.m. If this were done, not only would more be got out of the existing machines, but the increased yield to be expected from machinery would lead to a larger volume of investment. The effect, within a few years, might be a surprisingly large increase in overall productivity, and therefore in real wages. In fact, it is difficult to think of anything that could be done quickly that would have as large an effect on the national productivity. The Labour

movement might be asked to consider whether the comparatively small inconvenience would not be well worth undertaking in view of the prospective benefits to the wage-earners, as well as to the economic health of the community at large.

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A Policy for Wealth is thus likely to contain some elements that will be immediately pleasing to the Labour movement, and some that are likely to run counter to its established prejudices. It was suggested in the preceding article that, in return for the state's newly assumed responsibility for ensuring adequate and stable employment, a bargain should be struck with industry for the abandonment of the restrictive practices that have grown up in the last few decades. Perhaps there is a bargain to be struck with Labour, too. On the one hand, the state could declare its purpose of doubling the standard of living in a generation, and could give a pledge that the first claim on the results, as impartially ascertained year by year, should accrue to wages. As a *douceur*, the state might very well agree to the principle of the universal

"closed shop"—that is, that in principle every wage-earner should belong to a union. On the other hand, the Trade Unions should undertake to abandon—or at least to submit to impartial examination—any rules or trade practices or "feather-bedding" customs which make for more man-hours than is strictly necessary. They should agree to refrain from demands for shorter hours until the national income had reached a specified figure, and thereafter to take into consideration the effect of shortened hours on national output. And they should agree to lend their assistance to arrangements for making fuller use of all machinery by means of shift working.

The object of the whole endeavour is to increase the material welfare of the ordinary man. This being so, is there not here an opportunity for genuine economic statesmanship and for a demonstration by the Labour movement that it knows how to go over from its earlier, and necessarily negative, phase to a constructive participation in the economic life of the community?

The next subject to be taken up in this series is the contribution that scientific research can make to the Policy for Wealth.

Finances of the Church

THE established and national Church of England, like any other large organisation, has to find a large sum of money every year to carry on its activities. It differs from other large organisations in the variety and complexity of its sources of income. This article will set out the main facts about the payment of the ministry; a subsequent article will analyse suggested reforms.

The Church does not itself pay the clergy, like an ordinary employer. Until recently, the Church in its corporate capacity could own no property at all. The Enabling Act of 1919 set up the Church Assembly as the administrative and legislative organ of the Church; previously the only representative body had been the two Houses of Convocation, which confined themselves to spiritual affairs. The Church Assembly appoints a Central Board of Finance; somewhat earlier, in 1916, Diocesan Boards of Finance had been established. In 1938 (the last year for which comprehensive statistics are available), the Central Board's budget was £145,000; and the total budgets of Diocesan Boards came to £618,109, of which £257,498 was spent directly on various schemes for the training, maintenance, and welfare of the clergy. Most of the necessary finance (over £400,000 in 1938) is raised by the parishes, each parish being assigned a quota determined by the diocese, often on the basis of its population, number of communicants, and past generosity. These sums still represent a very small part of the total cost of supporting the ministry, and, unlike the position in the secular realm, central is less important than provincial finance.

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The clergy are paid partly by annual voluntary contributions. In 1938, parishes contributed £550,000 for their incumbents, and £480,000 for assistant clergy. The main source of payment, however, consists of statutory charges and endowments. These are tied, almost entirely, to the individual parishes and ecclesiastical corporations. The "parochial system," as it is called, dates from medieval times and earlier, and still remains the basis of the Church's financial structure. It means that the incumbent of a parish (or benefice) is the Church's principal and best-established wage-earner; that his income is paid to him, not as a variable or terminable stipend, but as the fixed and inalienable property of his living (which is, for legal purposes, a corporation sole); and that he is, to a greatly varying degree, financially independent of the Church itself and of his own parishioners. The inherited wealth of benefices is of two kinds; the older kind being tithes and glebe lands, the more recent being grants, benefactions and bequests, which are mainly held by two

statutory and independent bodies, Queen Anne's Bounty and the Ecclesiastical Commissioners.

The inherited wealth of benefices has accumulated, in historical sequence, under the three categories of produce, land, and trustee securities. Tithes represented originally one-tenth of the produce of the local soil, but in 1836, these dues were finally commuted to a money charge, varying with the annual value of corn. The 1925 Act stabilised the charge at a low level, set up a redemption fund, and transferred the collection of tithe to a central body, Queen Anne's Bounty. Finally, since anti-tithe agitation increased, the 1936 Act abolished tithes and paid compensation on the basis of £91 of Government stock for every £100 of tithe rent-charge that could be proved valid—a difficult task. Annual payments in respect of tithes, made at 3 per cent, now amount to roughly £1,500,000—25 per cent less than previously. Still in existence as well, however, are various corn rents (representing tithes commuted under local Acts prior to 1836), which yield about £300,000 annually. In the same group of antiquities may be placed house rents, levied mediævally on certain houses in certain towns—notably Battle in Sussex—which are still collected. Glebe land belongs to the clergy by tradition or gift, and in a few parishes is valuable enough by itself to support the incumbent. It cannot be evaluated for the country as a whole.

The second source of inherited wealth is the funds held by Queen Anne's Bounty and the Ecclesiastical Commissioners as trustees. The first body was set up in 1704 to provide "for the augmentation of the maintenance of the poor clergy," the second was set up in 1836, the offspring of two Royal Commissions and of the reforming zeal of that period, to "make provision for the cure of souls." The aim of both has been to help poorer benefices. Both were originally financed exclusively from ecclesiastical sources—the former out of the "first fruits and tenths," dues originally paid to the Pope and confiscated by Henry VIII, which yielded a standardised sum of about £15,000 and were only abolished in 1926; the latter out of surplus revenues created by the adjustment of ancient episcopal and cathedral endowments. Later, however, Queen Anne's Bounty was granted, a total of £1,100,000, by Parliament. Both bodies have made numerous capital grants from their funds to individual parishes, originally of land and later of securities. Some funds are held at the risk of the benefices concerned, but most at the risk of the two central bodies, which allow a fixed rate of interest, currently 3 per cent. Both bodies, by skilful capital investment throughout a long era of high yields, have increased their original resources almost a hundredfold. The common fund of the

Ecclesiastical Commissioners, much the more important body, now yields annually about £3,250,000, of which approximately £2.11 million represents guaranteed payments to clergy. Queen Anne's Bounty is now responsible for annual payments to clergy of about £270,000.

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The main sources of income of the clergy can now be usefully summarised. According to the pre-war figures parochial incumbents receive annually (a) £2.34 million from Queen Anne's Bounty in respect of tithes compensation and grants; (b) £1.6 million from the Ecclesiastical Commissioners in grants; (c) £1 million odd from private endowments held by the Commissioners; (d) £0.55 million from voluntary local contributions. These sums total £5½ million—the same figure, curiously enough, as was reached, after excluding certain items, by the 1924 Commission of Enquiry into the Property and Revenues of the Church. In addition, incumbents receive smaller amounts from the lease of glebe land and property, from private endowments held locally or by the diocese, from charitable sources, diocesan funds, and voluntary societies, from private gifts by the patron and by parishioners, and from manorial rights. Curates receive £480,000 from local contributions, £190,000 in stipends under schemes of the Commissioners, £90,000 out of the income of incumbents, and comparatively small amounts from endowments, voluntary societies and diocesan funds. Bishops are entirely paid from the funds of the Commissioners at a cost of £120,000, archdeacons and the chapters of cathedrals mainly so, at a cost of £30,000 and £182,000 respectively.

The fact that the incumbent of a parish has the longest and most complicated wage-sheet in the world does not mean that he is well or even adequately paid. In fact, he is, for the most part, paid shockingly badly by comparison with any other comparable profession or occupation. The estimates of the 1924 Commission indicated an average income of £426 for beneficed clergy and £225 for curates. Incomes of benefices are still very unequal. The Commissioners now operate a scheme designed to secure fixed minimum incomes varying between £350 and £400 according to population. But in cases, of which there are still a number, where population is less than 300, their standard is £300, and any assistance is conditional upon an equivalent grant from the Diocesan Board of Finance. The recent Commission of the House of Bishops estimated that nearly three-quarters of all incumbents have incomes between £300 and £500, but several hundreds have still less than £300, while an eighth get from £600 up to £2,000 and more. The Commission's first recommendation was that a calculation of all net benefice incomes should be made on a single standardised basis.

The Church needs new money. To attract it, the Commissioners and the Bounty frequently meet private benefactions with grants of their own. The value of the Church's endowments, far from multiplying as in the last century, is now on the decline. The Commissioners currently set aside £150,000 annually for investments depreciation, and until recently had to allow £80,000 against the redemption of coal royalties. The Commissioners have, as well, a certain moral need to prove themselves good landlords, which impartial investigations have in the main showed them to be. Clearance of bad property on their London estates has been extensive, if uncompleted, and they have adopted the sympathetic methods of house estate management introduced by Octavia Hill. The more lurid stories of Church income derived from immoral or slum houses relate to property over which the Commissioners have no effective control. Their especially vulnerable position perhaps limits the profits of the Commissioners. They expect a return of 3 per cent on new housing schemes.

So far attention has been confined to the incomes of the clergy. In addition, recent measures of the Church Assembly have provided increased finance and supervision for various welfare purposes. The "parochial system" has necessitated steps to prevent an incumbent placing extra burdens on his successors by his own remissness.

The Dilapidations Measures (1923 and 1929) set up diocesan dilapidations boards which make quarterly necessary surveys of all parsonages and authorise the rent, estimated repairs. Annual contributions from the incumbents on Anne's Bounty, which acts as central financial authority for the scheme and is also, since 1938, responsible for the sale and repurchase of all parsonage houses. The whole grants annual surplus, roughly £75,000, is now used in the improvement of parsonages. The Commissioners also demerit tribute towards the latter object. The Church Assembly set up its own Pensions Board in 1926, which replaced the older method of taxing benefices down to a minimum of £300 in favour of the retired incumbent by a contributory scheme. Assistance to this scheme is given by annual grants from the Central Board of Finance (£50,000) and from the Ecclesiastical Commissioners (£187,000 in 1938).

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The picture that has been drawn is one of a localised and immobile financial system, with its foundations unchanged and many of its anomalies intact from the medieval era—a picture calculated to delight the antiquary and to infuriate the efficiency expert. The Church's resources, chained to particular benefices, could not be shifted to accord with the tremendous shifts in population and in needs, created by the Industrial Revolution. Nor has there been any central body to shift them, while the new Church Assembly has only a minor control over finance. Indeed, with the passage of time, the variety of financial authorities has multiplied, not diminished. New needs have certainly produced greater activity but less centralisation. The Church can now boast a division of powers which would have pleased Montesquieu, and which possesses indeed many of the advantages he enumerated. Queen Anne's Bounty and the Ecclesiastical Commissioners are independent and disinterested bodies, with a tradition of benevolent administration and of personal attention, free from the dangers of over-centralisation and bureaucracy which might affect a representative central authority. They are in no sense democratic. The Bounty possesses nearly 700 Governors, which include all King's Counsel and the Mayors of certain cities, although in practice only a majority of the bishops and a dozen or so laymen attend its meetings. The Commissioners comprise most prominent ecclesiastics, five Ministers of State, two Judges, and twelve laymen—nine appointed by the Crown and three by the Primate. At the same time, the parson's freehold and his (more or less) guaranteed income help to ensure his freedom of action and of doctrine. Even the system of patronage, now rendered virtually unsaleable and involving an increasing transfer of rights from lay to ecclesiastical patrons, does, by making a great variety of persons responsible for clerical appointments, help to secure a corresponding catholicity of viewpoints within the Church. Many claim that the "parochial system" has secured a sturdy parsonical independence and a resilience of new movements within the Church of England.

But, even if great advantages can be conceded to the present system—and there are offsetting disadvantages, such as the immobility of the clergy, the irresponsibility of some appointments, and the damaging effect of a guaranteed income—the fact remains that the Church has failed, under it, to find the powers or the initiative for a redirection of its resources to meet new needs. Much work has been done towards establishing minimum standards of income and satisfactory schemes of welfare and housing. But it is not enough to prop up from below; financial—quite apart from moral—considerations demand that any surplus on top should be scooped off for the general good of the ecclesiastical community. Closely connected with the redistribution of finance is the reorganisation of areas, towards which only moderate progress has been made or is possible under the Union of Benefice Measures. These needs are urgent. It has been agreed by successive commissions of enquiry that, without the work of patching up done by the Commissioners and the Bounty, the parochial system would have collapsed long ago.

Interregnum in France

IN the course of the last week or so General de Gaulle twice reshuffled his Government. The first change altered the composition of the Provisional Government, as fixed at Algiers, very little. Two representatives of the Resistance in France became Ministers; but the Algiers team remained in control of all the politically important departments. This first Ministry on the soil of liberated France was short-lived. General de Gaulle had not taken into account two factors in the new situation: the understandable desire of the men who had led the resistance in France to have a decisive say in the management of affairs; and the vigorous reassertion of the political parties. After a protest from the National Council of Resistance, which was strongly echoed by a large section of the reborn French press, he reformed his Government last Saturday.

The readiness of General de Gaulle to meet his critics half-way, and to do so promptly, points to two conclusions. In the first place, disappointment with the composition of his Algiers Government must have been strong and unmistakable. In the second, General de Gaulle has shown himself a much more realistic and shrewd tactician than many of his critics supposed. He has correctly realised that only a Government based on a broad political coalition has any chance of leading France out of the inevitable confusion of these days—and that only in such a coalition can Gaullism play the leading role to which it aspires.

The formation of the new Government was accompanied by two political acts. The much discussed Press Law, conceived at Algiers, has been happily discarded. A nation reawakened to independent life could hardly be expected to accept official tutelage over its newspapers. In fact, the peculiar feature of the present position in France is precisely the uncommonly important role which the press is playing in the absence of any normal representative institutions. The Fourth Republic may or may not become a parliamentary democracy; but in the first weeks or months of its existence its press is the only genuine expression of public opinion.

The other political act was General de Gaulle's solemn declaration that *L'Etat Français à la Pétain* has been abolished and that "legally the Republic has never ceased to exist." Instead of producing the birth certificate of a new Republic, as had been forecast, General de Gaulle has certified that old one is still alive; and the orthodox believers in the Third Republic may well regard this as a triumph. But the triumph is not very real. If the Republic—one might ask—has legally never ceased to exist, why has M. Lebrun, its last President, not returned to the Champs Elysées? Is the Constitution of 1875 still valid or only its invalidation, voted at Algiers? The fact is that France has now entered a period of constitutional and political interregnum. In making this declaration, General de Gaulle paid tribute to the undefined but determined popular desire to see the restoration of freedom and civil liberties rather than of specific constitutional forms. France is living through another "spring of the people"; and now as in 1848 its people take almost for granted the continuity of *Liberté, Egalité, Fraternité*, the articles of faith of its First Republic. It is the Republic that goes on, not a particular version of it.

The actual state of affairs is most clearly reflected in the composition of the new Government. At first sight, this Government looks very much like one of the typical Governments of the Third Republic. It is based on a coalition of parties; it might easily be confused with a Government of the *Cartel de Gauche*, or of the Popular Front; and its composition would seem to reflect a balance of political forces in France. But it also reflects an implicit break with the Third Republic. Its Minister of State is M. Jeanneney, the President of the last Senate. The last occasion on which M. Jeanneney acted as President of the Senate was towards the end of 1942, when, together with M. Herriot, the President of the

Chamber of Deputies, he addressed the courageous letter to Pétain in which, *ex officio*, they accused the Marshal of having abused his constitutional powers. By accepting office in this new Government, M. Jeanneney has automatically surrendered his title of President of the Senate. He is the link in the Government between the Third Republic and the new regime; but he also symbolises the former's self-effacement.

The orthodoxy of the Third Republic is dead. But the orthodoxy of the Fourth Republic has not yet asserted itself. Among the Algiers Ministers who have now disappeared is the former Commissioner of the Interior, M. d'Astier, whose uncompromising Gaullism made it impossible for him to remain in control of the Ministry of the Interior. His successor is the Socialist, M. Tixier. This is another of General de Gaulle's realistic concessions to the radical, Left wing mood of liberated France. Together with M. d'Astier went M. Bonnet, the author, or co-author, of the unfortunate Press Law, as well as M. Philip, General de Gaulle's right-hand man at Algiers. These dismissals are counter-balanced by the exclusion from the Government of personalities whose political complexion has not been Gaullist—Messieurs Monet, Massigu, Grenier and Le Troquer.

M. Bidault, the President of the National Council of Resistance and now Minister of Foreign Affairs, is a Christian Democrat. So are M. de Menthon, M. Plevin and M. Tietgen. The Christian Democrats will exert a considerable influence. Control of the Ministry of Justice will presumably put them in a position to direct, or guide, the "purge"—a crucial process in French politics now—with moderation. They also control the Ministry of Information, an inestimable instrument for shaping public opinion.

The strictly Gaullist faction controls, through M. Diethelm, the army, which General de Gaulle, if his views expressed in the "Army of the Future" are not to be regarded as out-of-date, considers to be the decisive instrument of any political coup. The Ministries of Education and War Prisoners are also in the hands of pure Gaullists. These, too, are key-positions, especially since the mood of the returning prisoners will have a decisive influence on the outcome of the first elections. The Socialists will have to struggle with administrative chaos in the Ministry of the Interior, and with the high prices of agricultural produce at the Ministry of Agriculture. They have also taken over the traditional department of continental Socialists in coalition Cabinets—the Ministry of Posts and Telegraphs. The Communists hold the non-political portfolios of Air and Health; and they have expressed their discontent with the small number of seats in the Government allotted to them. The Radicals have taken over the departments of Food (M. Giacobbi) and of National Economy (M. Mendes-France).

This last Ministry has been newly created in order to coordinate the activities of all the economic departments. M. Mendes-France will try to steer a cautious economic course in face of the widespread demand for the nationalisation of industries; and he will have under him as Minister of Production the trade unionist, M. Lacoste. The Ministry of Finance has been taken over by M. Lepercq, an industrialist and a resister since 1940, whose appointment seems calculated to refute the identification of Big Business with "collaboration"—though some people on the Left will argue that Sodom ought not to be allowed to escape because of the few righteous in its midst.

This then is the balance of forces in General de Gaulle's new Government. It seems very likely that this Coalition will be able to weather the storms with which the interregnum may be fraught—though more slight shifts inside the Coalition are likely. General de Gaulle himself has somewhat cryptically described its programme as "*la révolution par la loi*." The course of events has still to reveal the real content of that "revolution" as well as that of the "law" which is to govern it.

NOTES OF THE WEEK

The Last Act

These weeks, with the war brought at last on to German soil, are a time of the strongest contrasts. While the most bitter fighting is still going on in the Battle of Western Europe, with no public sign from the beaten enemy of any wish to abandon the hopeless struggle, the people of this country, freed from the black-out and from the most irksome of home defence duties, are already discounting the approach of peace by a spreading mood of half-holiday. While it has still to be shown whether the Germans, so characteristically dogged in their use of purely malicious devices against the obdurate inhabitants of this island, are in a position, after their military disasters and retreat, to renew the bombardment of Britain by other means, and from remoter sites, Londoners are crowding back from the safe areas, sure that the Battle of London is as decisively over as the Battle of France. While the duration of both the fighting and (technical difficulties apart) of the domestic danger still depends upon the unsolved problem of whether the Nazi leaders can induce the docile German population to continue their resistance after the defeat of the German Army—which is practically accomplished—it is generally believed that the winning of these last battles will promptly make an end of the war itself.

It is abundantly right and very well deserved that, after five dreary years, the people should feel to the full the assurance of victory; and there has been no slackening of work. The last battle and the final resistance may be hard-fought and costly, but the delay cannot be long. All this is good ground for a lightening of hearts. But it is no ground at all for undoing the good work achieved by the mass evacuation of London, until it is quite sure that the last Parthian shots have been fired. There may still be danger—as indeed several Ministers have said, somewhat quietly. The trouble is that they have also said, much more loudly, that the Battle of London is over, which is strategically and tactically true, but not in the sense that no more hostile fire can now be expected. The Government should be frank. Families will not be kept away from London by manacled statistics about the number of damaged houses. They will either come back in the hope of speeding up the repair of their own dwellings or else, if their homes are undamaged, they will not take the warning as applying to them. If Ministers are sure the last shot has been fired, then of course the flow back can continue without risk. But if they are not, it is their duty to make their appeal for patience much more explicit.

State of Emergency

When Parliament meets the Government will quickly be made aware of a deep anxiety about the adequacy of the preparations that have been made for the first and immediate needs of peace. The reply that a very great volume of preliminary work has been accomplished on all the major matters of peacetime policy will be admitted, but not regarded by any party as a sufficient answer. Beside the White Papers (to be rounded off in a few days by three more, on demobilisation, social insurance and workmen's compensation) there has been only one Act, the Education Act; and that is to be, *sine die*, a dead letter. In the tens of thousands of words in these Government pronouncements, there is a dangerous dearth of actual decisions. This is no more, and no less, than Mr Churchill promised—the agenda for the next election, but not a policy. But the consequences of this painstaking diffidence may be disastrous. Towns cannot be planned, sites cannot be chosen for houses or schools, homes cannot be built for returning soldiers, the conversion of industry and trade to peace purposes cannot even be contemplated. This, it seems, is the consequence of Coalition—abundant good intentions, but no results. The contrast between this alarming state of confusion and indecision and the bold, imaginative and triumphant planning of the war itself is tragic. Only by acting when Parliament meets with the urgency that marked the proceedings in May, 1940, can the Government avert a grave setback in our home affairs in the very moment of military victory.

Quebec Again

The gathering of Service officials round the President and Mr Churchill at Quebec suggests that military planning will have a high priority on the Conference's agenda. From this it should follow that discussions on the Far East will occupy the centre of the stage, for in Europe most of the military planning has presumably been already completed, and it is in the Pacific that the principles of collaboration and joint action have now to be clearly mapped out. There is another reason for supposing that European problems may take a second place. Marshal Stalin, though invited to the Conference, has excused himself on the grounds of his military preoccupation with the Eastern Front. Nor would it be possible to come to final decisions about Germany in the absence of any representative of France. Nevertheless, it is to be hoped that the British and American delegates will take the most pressing European problems into consideration and reach common decisions on their solution, or, at any rate, on the principles according to which solutions should be sought. There has been too much evidence during the last two years that the British and American Governments have allowed themselves to be drawn away from their original outlook and statements of principle, and led almost to the position of adopting policies in direct contradiction to their own pledges and interests. Today the military balance has been redressed in their favour. American troops have entered Germany—the first of all the Allies—and British forces are within a few miles of the German frontier. Any sense of modesty which an inadequate military performance may have induced in the past can now be laid completely aside. If the principles of the Atlantic Charter on the rights of nations, on national self-determination, on the treatment of a defeated enemy, really represent the considered views of the British and American Governments, they can now be stated without any diffidence. The only thing that could weaken the position of the Western Allies on these points of principle would be a failure on their part to speak with a single voice. Thus, although no final decisions on Europe can be taken at Quebec, the opportunity must be grasped to formulate a common Anglo-American approach and confession of faith. A final decision must always be the outcome of bargaining and compromise, but they bargain least efficiently who least know their own minds.

Belgium: The First Phase

The liberation of Belgium has revealed a country very far removed from the perplexing problems and the revolutionary fervour of its neighbour, France. The Government has now been back over a week and the political and economic life of the country is being restored in a calm and orderly fashion. The reason is not only that the Belgians are, on the whole, a stable and unexcitable people, but that the political life of Belgium during the occupation has not been disturbed by any major political rift, such as was created by the existence of Vichy. Even the King's position does not seem to be creating any real difficulties. There appears to be little popular support for him in any of the political groupings, and while it is generally assumed that the monarchy will continue, it is quite possible that King Leopold himself will have to give way in favour of his son. The Pierlot Government is to report to both Chambers of Parliament on September 19th. M. Pierlot will give an account of the Government's conduct of affairs in London and M. Brunot, Minister of State, will reply on behalf of Parliament. On the two succeeding days the two Chambers are to fill the gaps in their ranks created by death or collaboration, and will go on to discuss the problem of the Regency. This quiet resumption of ordinary political life has been made possible by the extent to which the three great political parties—the Liberals, the Catholics and the Socialists—have kept in contact during the years of occupation and concerted together their plans for the reorganisation of Belgium's political life. They will almost certainly demand the resignation of M. Pierlot and the formation of a new Cabinet based on the men who have remained in Belgium throughout the occupation. The only problem is the extent to which these men will be drawn from groups other than the three official

parties. The resistance movement has not been on a very large or on a very political scale. The Government seems to be having little difficulty in bringing it under organised control. An assembly representing most of the groups has already decided on measures to register the right of resisters to carry arms and has apparently agreed unanimously to a Government suggestion that the resisters should be demobilised as soon as possible. The only likely source of friction is the Communist Party. The Communists were a negligible group before the war, but they have grown considerably during the course of the occupation. They now demand seats in any reconstructed Cabinet. The three main political parties are reported to be divided on this issue, the Liberals in favour of the inclusion of Communists, the Catholics sceptical about their continued influence, the Socialists divided but partly hostile. If it proves impossible in the course of the coming months to reorganise Belgium's economic life and to remedy the desperate food situation, this dispute may well swell up into proportions of a first-class political crisis.

Dominions Conference

There is no set agenda for the Conference of British and Dominions Labour parties which opened in London this week. The discussion, which is expected to last for three weeks, will cover a very wide range of war and peace problems. The Conference will not be in any sense conclusive or binding, but the fact that Commonwealth Labour representatives should meet at this final stage of the war, is in itself valuable, and it is very fitting that the meeting should coincide with the loftier discussions at Quebec and Dumbarton Oaks. The delegates represent Labour movements at different stages of development, and with varying degrees of influence in their countries. In Australia and New Zealand, Labour is the Government. In Britain, it is a part of the Government. In Canada, the Co-operative Commonwealth Federation is a young body, whose influence in Canadian politics has been growing strongly. In South Africa, on the other hand, the Labour movement is relatively weak. There is unanimity among the parties about the immediate aim—the defeat of Fascist aggression; and if the Australian or New Zealand delegates had any lingering doubts about British Labour's determination to wage total war on Japan, these should have been dispelled by Mr Attlee and Mr Morrison at the opening session. The Conference (with the explicit support of British Labour Ministers) has also reaffirmed its agreement about the long-term aim of Socialism, and about international cooperation for the raising of world standards of living. Quite apart from questions of political organisation, there are many issues of deep concern to Labour which transcend party or sectional considerations. Some, indeed, have already been agreed upon by the Governments, and incorporated in the Philadelphia Charter of the International Labour Organisation. And, though problems of full employment, international trade, social security, colonial welfare and emigration, can only be settled by the Governments concerned, the Labour movements in each country, whether or no they are represented in the Government, must make their contribution to the solution. If this Dominions Conference can agree about the means, and can devise a practical programme, in addition to paying lip-service to well-worn principles, time will have been well spent. The next step might well be to extend the discussions, and for the British Labour movement to call the much-postponed world conference of trade unions.

Labour and the Coalition

As the end of the war in Europe approaches, speculation is increasing about the Labour Party's attitude towards a general election and about the general alignment of political parties immediately after the war. Labour's National Executive met on Wednesday to discuss its attitude, and though no statement has yet been issued, it is possible to assess the general lines of policy agreed upon. Labour is at all costs determined not to have "another 1918"—that is, Labour is opposed to a "coupon" election. The election of 1918 resulted in a resounding defeat for Labour which stood in opposition. To hold such an election again, it is argued, simply to capitalise the fact of victory, without any policies or clear cut issues, would be quite unrepresentative of opinion in the Armed Forces, and possibly of the mass of the electorate. The Labour leaders have also stated a determination not to have "another 1931,"

though some of the rank and file have their doubts. Mr Attlee gave a pledge to last year's Conference that the Labour Ministers would be bound by the decision of the party whether or not to continue in the Coalition, and that this decision would be taken by a special party conference, to be called when hostilities with Germany ceased, or as soon as the question of a general election arose. The postponed Whitsun Conference is now to be held in London in December, by which time the first of these conditions should have been fulfilled. But the war with Japan will go on. Mr Morrison, speaking to the representatives of the Dominions Labour parties, emphasised the indivisibility of the war against Germany and Japan; and he recalled the circumstances and the reasons which had caused Labour to take office in the all-party Government. But when Labour joined the Government there was of course no Japanese enemy, and when the party at Bournemouth in 1940 authorised its representatives to "support the Government in its effort to secure a swift victory and a just peace," it was thinking of Germany alone. Whether the Labour Members should stay in the Government until Japan also has been defeated, whether Mr Bevin should remain to organise the orderly demobilisation of the millions he has mobilised, whether the Labour party would not earn public censure if it left the helm as the ship reached harbour—these are considerations which the Conference, when it does meet, will be asked to weigh. There will be a strong demand for the immediate withdrawal of Labour Ministers from the Government by constituency parties which have all along been pressing for an end to the electoral truce. But it is possible that the view that Labour should see the Japanese war out first will prevail. Both sides will be preparing their plans for an appeal to the country. Marital relations will become increasingly strained, but Labour will probably cling on, rather than precipitate a divorce.

Russian Armies on the Turkish Border

The Red Army, in its advance across southern Dobruja, along the Black Sea coast, is approaching Turkey's European frontier. German propaganda has been using this fact

The merry
monarch
had a bright
idea . . .



He made good the deficiencies in his budget by personal borrowing from those early bankers, the City goldsmiths, on terms which were highly satisfactory—to His Majesty! No wonder the limits of the Royal Prerogative took so much thrashing out in Charles II's days. Subsequent and more enlightened Governments have deemed it wise to encourage the Banker, with the result that today the advantages of a complete banking service are available to every citizen. The Westminster Bank with its network of branches offers you the security and convenience of a Current or Deposit Account, while its Trustee Department offers the testator the advantages of corporate executorship. Call and discuss these and other services with your local Manager.

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to arouse fears in Turkey; when the Russians reach the Turkish border, it is said, they will declare war on Turkey, just as they declared war on Bulgaria when their armies advanced to the Bulgarian frontier. The boggy may perhaps have some effect in Ankara. The undercurrent of tension between Russia and Turkey has never quite disappeared. The Russian press a short time ago vented its discontent with Turkey's neutrality in terms almost as sharp as those used against Bulgaria. Turkey, too, was accused of giving shelter to the Germans and of spinning an anti-Soviet intrigue. What the German propagandists have overlooked is the military and political differences between Turkey and Bulgaria. The Russians insisted on the transit of their troops through Bulgaria when those troops were engaged in the pursuit of the Germans, and wanted to join hands with the Yugoslav guerillas. Turkey cannot possibly be regarded as transit ground, and Turkish territory has not been used by the Germans as a base of operations against Russia. In addition, Bulgaria has been in a state of war with Great Britain and the United States, whereas Turkey, though neutral, has been an ally of Great Britain.

The Outlook in Bulgaria

The Russian declaration of war on Bulgaria was followed by the formation of a new Bulgarian Government last Saturday, headed by M. Kimon Georgiev and Colonel Veltchev, the well-known leaders of the Military League, an organisation with a somewhat chequered record in Bulgarian's domestic policy. In 1923 the Military League organised the *coup d'état* against the Peasant Government headed by Stambulsky and paved the way for military dictatorship in Sofia. In 1934 the League carried out another successful *coup d'état*, but a year later it was unsaddled by King Boris. Georgiev and Veltchev were the "colonels of the Bulgarian Left." Their programme was a curious combination of dictatorial methods and opposition to the Saxe-Coburg dynasty, an opposition which bordered on plain Republicanism. In foreign policy the League was opposed to the pro-Axis orientation of Bozhilov and Filov, though in recent years its leaders had no chance of making their voices heard in Bulgaria. Only the newly appointed Foreign Minister, Petko Stainov, who was a member of the Sobranie, was able to put on record a cautiously dissentient viewpoint. The first step of the new rulers were to depose the three Regents who were responsible for Bulgarian foreign policy in recent years, and to appoint new men in their place. The reports that one of the Regents, Pavlov, has been a Communist have so far not been borne out; nor is it clear whether or to what extent the *bloc* of the Bulgarian Left—the National Front—participates in the new Government. If it does not participate, then a reconstruction of the Government may be expected soon. It is a fact that in the Balkans, as elsewhere in Europe, the defeats of the Third Reich and the collapse of native dictatorship bring popular forces into action; and that the form of Government held to be most suitable for the time being is a coalition of pro-Allied military groups with the peasant parties and the Communists. How stable these coalitions will prove cannot be foreseen. In Bulgaria the new outlook

is most likely to lead to the expulsion of the Saxe-Coburg dynasty and possibly to the establishment of a Republic.

Greek Unity

The Greek Government has moved from Cairo to Italy, from where it hopes soon to be able to transfer its seat to liberated Greece. Before its departure from Cairo the Government was at last enlarged by the inclusion of five Ministers representing the EAM and the Communist Party. At the same time three Liberal Ministers, including M. Venizelos the younger, resigned ostensibly as a protest against M. Papandreou's unwillingness to disclose to his Cabinet colleagues the results of his talks with Mr Churchill in Rome. The reconciliation between the Greek Government and the EAM has now been followed by the dissolution of the Political Committee of National Liberation, which was the potential rival to the Government in Greece itself. This is the first case in which such a Committee has left the stage without fuss and bother. In Yugoslavia, even after the reconciliation between the King and Marshal Tito, which was emphasised by the King's message to Yugoslavia last Tuesday, the Committee of National Liberation continues in existence as the actual provisional administration at home. The conciliatory policy of the EAM is explained by the moderating influence of the Russian military mission in Greece, as well as by the fact that the EAM has not thrown up a leader of Marshal Tito's stature. Meanwhile, the Germans are reported to be withdrawing from the southern provinces of Greece; and the Greek Government—it is hoped—will be able to return home, with the risks of civil strife greatly lessened.

Policy for Restriction

While economists are trying to evolve a policy for wealth, and social reformers are grappling with the problems of a policy for health, certain retail trade associations and allied bodies are making careful plans to promote a policy for restriction. From the various fields of the distributive trade come proposals and projects that reveal, with striking clarity and ingenuity, the spirit of the united front. For example, the Typewriter Trades' Association, representing 403 firms or 97 per cent of the industry in this country, is seeking to expand its activities by trading in such mechanical devices as postal franking machines and duplicators—and by employing the special device of price regulation. This is admitted by the general secretary of the Association, who contends that some such method must be employed in the "tracking down and prosecuting of the black market." Similarly, the National Federation of Grocers' and Provision Dealers' Association in a report of its post-war plans committee suggests that a limit should be imposed on the growth of the big chain stores after the war:

Unless a halt is called to this extension of big business, consumers will find themselves with no shopping choice, but between the tentacles of the chain store octopus or the co-operative octopus.

This specious argument overlooks the real economic function of the chain store system with its advantages of bulk buying and standardised service. The chain stores have not so far been guilty of the major sins of monopoly control, and the benefits derived from their operational efficiency are not infrequently passed on to the consumer. It is, of course, a complete distortion of the facts to suggest that the co-operative societies are harmful to the public interest; and the distortion becomes an absurdity when it is coupled with the objection that dividends should not be distributed on price-fixed branded articles. Another association, that of the Motor Agents, is very worried about the used-car market—the black sheep in the white flock of manufacturers, dealers and distributing agents. The association suggests that used cars should be sold only through a licensed motor agent on a price-scale fixed by the Board of Trade. There would be a general welcome for any reasonable measures to check the wartime second-hand car racket, but it is evident that the association is thinking in terms that include the post-war years—and in particular of the time when ex-Service cars appear on the market. The association's declared view is that "not only for the welfare of the retail trade, but in the interests of the community," some control over all used vehicles and a control of entry to the trade is necessary.

Soldiers in Business

At a time when in the interests of the demobilised fighters every effort should be made to open the gates of the retail trades it would seem that energies are concerted in an attempt to keep them shut. Ex-shopkeepers who want to get a good place in the queue for resuming business are advised to obtain form RTR2 from their local Chamber of Commerce or Chamber of Trade or Citizens' Advice Bureau, and to make application to the Board of Trade. Thus, apparently, the soldier now at the front who hopes to re-start a business that has become a war casualty is to be penalised. He is unable at present to attend to the formalities that will earn him a place in the queue. There is something wrong here, surely. Meanwhile, the task of rehabilitating the businesses of ex-Servicemen is being undertaken by the British Legion. It is difficult to imagine a more unpromising approach to the task the Legion has set itself than by doing this in collaboration with the trade associations. The trade associations, if they are judged by their recent activities and schemes for development, are awfully restrictive. They have quite openly declared their attitude against non-shop trading in markets and street markets—a method of distribution which has been recommended by Sir Daniel Hall as one of the most useful means of reducing distributive costs. As the war comes to its close the trade associations become more outspoken.

A National Fire Service

The Government's decision to reduce fireguard duties and to introduce further cuts in civil defence personnel at the beginning of next week, raises sharply the question of the future of the nation's fire service. The National Fire Service as such is not directly affected by the changes which come into force on Sunday, though for some time the Service has been progressively reduced in strength as its members have been transferred to other Fighting Services. But it is easy to understand the concern for their future which members of the NFS now feel and the impatience expressed by the General Secretary of the Fire Brigades Union at the absence of any decision from the Home Secretary. This affects the wartime recruits, who will presumably be released according to the general pattern of demobilisation, and the prewar or regular firemen, who may or may not be returned to their former employers. Three years ago, when Mr Morrison took the step, necessary in the interests of the prompt and efficient handling of fire-bombs, of placing the fire brigades on a national basis, there were as many as fourteen hundred different municipal fire brigades in existence. These varied enormously in size, efficiency and funds. Though the 1938 Fire Brigades Act laid down an optimum standard of one fireman to every thousand inhabitants, some areas were under-serviced and others were over-serviced. In some places, firemen were paid on an hourly basis, so that as often as not, it was found more profitable to prolong a fire than to extinguish it as fast as possible. The wartime organisation has brought about a uniformity in pay, conditions and standards, a centralisation of training and a standardisation of equipment. It is essential that these advantages should be retained in peace-time, not only in the interests of the fire brigade employees themselves, but in order to ensure the adequate fire-protection of the public. At present, it seems possible that the brigades will be returned to their former owners. As an alternative the Fire Brigades Union has put forward a scheme for reorganisation in larger units than before the war, on a regional rather than a local basis. There is, however, something to be said for retaining the fire brigades on a national basis, and for running them as a national concern.

Drinking in Two Wars

One of the most striking differences between this war and the last has been the importance attached officially to national sobriety as an instrument of war production. In the last war, the drinking habits of the workers were generally held to be a direct menace to the efficient equipment of the fighting forces. There has been little such agitation this time. Sporadic, and for the most part unfounded, complaints against over-drinking by Service women, munition workers or young boys and girls have

found the public unwilling to believe that a few exceptions constitute a serious national danger. In the last war, Mr Lloyd George, as Minister of Munitions, was asked by employers to impose prohibition for the duration. Only by this means, so it was urged, could the war effort achieve the high rate of production required for victory. The Government finally set up the Liquor Control Board. By an Act of 1915, the Board was given full powers to control the sale of liquor in any specified area. It could acquire and close public houses and clubs, prohibit the sale of any particular liquor, and restrict the hours in which liquor of any kind could be sold. Permitted opening hours (since few public houses stayed open to serve only food or non-alcoholic drink) were reduced from 19½ to 5½ in London, and elsewhere from 16 to 6. This restriction of hours was only partially removed after the war was over, when hours were increased to 9 in London, 8 elsewhere and 5 on Sundays everywhere except in Scotland and Wales. The Board was also responsible for the No-Treating Order, which proved both unpopular and unsuccessful, and for the experiment in national ownership and control in the Carlisle area. Besides the Board, the Government used the weapon of food control to limit the consumption of liquor. The year's output of beer in 1913-14 was 36,397,000 standard barrels; by the Act of 1916 it was reduced to 26 million. Early in 1917, the newly-appointed Food Controller attempted to cut it further to 10 million barrels, but discontent among the workers forced the Government to allow greater quantities of low-gravity beers to be brewed. After April, 1918, output was further restricted to an annual rate of about 12½ million barrels. By the end of the war, consumption per head of beer had fallen from 27.8 gallons a year to 10 gallons, and of spirits, from 0.7 of a gallon to 0.33. It was plain from the facts, and is now even plainer, that a sharp line of distinction can, and should, be drawn between drinking and drunkenness. Moreover, the days of "Genuine Old and Stunning at 2d. the pint" had gone for ever, and the brewing of lighter beers—"Swipes" as it was contemptuously called during the war—was not entirely abandoned with the lifting of restrictions.

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A Temperate People

In this war, production of beer has not been cut nor have further restrictions been imposed on when and how and where people may buy it. Output was pegged to the amount produced in the year before the war, and this quantity was spun out by another 15 per cent through a reduction in the gravity. For many reasons, the supply tends to be inadequate, and local and temporary shortages have occurred from time to time. Cereals were allocated for distilling spirits until after the 1943 harvest; imports of wine and spirits have been almost completely cut off. The duty on beer, which was raised in the last war from 7s. 9d. per standard barrel to 25s. in 1917, was £4 at the outbreak of the present war. Since then it has been raised to £4 16s. 5½d. Together with taxes on spirits and wines, the beer duty raised over £350 million in the year 1943-44, compared with £45.7 million in 1918 and £109 million in 1937. The steady increase in revenue, however, has been almost entirely due to higher taxes rather than higher consumption. The remarkable sobriety of the present war compared with the last is in part, of course, a reflection of a gradual change in the drinking habits of the nation. Alcoholic consumption, on the whole, has been decreasing since the turn of the century. In the five years 1915-19 the average person drank 17.5 gallons of beer and over half a gallon of spirits. Between 1930 and 1935 he drank only 13.3 gallons of beer and under a quarter of a gallon of spirits. Thus the agitation of extreme temperance reformers has tended to meet with a diminishing response, for lack of genuine grounds of complaint. Moreover, the unhappy experience of Prohibition in the United States has provided a warning rather than an example. Indeed, there are probably good grounds for reconsidering the wisdom of the Licensing Act of 1921. It may well be, of course, that the relatively temperate habits of this war have been partly due to the restrictions of the last war continued into the years of peace, and so into another war. Nevertheless, the partial removal of those restrictions in 1920 did not, except for a brief post-war boom, affect the gradual decline in alcoholic consumption—the result no doubt of changing social conditions and the widening choice of other leisure pursuits. At any rate, it is worth considering whether some extension of permitted hours after the war might not greatly improve the attractiveness of this country as a holiday resort for foreigners.—and as a place for free Britons to live in. On all the evidence, this could be done without increasing the risk of drunkenness. In any case, it is more likely that the unfortunately furtive air now associated with drinking might be better removed by improving the amenities and standards of public houses. To limit the times at which they may be used is to deny the real value of an integral part of our social landscape.

World Air Conference

A date has at last been fixed for the long-awaited world conference on civil aviation. On Monday the Government of the United States let it be known that it has invited more than fifty nations to the conference which is to begin on November 1st. The conference will come none too soon, for the absence of an agreed international framework for civil aviation at the end of the war would not merely delay its development, but it might easily bring confusion and conflict instead of expansion and collaboration. The mere fact of the decision to call a conference suggests, further, that there is at least some basis of agreement between the United States and the British Commonwealth and, possibly, Russia. At the anniversary dinner of the Air Transport Auxiliary, Captain Balfour, Under-Secretary of State for Air, claimed that "plans and programmes" do in fact exist for an "orderly system of civil aviation" in preference to "uncontrolled international competitive chaos." He did not divulge the nature of those plans or report on the stage reached in the informal discussions between Lord Beaverbrook and American experts. Much will depend, obviously, on whether the British Commonwealth, or at least the Colonial Empire, is to be treated as a single unit or whether British cabotage is to be restricted to the United Kingdom. The impending world conference once more emphasises the urgency of a decision on domestic policy, especially on the subject of departmental responsibility and on the conditions of participation in British air transport. A month ago Captain Balfour stated in the House of Commons that the Government had not made up its mind. On Monday he also admitted that in the construction of transports Britain was at a disadvantage

because, by agreement with the Allies, manufacturers in this country concentrated on combat types, leaving to others the supply of transports for joint use.

Australian Budget

The Commonwealth Budget for 1944-45 was tabled in the House of Representatives early this month. The background of the Budget is the partial completion of capital works needed for war purposes and the mounting proportion of the national war effort which is being transferred from the direct production of war material to the provision of essential food supplies for the United Kingdom and other Allied governments. A large part of these and other supplies go to the United States forces in the Pacific area. Reciprocal aid for this purpose amounted last year to £110 million (Australian currency), or 20 per cent of the total war expenditure of the Commonwealth and nearly twice that supplied in 1942-43. The heavy exports of food and war material, matched by stringent control of imports, have enabled the Government to repay a loan of £12 million raised in London in 1940 and 1941. It has also been able to pay for overseas war expenditure of £56 million. Rough estimates for this year's Budget compared with the actual revenue and expenditure in 1943-4 are as follows:—

	£ Million	1943-4	1944-5
War Expenditure	544	505	
Non-war Expenditure	142	148	
Revenue—Taxation	270	286	
Other Sources	39	39	
Deficiency	377	328	

The estimated increase in non-war expenditure is mainly due to extension of social services. The deficit of £328, £69 million less than that for last year, will have to be raised in loans, and the Government have committed themselves to keeping Treasury Bill finance to the lowest possible level.

Staple Inn

Staple Inn has been destroyed by a flying bomb—a sad and unlikely nemesis for a building which stood comfortably clear of the Great Fire of 1666, but uncomfortably close to the great fires of 1940. Holborn will sadly miss the Inn, which has faced it unchanged probably since the sixteenth century. Within the Hall, some stained glass of great beauty dated from a still earlier period. Dickens noted Staple Inn—"a legal nook . . . to what obstructive purposes devoted, and at whose expense, this history knoweth not." Nor did his contemporaries know either, although it seems certain that the legalism of the nook had by then ceased either to obstruct, construct, or instruct—for a Royal Commission, investigating rather later, found that the building belonged to the hospitable rather than the legal category of the word inn. Anyhow, its library had dwindled to a few books, reached by ladder to the gallery. Earlier than Dickens, Johnson wrote "Rasselas" there. Earlier still, legalism was much in evidence, the Inn being a recognised Inn of Chancery, junior to the superior Inns of Court, catering for solicitors to the latter's barristers. Yet earlier, in the thirteenth century—before the erection of the recently destroyed buildings—the word staple derives its connotation from the "stapel" goods in which the Hanseatic League were permitted by the Crown to trade on that spot. But later than Dickens, Staple Inn returned to an active rôle, and, when the blow fell, the Institute of Actuaries, who have been assiduous in nurturing the crumbling shell of their fine and worthy home, had just celebrated a half-century's residence. No skilful propping could hold modern explosive. The Institute—and London—have suffered a heavy loss.

Books Received

- How Widespread Are National Savings?* By H. W. Singer, Ph.D. From the Manchester School, Vol. 13, No. 2. Manchester Univ. Press. 19 pages. No price stated.
- Electricity: Public versus Private.* Published by the Labour Research Department. 39 pages. 6d.
- Reconversion—The Job Ahead.* By T. A. Livingston. Public Affairs Pamphlet, No. 94. 32 pages. 10c.
- Belgian Handbook.* Compiled by W. Ford. The Belgian Information Office. 87 pages.
- Demobilisation.* A Survey by the Melbourne Junior Chamber of Commerce. 31 pages. 1s.

Letters to the Editor

Terms for Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—If the letters you have published in connection with your article "Terms for Germany" are typical of informed opinion on this matter, I have found the explanation for a curious and hitherto mysterious phenomena. I have the impression (and a certain amount of proof) that as the prospects of military victory improve so a certain pessimistic outlook about the nature of the Peace increases. I am not referring to the fall in stock market values.

Broadly stated, your correspondents appear to suppose that in a Total War the good of Total Victory is synonymous with military victory. All that military victory does is to give the victors an opportunity and grave responsibility. This is a great deal, but the rest of the story, i.e., what use is made of the opportunity is the more important part of the business.

In general, your correspondents and even your own article are almost wholly negative and destructive in their proposals. There is an implication in the correspondence that if we could abolish "The Germans," peace would be secure. A moment's thought will show that such abolition would produce a large uninhabited area, and that the question as to which sovereign state would "own" it would be a very likely cause of war. The circumstance of two World Wars in one generation cannot adequately be explained by pointing to the Germans. There are deep-seated evils in western civilisation, and modern Germany is the weak spot in the European polity.

Germany is the boil on the back of the European neck, and whilst applying suitable local treatment to the boil, we must also do something to eradicate the poison which breaks out via the boil. To squeeze the boil and hack it about will not disinfect the system.

As it is almost impossible to write sense about this subject without being accused of being "pro-German," will you permit me to remind your readers that from 1935-1939 you consistently opposed Fascism and Nazism by every means open to me, and that the last paragraph of the last official communication Hitler ever sent to the British Government was exclusively devoted to an attack on me.—Yours sincerely,

STEPHEN KING-HALL

House of Commons

TO THE EDITOR OF THE ECONOMIST

SIR,—I am surprised to see that no coherent case against your thesis has yet been made in the voluminous correspondence you have published. I suggest that there are at least two avenues of attack upon your solution of the German problem:—

The whole of your case is built on the assumption that public opinion in this country and elsewhere is what mathematicians call "an independent variable." In other words, you disregard the indisputable fact that public opinion is a highly influenceable entity, and choose to take for granted something which, first, is not strictly predictable, and, secondly, can certainly be influenced by the formidable array of modern propaganda tools.

The solution I tentatively put forward is a much stronger peace treaty than you envisage, backed up by continuous and relentless propaganda for its enforcement by the Allies, if and when this should be necessary.—I am, Sir, yours truly,

A. P. ZENTLER

London, S.W. 1

TO THE EDITOR OF THE ECONOMIST

SIR,—You argue truly that the Allies must make peace on terms which they will enforce, both in this and succeeding generations. What quality is it, above all, that will command this constant resolve? Not severity, in itself, nor leniency, in itself. Your correspondence shows that there is already disagreement about these.

Peace terms will be enforced if they are broadly just, and

if experience makes their justice increasingly evident. Or at least it may be said that otherwise they will not be enforced; we watched the destruction of the settlement of Versailles irresolutely, because, rightly or wrongly, we were led to doubt its justice. Thus your argument, so far from sidestepping the question of a just peace, leads straight to it.

States consist of citizens rather than of territory and a constitution. Actions are performed by conscious human individuals, not by abstract juridical personalities. By a figure of speech it is said that Germany is guilty. But there are millions of innocent sufferers in that country; I mean the children. In twenty-five years' time these will be mature, and many now unborn will be coming of age. Will "Germany" then still be "guilty"?

Reason demands punishment for the many individuals who have committed what conscience has always condemned, but rejects the badness of mass punishment. Let us acknowledge and protect in those who have not wronged us the fundamental human rights; a family life of frugal comfort, scope for talent and freedom of religion.

Nothing in this is necessarily an argument for the German state as such. It may be that the best thing we can do for the next generation is to relieve it of the heavy burden of history which belongs to that institution. If so let the position be made clear. The psychologist Rudolph Allers wisely said that for punishment to be salutary, not only must it be just, but its justice must be understood.

I think none of these requirements, and most certainly not the last, will be met by an arrangement which hands large groups of Germans over to foreign states as subject-minorities, hated as they will be, by the societies in which they live. There remains the suggestion to return to the older, divided and more civilised German states.—Yours faithfully,

MARY A. LYNCH

London, W. 12

TO THE EDITOR OF THE ECONOMIST

SIR,—That widespread unemployment provides fruitful soil for the demagogue is obvious enough. But why did economic distress in Germany produce Hitlerism? Why did it not cause a swing towards Socialism or even Communism, which is the reaction it tends to produce elsewhere?

The answer is that there is something in the psychological make-up of the German nation which makes it susceptible to a certain kind of excitation. Hitlerism with all its international implications is merely a rehash of the more advanced ideas of the Pan-Germans, and there is scarcely a paragraph in *Mein Kampf* which cannot be duplicated elsewhere in the vast Pan-German library.

While it is true that not every German holds or has held these peculiar beliefs on morals and ethnology, these beliefs have nevertheless been propagated for so long a time by an ardent minority that the great apathetic majority has gradually become conditioned. The result is that even those who disagree with such notions have for the most part ceased to look upon them as merely monstrous.

J. L. BENVENISTI

National Liberal Club

TO THE EDITOR OF THE ECONOMIST

SIR,—In the illuminating and most valuable controversy on "Terms for Germany," not one of your correspondents, excepting General Fuller, has got anywhere near the root of the matter. But General Fuller most certainly hits the nail on the head.

As General Fuller points out, no attempt at peacemaking will be of any avail that does not take into account the fundamental organic disease, financial and economic, with which the world is afflicted—that disease which can be crudely diagnosed by the terms "over-production" and "under-consumption." Any attempt at peacemaking that

ignores the lessons to be derived from the economic conditions of the world during the inter-war years, culminating in the world-wide slump of 1929-1931 and ending with the apparent coincidence (it was not a coincidence, however) that Hitler with 6,000,000 unemployed and Roosevelt with 15 million unemployed came into power in the same month—any attempt at peacemaking that ignores such circumstances and their causes is doomed to failure.—Yours truly,
Thornton Heath, Surrey G. K. HOLLIDAY

TO THE EDITOR OF THE ECONOMIST

SIR,—Mr Dewar quotes me rightly but interprets me wrongly. I wrote: "Every country is responsible for its leaders." Mr Dewar's conclusion that in my opinion therefore all Germans are Nazis is not correct. The only right and, I should think, obvious conclusion is that all Germans—whether Nazis or not—are responsible for German leadership as the British nation or any other nation for theirs.

Edmund Burke's famous words that it is impossible to draw an indictment against a whole nation may have been right in his time, when the modern state was in *statu nascendi*. But in our time of the modern national state you have to insist—in addition to the responsibility of each individual for its individual needs and misdeeds—on the collective responsibility of the national community as a whole for its social behaviour. (Rousseau foresaw the problem in behaviour—his "volonté-générale.")—Yours sincerely,
Northwood, Middlesex DR. ALFRED DRUCKER

TO THE EDITOR OF THE ECONOMIST.

SIR,—I beg to suggest that the proposal of dividing Germany into more or less its original constituents deserves a much closer scrutiny than it has received so far.

The main argument against it has been that it would contain the germ for history to repeat itself. That may be true, but it is by no means certain that the germ would have a chance to develop. The unity of Germany was largely a result of Prussian aggression, a fact which has by no means been forgotten by the victims. There has never been any love for Prussia in the smaller German states, where the feeling of being a Bavarian, Wurttemberger, etc., is still very strong, and could easily be strengthened further.

The unity of Germany is the core of present and coming trouble, and as long as she remains united none of the proposed petty remedies of Utopian schemes will have any lasting effect. Neither can you "cure" the Germans, as one correspondent suggests, because a leopard never changes its spots.

The restoration of the kingdoms of Bavaria and Wurttemberg, and all the archduchies with courts, royal guards, glamour and whatever goes with it, would leave the majority of Germans quite happy, and make them internationally impotent.—Yours truly,
Slough O. J. BRUUN

TO THE EDITOR OF THE ECONOMIST

SIR,—May I be allowed to correct one or two factual errors in General Guy P. Dawnay's letter?

(1) "Silesia was Polish before the first partition of Poland." Silesia (except for its eastern-most corner) ceased to be inhabited by Slav-speaking peoples before the end of the 13th century. It has had no political connection with Poland since 1201. It was taken from Austria by Frederick the Great in 1740. The first partition of Poland of 1773 did not involve Silesia at all.

(2) "Schleswig-Holstein was Danish until the first aggression of the Germans in 1864." The Schleswig-Holstein question is notoriously complicated. Briefly, the northern half of Schleswig has been Danish in population, the rest German. Until 1806 both principalities were united in personal union with Denmark, Holstein as part of the Holy Roman Empire.

(3) "The breaking up of the Southern German (Catholic) State after the last war was an error of the worst kind." There never has been one Southern German State. Until 1933 there were three: Bavaria, Wurttemberg, Baden. Their territorial structure was left unchanged in 1918. Of the three, Wurttemberg is overwhelmingly Protestant.

Finally, is it so certain that historical claims provide the surest foundation of a lasting territorial settlement?—Yours faithfully,
Manchester H. W. ARNDT

TO THE EDITOR OF THE ECONOMIST

SIR,—This discussion gets further and further from the real point at issue. May I hark back to what you actually said.

First of all, you did *not* say "We must give them steel and oil and coal and everything they need, for their peaceable intentions can be always guaranteed." On the contrary, you said that Germany must be chastened. So such ardent pro-Germans as rush to your support probably disagree with you far more fundamentally than Mr Cadbury or myself.

What you dislike (if I understand you correctly) is the idea of chastening Germany by frontier revision.

This is the point at which we critics diverge. We feel that frontier revision is the only way of doing the job without producing the six million unemployed that General Fuller so wisely fears.

General Fuller, who says so many things that I agree with that I feel he should come over to our side, quotes Keynes' "Economic Consequences." But surely that brilliant book criticises "making Germany pay," not the alternative policy of frontier revision. If it has a fault, it is that it does not stress the fact that Versailles was Clemenceau's concession to the western democracies. His first choice was the Rhine frontier, and looking back after 25 years I can only say, "How right he was!"—Yours faithfully,
Oxford H. B. BARWISE

TO THE EDITOR OF THE ECONOMIST

SIR,—There has always, since many centuries, been two Germanys, the Catholic, or Southern, and the Northern—Prussia: the former disliked the latter and the latter despised the former.

Why not make two countries, one known as "Germany"—comprising, from East to West, Austria with the Tyrol, returned by Italy as part of her restitution, Bavaria, Wurttemberg, and the Rhineland; the other "Prussia," comprising the rest of Germany excluding East Prussia—to go to Poland. The religious difference alone would keep the two apart and encourage the new "Germany" to consider itself entirely different from "Prussia"—then in the course of 10 years allow "Germany" to merge into Western Europe, but make the process very much longer and more difficult for "Prussia."—Yours, etc.,
Beaulieu, Hants A. EHMAN

Post-War Controls

TO THE EDITOR OF THE ECONOMIST

SIR,—May I ask you to correct a misapprehension that has crept into your comment (in *The Economist* of June 24th, on page 854), on my statement as chairman of Callender's Cable and Construction Company. This note makes it appear that I suggest the abandonment of *all* controls after the war, while in fact I ask for *fewer* controls; if more controls are to be added for essential peace purposes, then most of the controls used for war purposes should be cancelled so that the total of harassing controls should be fewer.

I think you will agree that it is essential to industry, when seeking orders at home or abroad, to know precisely what it will be permitted to do twelve months or even longer ahead. The White Paper, however, appears to envisage an increase in the already dangerous powers of Government departments, and to acknowledge (paragraph 80) that the exercise of these powers will be largely experimental in nature. The export trade, no less than agriculture, cannot await the results of experiments over untried ground. Nor can much comfort be gained from the White Paper declaration that "the Government will spare no effort to create the conditions favourable to the expansion of our export trade" (paragraph 5), in view of the present lack of Government action in aid of unfortunate investors in Argentina, Mexico, and elsewhere.

Whatever controls may be necessary will need the clearest definition if they are not to hamper a trade revival. It is the methods rather than the ideals of the White Paper which are being questioned by many industrialists, and it is these same methods which are apt to be accepted without thought as "inevitable trends."—Yours faithfully,
Godalming, Surrey MALCOLM FRASER

AMERICAN SURVEY

The Green Light

THE Administration's plan for the reconversion of industry after the end of the war in Europe (now officially known as V-E, Victory in Europe, Day) has followed close upon the plans for military demobilisation. Mr Byrnes, who is responsible for the report, estimates that war requirements will be cut by 40 per cent as soon as Germany is defeated, and he announces that the maximum increases in civilian production compatible with continued war production for the Pacific will be permitted at once. Not long ago Mr Nelson, former head of the War Production Board, estimated that with the fall of Germany there would be an increase of 30 per cent in civilian production, which would bring the output of civilian goods back to what it was in 1939.

It is believed that a cut-back of 40 per cent would make it necessary for some four million workers to change their jobs. But with the speedy relaxation of wartime controls Mr Byrnes is convinced that years of prolonged unemployment will prove to have been exaggerated. Among his main points was the desirability of a prompt return to the 40 hour work week, except in critical war production and areas of labour shortage, in order to spread work; the relaxation of controls on the movement of labour and on materials for civilian industry; and the need for Congress to legislate for maximum unemployment benefits of \$20 a week for 26 weeks, and for the states to liberalise their unemployment schemes.

Provisions of especial interest to American business include price increases to be allowed on goods coming back into production, the promise that the excess-profits tax will go after the end of the war with Japan, and the suggestion that manufacturers should be allowed substantial depreciation for tax purposes on new machinery purchased. Regulations have already been drawn up covering "T" or termination loans for war contractors to avoid freezing of their assets while their contracts are being liquidated. One particularly interesting decision is to release competitive units in the same industry from war contracts simultaneously, as far as this is possible. Mr Nelson ran into a hornets' nest some time ago by insisting that civilian production, from any source, must be given priority over the maintenance of pre-war competitive positions. Mr Byrnes also suggested that Congress should appropriate \$2 billion to support farm prices in the face of imminent surpluses.

One troublesome aspect of demobilisation, the treatment of Government-owned war plants, was dealt with by Mr Byrnes earlier in the week when he established a special inter-agency committee to set up a programme for their utilisation. In the letter establishing the committee Mr Byrnes suggested that the hard core of reconversion-unemployment may be found in these Government-owned plants, which employ several million workers. Over \$15 billion of Government funds have been invested in industrial plant during the war. About \$6 billion is invested in plants useful only for war production—shipyards, army and navy arsenals, ammunition loading plants and similar facilities. About \$5.5 billion is in plants for turning out products basic to both a war and peace economy—steel, chemicals, synthetic rubber, electrical equipment, and machine tools. Another \$2.8 billion is in plants that are capable of peacetime uses with some modification; and the remaining \$1.1 billion is in "scrambled" plants, facilities built by government funds to work in with private facilities.

There are three difficulties about the disposal of these plants. One is their size. The average investment is about \$6 million. Another is their high wartime cost. Speedy and efficient production was the main aim, rather than cheapness of building. A third complication is that in many industries Government-owned plant is so large a proportion of total investment that its disposal may well have a

decisive effect, not only on competitive relations within an industry, but also on competitive relations between vast geographical areas.

Mr Byrnes made no attempt to deal with all these problems. He insists in his recommendations that the Government must assume responsibility for converting plants, wherever possible, to civilian production under private operation. Some plants will be retained, even in the post-war period, as part of the country's defence resources; and Mr Byrnes urged that a list of these plants destined for "stand-by" purposes should be drawn up as soon as possible in order to facilitate arrangements for finding their workers jobs elsewhere. Plants that the Services do not wish to retain are to be surveyed immediately, and where their private operators wish to use them after the war they will be encouraged and assisted to do so. Where the operators do not desire to continue to run the plants, or their plans are not favourably regarded by the Government, attempts will be made to interest other private operators in them.

Mr Byrnes was optimistic about the chances of maintaining the present high level of national income, production, and employment. But, even with the most skilful management, there must be a period of heavy transitional unemployment, as millions of workers look for new jobs, frequently finding it necessary, not only to change their homes, but also to undergo retraining.

This "human side" of demobilisation is getting rough

TO BUSINESS MEN
WHO CABLE IN
WARTIME

By carrying out these three simple rules you will save yourself unnecessary bother, help to increase the efficiency of the service, free the Empire's tele-communication lines for vital war traffic.

1 When you dictate a cable by telephone listen carefully while it is being read back to you. Casual checking leads to errors which have to be corrected by more cables.

2 Allow your correspondents ample time to reply before enquiring about your cables. Remember that Government cables must be given priority over others in war.

3 Don't mislay cables sent to you. This causes your correspondents to cable for a reply and thus congests the Empire's circuits with unnecessary traffic.



treatment in Congress. Last month the Senate passed the George Bill, originally a measure providing only for a revolving Federal loan fund to assist state unemployment schemes and for the extension of protection to all Federal employees, including shipyard and arsenal workers, numbering about 3,500,000. Certain additional provisions were added from the discarded Kilgore-Murray Bill, such as the payment of transportation costs for unemployed workers; but most of the liberal features of the Kilgore Bill were defeated by a coalition of Conservative Democrats and Republicans, mainly on the plea of economy. These included a national standard for unemployment benefit, now determined state by state, and provisions for vocational training with compensation, and were vigorously supported by labour. Another Conservative coalition in the House has now emasculated the final Senate version to such an extent that even Senator George declares it inadequate. At the eleventh hour, an attempt is being made in the conferences between Senate and House to restore the less controversial provisions designed to relieve war worker and veteran of the whole burden of the transition.

The resistance on Capitol Hill to Administration plans for relieving the human distress and disorganisation which must accompany reconversion is based on deep-seated distrust of the Administration on the score of extravagance, authoritarianism, and "socialistic experiments." But the danger of allowing this problem to go unsolved until it is too late is obvious. It may imperil the whole reconversion programme, if workers and their families are stranded far from the new job opportunities and forced to exhaust their own resources. In the ranks of the labour unions, suspicious that they may receive a raw deal, there is already a movement to withdraw from the anti-strike pledge, and if each worker must sink or swim by his own efforts, the exodus from war production will become a flood.

American Notes

Launching the Campaign

Governor Dewey launched his campaign last week at a certain disadvantage. Events in Europe and the Conference at Quebec combined to divide the attention normally concentrated upon a Presidential election. Many Republicans, indeed, are watching the meeting of Mr Roosevelt and Mr Churchill for any shred of evidence that it has designed to detract from Governor Dewey's tour. The pattern of campaign laid down at Philadelphia and Louisville, Kentucky, was something new in election strategy. At Philadelphia, Governor Dewey attacked the Administration root and branch for its domestic incompetence and lack of faith in America. The next day found him endorsing the Administration plan for security, although he insisted that the plan for peace must be the "united, non-partisan work of many minds." The Louisville speech provided little further evidence that Governor Dewey intends to follow Mr Willkie's outspoken advice to grasp the nettle firmly; but it served to rebuke the diehards and to put the Republican Party—at least for the period of Governor Dewey's candidacy—firmly behind the general idea of American participation in a security organisation. It is being interpreted as a bid for the independent voter. The real dynamic of the campaign, however, lay in the attack on the Administration's alleged inability to provide jobs for all. In Governor Dewey's view the Administration prolonged rather than ameliorated the Great Depression; conceived in a fatal belief that the American economy is "mature," it is bound to accept unemployment and the dole as inevitable. He even went so far as to accuse the Government of planning to spin out demobilisation in order to conceal its inability to stimulate employment; and he pointed to the recent dissension in the War Production Board as proof of reckless incompetence. Governor Dewey made no imprudent attacks upon the social legislation identified with the New Deal. It was his contention that there can be security and jobs, and that the Republicans can and will deliver them both, by raking the bureaucratic shackles off industry and encouraging "job-producing enterprise." This is a recipe that might have been thought to have been tried by the last Republican Administration; but Governor Dewey has promised detailed discussion in future speeches of his plans for the relations between Government and business, security and freedom, and they may contain more than the traditional Republican aim of

less government. It has for months been Governor Dewey's plan to make reconversion the key issue of the campaign, and to insist that the next four years will see the importance of foreign policy greatly diminished. He was perhaps unfortunate that the opening of his campaign coincided, not only with the conference to secure victory in the Pacific, but also with the detailed and impressive plans from Washington for industrial reconversion and demobilisation.

The Irreconcilables

It is said that delegates to Dumbarton Oaks are beginning to feel that the rôle of the United States in keeping the peace will be decided, not at the Conference, but in the Senate. It would be an exaggeration to recognise the ghost of the implacable Lodge and his "irreconcilables" in the present Senate debate, but the opposition is crystallising; and it is taking the form of limitations and conditions rather than direct attack. There are few Senators anxious to oppose outright the use of American force to repress aggression; but there is a distinct group, composed in part of former isolationists, determined to preserve the Senate's right of veto over how and when that force shall be used. Senator Bushfield last week went so far as to say that to give the security organisation the right to call on American forces was to surrender American sovereignty to the caprice of one man. Senator Vandenberg, an able critic, has urged that the American delegate never should be free to pledge the use of American troops outside the Western Hemisphere, with Congressional consent. The opposition has another string to its bow, the argument that the creation of a security organisation should await the signing of the peace treaties. This is altogether too reminiscent of 1918, and the round-robin which declared 39 Senators and Senators-elect willing to consider the League only after the re-establishment of peace with Germany. Dispatches from Washington suggest that the Administration may be forced either to accept Senator Vandenberg's proposal, which would cut the heart out of effective American participation in any of the likely areas of major aggression, or compromise on the use of force by executive authority against Germany and Japan alone. The present opposition has only a dim reflection of Senator Lodge's deadly efficiency.

Surplus Soldiers

The approaching end of hostilities in Europe has led the War and Navy Departments to outline their plans for demobilisation. The Navy anticipates no demobilisation whatsoever until the defeat of Japan. Instead, recruitment for the Navy will continue toward a goal of 3,400,000 men next June. Tentative plans for demobilisation are ready, but the responsibilities of the Navy in the Pacific will be too heavy, both for strictly military operations and for the transportation of men and supplies to allow them to be put into effect until the defeat of Japan is accomplished. It is not expected, however, that it will be possible to employ the full present strength of the Army in the Pacific, and after the requirements for troops of occupation in Europe and combat troops in the Pacific have been met, men will be released on the basis of length of service, overseas service, combat credit, and parenthood, combined on a points basis. These standards are the result of a wide cross-section of soldiers' opinion, and they have been welcomed for their fairness. No combination of these considerations will necessarily serve to release a man needed in the Pacific; and the War Department has issued a warning that there may be a substantial delay in sending even surplus soldiers home, for the transport needs of the Pacific must come first. A problem of equal importance was raised this week by the publication of General Marshall's plans for a citizen army reserve as the basis of future military preparedness. General Marshall assumes that Congress will legislate for the military training of every able-bodied young American; and proceeds to enumerate the advantages of a citizen reserve over a standing army in a democratic country. The chief of these, in the United States, is that it stands some chance of adoption, being, as General Marshall observed, merely the perfection of a traditional national institution to meet modern requirements. But it is worth remembering that President Roosevelt, in raising the question of whether all Americans should not undergo a period of national service, was careful to point out that this need not necessarily mean military training; it might take the form of forestry or conservation. President Roosevelt is a more sensitive index of public opinion than the War Department.

THE WORLD OVERSEAS

The German Conspiracy

(By a Correspondent)

AFTER early two months of pretending that July 20th was only an insignificant episode, the Nazis have announced the hanging of six alleged political leaders of the movement. Now it is possible to guess at the wide scope of the anti-Nazi revolt. Of the hanged civilians, Goerdeler, who was, it appears, the rebels' choice for Reich Chancellor, is doubtless the most significant figure. His description as a previous mayor of Leipzig, though factually exact, is beside the point. He was for many years deputy-chairman of the German employers' union, and in this capacity, got along well with his opposite numbers from the trade unions. Under von Papen and von Schleicher he held the key position of Reich commissar for price control, with Cabinet rank. Even at that time, he was held to be eligible for the premiership. Later, the Nazis prevented him from accepting a leading job with Krupp. Goerdeler had a reputation for competence, solidity, character and poise. This level-headed representative of German big business is unlikely to have involved himself in a wild adventure. He would first have made sure of the support of the group to which he belonged. It must be added, though, that no proof beyond Himmler's statement exists of his actual participation in the plot. What is certain is that the Nazis believed that had the plot succeeded, he and his associates would have headed the rebel Government.

Goerdeler's Associates

Three of the six men now hanged must be regarded as belonging to the same political stratum—von Trott zu Solz, a diplomat with extensive knowledge of the West; Hassel, like von Trott, an influential man in the German Foreign Office, a former Ambassador to Rome and one of the signatories of the draft Four Power Pact; and Lejeune-Jung, who, before Hitler's advent, was a member of Treviranus' group of "popular conservatives." They were all moderate conservatives, with both Junker and big business associations.

The appearance of the name of Count Helldorf among the conspirators is suspect. It seems almost inconceivable that Goerdeler or any of the others should have cooperated with this worst type of Nazi gangster. He, however, had a notorious feud with Goebbels, which seems now to have cost him his life. The Nazis probably listed him with the others in a characteristic "amalgam" in order to discredit the conspiracy, both at home and abroad.

Dr Wirmer was not known to the public before the announcement that he was hanged. He seems to have been a product of the "underground."

The last of the group, Leuschner, stands in quite a different category. This timber worker and leading trade unionist became Minister of the Interior in Hesse in 1920 and held the position until the advent of the Nazis in 1933, when he was sent to a concentration camp because he was credited with the intention of organising armed resistance against the SA. Released, he was wooed by the Nazis and, together with Ley, was sent to an ILO conference at Geneva. There his activities were such that he was sent to a concentration camp again on his return. Released again, he disappeared from the surface. Leuschner, an efficient administrator, a vigorous and determined mass leader, and at the same time an old and possibly trusted associate of the conservatives, would in Goerdeler's view have been a suitable man to revive the trade union movement, especially as he had maintained his standing among the old trade union leaders. As vice-Chancellor he would have been Goerdeler's opposite number. The juxtaposition of the two suggests the basic conception of the group: an industrialists' and trade unionists' Government, a Government of national union. It can be assumed that Catholics too would not have refused to support a Goerdeler Cabinet.

Compared with the wide political background of the revolt, the generals' contribution appears in its true and limited proportions. One thing is certain. Whereas the Nazis have now hit their civilian enemies as hard as they could, they did not dare to strike with their full force at the leading generals. Instead of shooting Rundstedt, they made him a member of the special court which judged the military conspirators. They passed over Fromm's strange behaviour, played down Zeitzler's dismissal, and failed to notice Kesselring's ominous silence. The reason for all this is obvious enough. In order to make war, the Nazis need generals, and they have no generals of their own.

It is a fact, on the contrary, that every general who ever really threw in his lot with the Nazis has met a mysterious death—for example, von Reichenau, Udet, Todt, and Dietl. Even General Guderian is not a Nazi at all. He is simply a violent anti-Westerner who, while notoriously playing with the Utopia of a separate peace with Russia, would be sharply opposed to any compromise with the West. In order to find a man to direct operations, Hitler had to play up to this idiosyncrasy of Guderian's, which is so sharply opposed to his own likes and dislikes. Whatever else Himmler may have done during these last seven weeks, he obviously could not weed out the roots of an army revolt. Such a revolt was brought to a head by defeat. But, as in the case of the civilians, its origins go back to the days of the conquest of power by the Nazis. It seems that Germany's old ruling

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groups—army, diplomacy, Junkers, big business, the Church and the trade unions—were trying to reassert themselves in the *Götterdämmerung* of the Nazis.

Why did they fail? The plot was laid in an amateurish way. But the necessity of having recourse to assassination and a military *pronunciamento* was determined by the basic facts of a totalitarian regime. No regime can keep its army, its higher civil service and its diplomacy, as well as its economic leaders, away from all share in the framing of policy. It therefore cannot prevent them from forming political opinions and taking political action. But it can cut them off from the masses, and make the latter politically inarticulate, to such an extent that they are unable to act, and even to think coherently.

Demobilisation in Canada

[FROM OUR OTTAWA CORRESPONDENT]

PLANS for the demobilisation and rehabilitation of men and women in Canada's armed forces, as Prime Minister Mackenzie King said in a summary broadcast on a national network shortly after the recent session of Parliament ended, began early in the war. The problem of re-establishment dates not from the victorious conclusion of war, but from the first man discharged from service. The intake of manpower into the armed forces is reaching 1,000,000—it was 928,318 on March 31, 1944—and the strength on D-Day was 766,000. The difference represents casualties and discharges, so that re-establishment has been a growing problem.

The latest step in demobilisation is provision for the payment of war service gratuities, at an estimated cost of \$750 million, in the years immediately following the war. Five types of payments were included in this measure. Every Canadian service veteran will receive \$7.50 for each month of service in the Western Hemisphere and \$15.00 for each month of service elsewhere, regardless of rank. This will be paid in monthly instalments, possibly equal to pay and allowances before discharge. In addition, for

every six months of service overseas, a veteran will receive seven days' pay and allowances. This will be paid in a lump sum on leaving the Service. Men and women who served continuously for not less than 183 days will receive, as a lump sum on discharge, one month's pay and allowances as a rehabilitation grant. A clothing allowance of \$100 will also be paid, regardless of rank, and in addition personnel will be allowed to retain uniforms and personal necessities, but not other equipment. Finally, for specified purposes, such as purchase or equipment of a home or a business, a war veteran will be able to apply for a re-establishment credit equal to the gratuity payment.

The Cost of Release

To illustrate what these provisions will mean in cash, the following table shows what a soldier will receive if he has served one year in Canada and two years overseas:

	Single	Married Two Children
Gratuity	\$ 450.00	\$ 450.00
Pay allowances	77.00	135.90
Rehabilitation grant	45.00	108.12
Clothing	100.00	100.00
	672.00	794.12
Re-establishment credit	450.00	450.00
	\$1,122.00	\$1,244.12

The order of discharge of Canadian troops has not been announced. A man will receive free transportation back to the place in Canada where he joined up, or any other place that can be reached at no greater cost. Service personnel who came from another country to enlist may obtain transportation back to his home. Free transportation will also be paid for wives and children of service personnel overseas who wish to move to Canada.

The Canadian forces of this war were placed under the Pension Act at the start of hostilities and pensions for disabilities, and the pension system has been broadened. It now recognises family responsibilities of veterans and veterans' widows. Recently the family allowance scheme, to start on July 1, 1945, brought in children of war pensioners, and the allowances will not mean any deduction from the rate of pension paid. For pensionable disabilities personnel are entitled to medical care for life, and in all cases personnel will receive medical care for any condition for the first year after discharge. Thereafter, veterans who served in an active theatre of war will be entitled to medical care for causes not connected with service.

The main problem will not be medical care or pensions, but the re-establishment of physically able personnel in civil life. Early in the war the Reinstatement in Civil Employment Act was passed. It entitles Service personnel to obtain, within three or four months of discharge, employment on terms no less favourable than the individual left to join the Forces. Maintenance allowances, available for one year, have been fixed at \$50 per month for a single man, \$70 for a married man, with allowances of \$12 per month for first and second children, \$8 for other children, and \$15 for dependent parents. In cases where Service personnel take vocational training or continue their education, the payments will be \$60 per month for a single man, \$80 per month for a man and wife. Free courses in vocational training will be available for a period of one year, and those who take undergraduate or postgraduate university courses will be entitled to free tuition for a period equal to the veteran's service.

The veteran who secures immediate employment will receive, upon remaining in such employment for 15 weeks, the payment of back contributions to the Unemployment Insurance Fund from the date of enlistment or from July 1, 1941, the date when unemployment insurance came into effect. About 60,000 Canadian Service personnel have indicated a desire to enter agriculture, and the Veterans' Land Act provides that an applicant may receive assistance up to \$4,800 for the cost of land and improvements and up to \$1,200 for equipment. This Act also applies to veterans wishing to establish in the fishing industry. Provision for life insurance without medical examination, at reasonable rates, was made at the last session of Parliament. Preference to veterans in the Civil Service is also provided. Finally, a new Department of Veterans' Affairs has been created, though at the moment no Minister has been appointed to it. It will administer the whole field of veterans' re-establishment.

Russia at War

Reconstruction of the Donbas

IN the first days of September the industrial towns and mining villages of the Donetz Basin celebrated the first anniversary of their liberation from the Germans. According to custom, a letter from "the workers, collective farmers and intelligentsia" of the Donbas, signed by more than 700,000 people, was sent to Marshal Stalin. In it the results of the rehabilitation work done in the Donbas during the past year were summed up; 858 industrial undertakings, including 51 large mines, had been restored since the liberation of the province. The mines of the Stalino region had supplied the country with 6,000,000 tons of coal. A number of machine-tool works, furnaces and rolling mills had been reopened—among others, the famous Makeevka Works. The year's production of iron and steel was given as 200,000 tons of cast-iron, 430,000 tons of steel and 220,000 tons of rolled steel.

During the years of the German invasion the Donetz Basin, with its rich natural resources and manufacturing capacity, was of necessity written off. The whole attention of the Soviet public was focused on the development of the new industrial areas situated far behind the fighting lines. Kuznetsk, Karaganda and the Pechora area came into the limelight. It was on their output of coal, as well as on the metal output of the Urals, that the work of the war industries almost entirely depended; and no doubt the development of those new industrial centres has been chiefly responsible for Russia's sustained war effort. Kuznetsk, Karaganda, Magnitogorsk, and so on will remain Russia's great industrial assets also in peace. But for many years still the Donbas, restored, is destined to remain the mainstay of the Russian economy.

Before the war more than half of Russia's coal and iron was extracted on the Donetz. And though the Third Five-Year Plan aimed at the development of the new areas at a rate that would have considerably reduced the share of the Donetz Basin in the total output, the plan for 1942—the last year of the Plan—still assigned to the Donbas 49 per cent of the total coal output, and a percentage of the same order of the total output of iron ore. European Russia, in any case, could not rely on Siberian raw materials, if only because of the enormous haulages involved. During the war the loss of the Donetz Basin meant that the western unoccupied provinces of Russia were literally starved of fuel and metal.

Restoring the Pits

Chief emphasis is now being laid on the restoration of the coal mines. For the second time within the lifetime of a generation the pits on the Donetz have been flooded. The first time this happened during the civil war, and it then took five or six years fully to recover the mines. The destruction in this war has probably been even greater than in the years of the civil war. First, the Russians flooded most of the mines in the autumn of 1941, when it looked as if the Germans were just about to invade the area. However, until late in the summer of 1942 only the western fringe of the Donbas came under German occupation; in the Eastern part, the Russians tried to recover some of the mines and to work them under the fire of German long-range artillery. Then, during their retreat to the Volga, they damaged the mines again. For nearly a year the Germans tried, without much success, to repair some of the damage and to get some Donetz coal for themselves, only in order to wreck, in their turn, during their retreat to the Dnieper, the few mines that were working. On the heels of the advancing Red Army, repair squads arrived in Stalino and Shakhty. In the course of the past year the de-flooding work went on by day and by night, and 72 million tons of water have now been pumped out from the pits.

However, this is only the beginning of the work of restoration. The pre-war coal output of the Donbas was between 80 and 90 million tons (the plan for 1942 provided for 113 million tons); the present output is, at best, only about one-tenth of the pre-war total. The recovery of the iron ore mines at Krivoirog is, to judge from Russian press

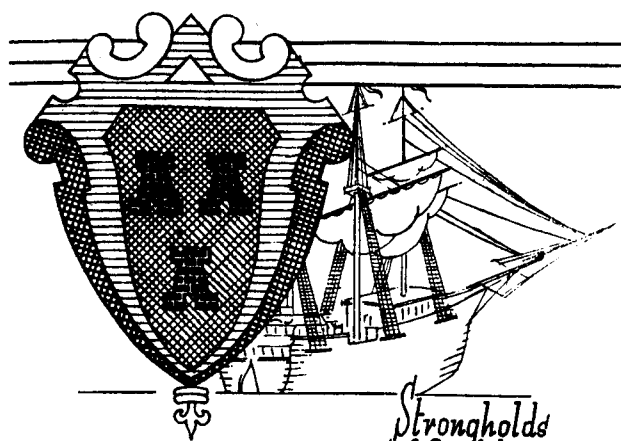
reports, proceeding even more slowly, as is the restoration of the steel works. The figures of the year's iron and steel output, mentioned in the report to Stalin, represent a very small fraction of peacetime production in the Stalino province.

While the economic leaders of the Donbas are urged to speed up the production of coal and iron, little has been heard about the restoration of the steel-manufacturing plants in the Donbas. These have been evacuated to the east; and their return, it seems, is not yet contemplated. The tank and airplane plants (Voyenzavod) of Krivoirog are still working at Nizhny Tagil, in the Urals, just as the motor plants of Stalino (which were originally built underground) or the Mariupol works (specialised in armour plates) and many other combines. The re-evacuation of such plants would, of course, entail an interruption in the production of urgently needed war materials.

Resettlement

Great numbers of skilled workers have been evacuated from the Donbas, together with the factories. Among those workers there seems to have developed a tendency to rush home in disregard of all official prohibitions. They have now been emphatically warned to settle down for good in their new places of habitation.

Enterprises [writes *Pravda*] with a considerable number of workers, engineers and technicians were evacuated to the Urals, Siberia, and Central Asia. These enterprises will remain in the east. People have gone there not for a day or for a year. It is understandable that people from Moscow, Leningrad, Kiev, or the Donbas love their native cities. But the interests of the Socialist state demand that evacuated enterprises remain in the east, since the process of the parallel restoration of factories is going on in the liberated regions. This means that all conditions must be created for the evacuated workers and office employees to settle down in the new places, to settle down permanently and feel themselves satisfied.



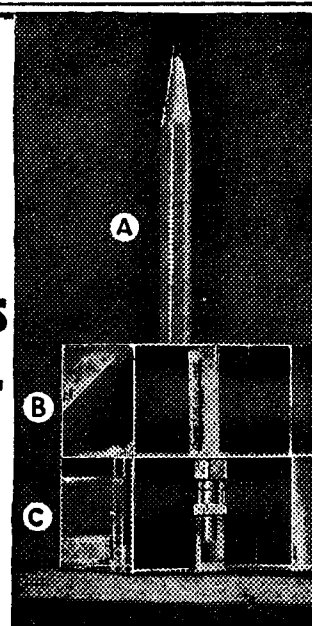
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THE BUSINESS WORLD

The Future of Inland Transport—III

THE object of this series of articles is to explore the possibilities of an increase in the efficiency of inland public transport. The first article argued, on the basis of known facts, that the pre-war regime of checks and balances between the various means of transport was not designed to achieve the lowest possible total real cost of transport. The second article listed the three alternative systems that have been advocated in various forms. The first, that is, price competition on the basis of equal opportunity between financially independent means of transport, would be the ideal solution, if it were practicable and likely to produce real transport efficiency. But the problem of creating the conditions of equality of opportunity presents serious practical difficulties (not the least of these is the lack of agreement between rail and road on what constitutes equal opportunity); and, even if these difficulties could be removed, it is doubtful whether price competition would produce most effectively the conditions of rising efficiency—in the peculiar circumstances of British transport. The second suggested solution, that is, joint price-fixing and traffic sharing between financially independent means of transport, must at once meet with the familiar, and not unjustified objections to autonomous price-fixing by monopolists, rings, or cartels; and, in spite of good intentions and safeguards, it might well impose high transport costs upon the public.

It remains, therefore, to examine the merits of a third alternative based on the technical and communal, rather than the financial and sectional, approach to the

problem. The fallacy of the sectional approach is the tacit assumption that the financial interests of the separate means of transport necessarily coincide with the national interest. It is not true that the efficiency of individual facilities, regarded in isolation, automatically guarantees the lowest total real costs of public transport as a whole. Since 1939, for example, both the productivity and the surplus of receipts over expenditure of the railways have shown a substantial increase. The real cost of moving passengers and goods by rail is now appreciably lower than in 1939; and though wage rates and the price of materials have risen by more than 50 per cent, against an average increase in charges of about 15 per cent, the surplus of receipts over expenditure (part of this is retained by the Government) was nearly three times in 1943 what it was in 1939; this is equivalent to a return of about 10 per cent on the railways' nominal capital. The reason for this improvement is to be found mainly in the higher "load" achieved by the railways during the war as a result of the curtailment of alternative facilities and the high volume of wartime traffic.

The wartime experience of the railways showed—fortunately, in the circumstances—that the capacity of their existing equipment is far in excess of the traffic carried by them in peace, and that the increased volume of traffic has brought a substantial reduction in unit costs, and an appreciable expansion in earning capacity. From the standpoint of the railways alone, the attainment of their maximum efficiency would require that all the traffic they can physically move should be moved by them, and not by other transporters. But very much the same argument could be used on behalf of the road. Given the existing road equipment—that is, the road track and rolling stock—the cause of efficiency would be served in this case, just as in that of the railways, by moving on the roads all the traffic that could physically be handled.

The fact is that the problem has been argued far too long in terms of road *versus* rail; driven to its logical conclusion this line of approach would require the suppression of one or the other in the cause of technical efficiency. It ignores the crucial fact—from the public point of view—where the alternative is possible, that some traffic can be moved at the lowest real cost by rail and other traffic by road. The various means of transport are, in the technical sense, essentially complementary.

Britain's inland transport problem is, above all, one of creating the technical conditions in which the various facilities—rail, road, air, coastal shipping and canals—can contribute as effectively as possible to the efficiency of public transport as a whole. Given a free hand and asked to take a long view, the efficient transport administrator, disposing of all the existing facilities, would be guided by two main principles. First, he would plan the operational integration of the means of transport at his disposal for the goods or passengers that can be carried either by rail or by road. On the basis of comparative costs, he would decide upon the traffics and the areas which would be best served by rail and road respectively, taking account the distances and the times specified by consumers. He would often use road and rail (and other means of transport) in combination, sending a given consignment partly by rail and partly by road. He would make the technical and operational adjustments necessary to ensure speedy and efficient transfer from one facility to another. In passenger traffic he would attempt to provide a combination of efficient facilities, with full regard to the convenience of the public, but he would eliminate redundant services.

Secondly, in his capital expenditure he would be guided by reference to the efficiency of the transport system as a whole; this would involve the technical integration of capital equipment as well. He would seek to canalise his expenditure into the most productive channels, whether they were rail, road, shipping or any other. He might

decide, on the basis of costs and demand for transport, that certain areas could be taken over entirely by the road, and that existing rail facilities would be scrapped. He might decide that capital invested in the electrification of the main line railways would contribute more to the productivity of transport as a whole than an equivalent amount spent on other forms of transport equipment. Unless there are overriding strategic and other special considerations, he would be guided continuously by the aim of achieving the lowest total costs.

Inevitably, the consumer of transport would forgo the choice of means of public transport. He would also forgo the advantage of "cut" rates for special traffics. But he would benefit from the overall increase in productivity, and he would still have the private alternatives of the "C" licence for goods, the private car and the cycle. Insofar as the "C" licence would lead to a diversion of traffic from public to private transport, its extensive use might detract from the efficiency of transport as a whole; but, within adequate limits, this is a cost that must be borne, for the consumer cannot be deprived of his right to private transport. The greater the efficiency of public transport, the smaller would be the demand for "C" licences.

The general and technical approach to transport would obviously involve a marked departure from the pre-war regime. The operational integration of movements postulates central allocation of traffic on the basis of comparative costs; hence it must be made a matter of indifference to the existing owners of transport facilities by what means each consignment is carried. The technical integration and improvement of capital equipment by reference to comparative efficiency postulates central guidance over new capital expenditure. This, too, means that the owners of existing facilities should be in a position to accept guidance likely to be most advantageous to transport as a whole.

The argument cannot be left at this rather general and academic stage. What is the framework within which such a policy could be carried out effectively while preserving—which is essential—adequate incentives to progress and safeguards for the consumer? The pre-condition is the creation of a community of interest between the various means of transport. This could be done on the basis of a private monopoly, the second of the three alternatives. But this would be undesirable, and there would be no guarantee that the end of efficiency and the lowest cost would be achieved. Rather the contrary. Obviously, this integration need only be applied to the area of traffic where the existing facilities are competitive. Purely local traffic, a substantial proportion of the whole, would best be served by competition.

Broadly, the creation of a real community of interest can take the form of the financial integration of the capital of all means of public transport or of an arrangement for the pooling of receipts without interference with existing ownership. Both arrangements offer a choice of alternatives. Financial integration might take the form of outright nationalisation, combining, state ownership with state management, as of the Post Office. It might also take the form of a specially designed public board, combining private ownership with public management. In a scheme for pooling receipts the London Passenger Transport Act, 1943, might serve as a model. The choice of a framework, obviously, should be guided by the principle of least interference. There is no merit in outright nationalisation or needless public control for its own sake, if the same or better results can be secured by less drastic means, especially if the support of a substantial body of the transport interests, which is essential to any successful scheme of reorganisation, can be obtained.

If the public board method were chosen, financial integration would involve the creation of a new capital structure. The owners of transport facilities, including the state as the owner of the road tracks, would be allotted an appropriate share in the capital of the board. The board could take the form of a complete financial amalgamation, or it could assume the role of a holding company, allocating the profits to the various means of transport in proportion to their holdings of stock, leaving them free to distribute profits among stockholders as they wish. Whatever the nature of the terms of financial integration, the board would be free to tackle the task of organising transport in the area of alternative facilities as efficiently as possible.

If a community of interests were to be brought about by some kind of arrangement for the pooling of receipts, the various means of transport would continue to exist as financially independent concerns. A central transport committee of the Ministry of Transport—staffed by a body of

experts who would be civil servants—would be responsible for long-term guidance in the matter of technical integration and capital expenditure. It would assist in the creation of, and supervise, with the assistance of its traffic experts, a regional organisation for the allocation of traffic and for operational integration. The various transport facilities, as it were, would act as contractors to the traffic allocating organisation. This organisation would also fix and publish schedules of charges on the basis of comparative costs, in collaboration with a staff of experts representing the central transport committee.

Instead of being remunerated on a day-to-day basis, the various means of transport would receive a fixed proportion of receipts, subject to periodical revision—say, at five-yearly intervals—to allow for changes in the capital employed which must ultimately determine the services rendered by each means of transport. There would be no incentive to "wasteful" competition or obstruction. But the incentive to efficiency could be provided by an arrangement whereby they would obtain, within limits, the benefit of any reduction in costs.

As a safeguard for consumers—which is vital—central and local tribunals would have to be set up to hear complaints; this safeguard might be strengthened further by the setting up of a standing Parliamentary committee on transport.

It is almost certain that some form of arrangement for the pooling of receipts would be preferable to the pooling of capital, first because it would interfere least with the independent financial existence of the existing undertakings; and, secondly, because a periodical adjustment of the distribution of the pool of receipts would make it possible to remunerate them on the basis of the services rendered by them. By contrast, the public board solution, for all its merits, might prove cumbersome and, indeed, unworkable.

Hitherto, the permanent damage done in the pre-war regime—measured by the difference between its cost and that of alternative schemes to the community—has probably not been very large. But the damage that would be done by its preservation might well be very large indeed. The urgency of finding a solution now is not so much the likelihood of excessive transport costs during the next few years as the danger of high costs later on through delay in or misdirection of new capital expenditure.

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Business Notes

Production and Resources

The report of the Combined Resources and Production Board issued at the end of its second year of operations—the Board was formed in June, 1942, by Mr Churchill and President Roosevelt and was joined in Canada five months later—reveals the story of international collaboration in the field of munitions production whose success is reflected in resounding victories on the battlefield. In June, 1940, the munitions production of the British Empire and the United States lagged far behind that of the Axis; two years later, when the Board was set up, their rate of output was twice that of the Axis; in June, 1944, it was no less than four times that of the Axis. Although the need for munitions is likely to remain heavy for some time, the Board can now look forward to a period, when resources will become available for other purposes. It is increasingly directing its attention to the prospect of substantial relief requirements in European liberated areas and to the possible increase of civilian production at a later date, with special reference to the timing of reconversion after the defeat of Germany. The supply of relief requirements, chiefly coal, textiles, medical supplies and transport equipment is being organised by the Board on the same basis as munitions. Textiles, coal, pulp and paper are the main shortages. Equally important will be the timing of reconversion if productive capacity and materials surplus to war requirements are to be distributed on an equitable basis. But the report promises no early expansion in civilian supplies in this country; it declares that

it is unlikely that present strict rationing of civilian goods in the United Kingdom can be appreciably relaxed until some time after the German war is over at the very earliest.

Europe's Coal Needs

Coal is described in the Report of the Combined Production and Resources Board as being, along with textiles, "in acutely short supply," and the Report fears that, even with the measures which the Board's Combined Coal Committee has taken or is taking to meet the situation, the probability of a deficit remains. No information is available about the estimated needs of Europe, both for military operations and for the rehabilitation of European industry after the war. Nor is there any official information about the present state of the mines in Europe, though the statement of M. Mendes-France, General de Gaulle's Minister of National Economy, that the mines in Northern France have been left intact, is extremely encouraging. It seems that the speed of the Allied advance and the activities of the Maquis deprived the Germans of the opportunity to destroy equipment or render mines unworkable. War correspondents report a similar situation in Belgium; the position in Holland is not yet known. French coal production in 1938 was about 46 million tons, and its imports 18½ million tons. In the same year, Belgium produced just under 30 million tons and the Netherlands about 13 million tons. Belgium and Holland exported 4.6 million tons and 3.6 million tons respectively, French exports were just below 1,000,000 tons. In 1938, Britain exported 6.2 million tons to France, 658,000 tons to Belgium and 890,000 to the Netherlands. But whatever the production situation in these countries, the demand for British coal will be substantial, and it is likely that productive resources will be increasingly strained in the forthcoming period. The need for increased output per miner, for the extension of mechanisation and for the reorganisation of this country's coal industry on a basis of maximum technical efficiency will correspondingly become more, and not less, urgent.

Military Currencies

The plans made for providing currency of liberated countries to the Allied troops were officially made known this week. In Belgium, notes of the National Bank have been supplied to the Supreme Command for the use of the armed forces. The notes consist in part of currency taken to London from Belgium in 1940 and in part of currency printed in London on the orders of the Belgian

Government. Arrangements have been made by which military personnel may remit all or any portion of their pay received in Belgian francs to the United States or Great Britain against payment in dollars or sterling. Soldiers leaving Belgium will also be given facilities for exchanging whatever Belgian francs they hold into their own currencies. The rate of exchange fixed is 176½ francs to the pound. In the case of the Netherlands, the arrangements, which were made long ago with the Dutch authorities in London, follow the same lines. The guilder notes and coins prepared for the Dutch authorities in Great Britain will be supplied for the requirements of the Allied forces. If, however, the required supplies of such currency cannot be made available to the troops in the initial stages of the liberation, the Dutch population in the frontier region likely to be affected have already been requested by their Government to accept the French and Belgian franc notes which the British and other Allied troops are likely to carry. The rate fixed is 10.691 guilders to the pound, this being the parity indicated by combining the guilder-Belgian franc rate incorporated in the Belgian-Dutch monetary pact of last October and the franc-sterling rate of 176½ just fixed between the Belgian and British authorities. This, incidentally, leaves the Netherlands colonial guilder rate at 7.60 guilders to the pound, which is completely out of line with the provisional rate of the metropolitan guilder. This is a maladjustment which will soon be corrected, probably by bringing the West Indies guilder rate into line with that of the Netherlands guilder.

Meanwhile, there is evidence that the rates fixed for the liberated countries are provisional, and that if they are to become permanent drastic changes will have to take place in the cost and wages structure of these countries. Reports from Holland suggest that at the rate of exchange just fixed meat would cost the equivalent of £2 a pound, eggs 10s. each, a pair of shoes £12, and a suit of clothes £120. It is significant that all adjustments hitherto made or in contemplation are towards a lower purchasing power for the currencies concerned. The French Government has authorised a general 40 per cent increase in wages to catch up with the cost of living. In Belgium the Government also intends to adjust the level of wages to the prevailing cost of living. The longer-term plans of the Governments for contracting the inflated currencies and cost structures they found on returning to their countries have not yet been applied. Judgment on the provisional rates fixed should, therefore, be suspended until these plans have come into operation.

Antwerp Re-enters Diamond Trade

Diamond sales, which earlier this year were at a record rate, have lately fallen off; the latest London "sights" held during the last few days, attracted only a limited demand. Apart from the approaching end of the war in Europe, and expectations of an increase in supplies of civilian goods, the pending revival of diamond finishing operations in Antwerp appears to have been the chief reason for the more reserved attitude of buyers. The revival of the Antwerp diamond industry may, indeed, result in far-reaching changes in the international diamond trade. Until the spring of 1940, Antwerp, with its 23,000 skilled diamond workers, prepared some four-fifths of the world's diamond supply for the market. Despite a rapid growth since 1940 of diamond cutting and polishing operations in the United States, Palestine, South Africa, Great Britain, Brazil, Cuba and some smaller centres, the number of diamond workers (including apprentices) outside the European mainland last year (according to an estimate of the US Bureau of Mines) did not exceed 10,000. Of these the majority appear to have been engaged in the preparation of industrial diamonds for the munitions industries and the remainder mainly in the processing of the larger ones. The finishing of smaller gem stones, formerly the monopoly of Antwerp, was virtually suspended. As a result, there was a disproportionate rise in the prices of small stones. Prices of cut meles under one carat in the United States (the chief market) have trebled or quadrupled since 1939; those of

one-carat stones have risen up to 100 per cent and larger stones by a smaller percentage. The war-time boom in gem diamonds was largely based on larger stones acquired for investment purposes. With the re-opening of other investment channels and the resumption of civilian production, this demand is likely to decline; but smaller gem stones are likely to gain in importance, especially as the so-called "Antwerp qualities" are the only type of rough gem diamonds of which the Diamond Trading Company (the producers' syndicate) and the mines still hold substantial stocks. The diamond syndicate appears to place high hopes on the revival of the trade in small stones. Accordingly, it is actively supporting the Belgian Government in its plans for an immediate revival of the Antwerp diamond industry. It has earmarked a large reserve of small rough stones for Antwerp, and it intends to assist in the replacement of the equipment in diamond factories which the Germans have scrapped or removed during the war.

Supplies and Prices

The prospective increase in diamond-cutting and polishing facilities and, hence, in the supply of gem diamonds may not be without effect on prices. The trade in gem diamonds is dependent on the confidence of the public in the stability of prices and the syndicate may well endeavour to stabilise them at the present level. Owing to the sale of its vast stocks in the past three years and the accumulation of large liquid funds it is in a strong financial position. But although the syndicate controls and regulates prices for rough diamonds, it has no control over the wages in the cutting and polishing industries, which are an important item in total costs and—owing to the shortage of workers—have risen to fantastic levels in the past three years. As the Belgian Government no doubt regards the Antwerp diamond industry as one of its main sources of dollar and sterling earnings, it may be anxious to export as much "diamond labour" as possible in the form of finished small stones, a development which may bring lower prices. In view of the disproportionate rise in the prices of small stones, such a reduction would be in the interests of the long-term stability of the diamond market. The revival of the Antwerp diamond industry will greatly widen the basis of the diamond market, but it remains to be seen how the probable reduction in the prices of small finished stones will affect the demand for gem diamonds as a whole. It is not impossible that it will make buyers more cautious for a time, especially if the public were to regard a fall in the prices of small stones as a threat to the stability of the diamond price level, rather than as a consequence of a readjustment in the diamond finishing industries.

Halt in Selling or Recovery

The fall in equities was arrested this week, at least temporarily; some see signs of a rather better tone, others believe there is evidence that weak holders will continue to come forward, determined to get out at almost any cost. Before the recovery in mid-week, the decline had carried the average level of British industrial equities back to that of mid-May, according to the figures of *The Financial News*, and the total fall is the most severe since the collapse of 1940, although as yet much less severe than that. A reverse was overdue, but it already seems to have been overdone. The reasons popular in the market are the great uncertainty about the character of the peace-time regime and the beginnings of search for liquidity. Further, the fact that a number of factories are beginning to curtail their activities and even to discharge staff raises doubts about the smoothness of the switch-over. If the selling is dictated mainly by a hope to "get in" lower down, it is likely to be followed by a renewed rise quite as sharp. If, however, there is a genuine search for liquidity, it is at least odd that it should be accompanied by a rise in gilt-edged stocks, which are the usual repository of funds held for future use in business. Nor is it very clear into what, other than equities, any large volume of money can be put, since it is quite certain that few holders will be prepared either to go without income, or to accept the modest return obtainable on gilt-edged for more than a very short period. Adjustments were called for. They must continue for some time, but it is difficult to see why Stewarts and Lloyds, for instance, should have fallen some 15 per cent in value in a matter of weeks.

Criticism of Film Report

In his address to shareholders of the Associated British Picture Corporation, the chairman, Sir Philip Warter, said that, in the interests of shareholders, the board of directors must oppose the recommendations for any form of control contained in the report recently submitted to the Board of Trade by the Cinematograph Films Council. The report (it was discussed in *The Economist* of August 12th, page 221) found that the industry was riddled by monopolistic practices and that the conditions of healthy growth do not exist. Its proposals can be grouped under two headings: the removal of restrictive practices which abound, and positive assistance—by way of a Film Finance Corporation—designed to promote the growth of the industry. Sir Philip was not explicit about the details in the report to which he objects. But he expressed the view that the film industry, by its very nature, must rely for its healthy development on the "strong progressive combines," and that any weakening and restricting of them would "seriously" prejudice its future. To object to the proposals of the report in the interests of the shareholders in one of the two film "empires" is one thing; but to argue that the establishment of a healthy film-producing industry is conditional on *carte blanche* being given to vast combines is quite another matter. Large-scale enterprise is no doubt necessary in the modern film industry, but mere size does not necessarily guarantee enterprise and efficiency. To deride as a "popular cry" the widespread demand for the protection of the small independent producer and exhibitor is to deny the value of their potential contribution to an industry which, more than most others, depends on individual initiative and equality of opportunity.

Grocers' Post-War Plans

The National Federation of Grocers' and Provision Dealers' Associations has published the report of its post-war plans committee. The Federation speaks for the "independent" grocer and expresses itself strongly against what it calls the "octopus" chain store and co-operative society. It urges the Government to turn its attention to the problem, and suggests limiting the number of shops which can be held by one company or group of companies. The report suggests that unless action is taken the "consumers' shopping liberties" will be curtailed. There is no doubt that the independent grocer offers his customers valuable service, but the consumer's choice exists, and some may prefer the goods and services offered by the other types of distributor. The pace at which the independent food shop has been displaced by chain stores and co-operatives during the war has not been large. Since August, 1939, the rate of displacement—as revealed by a recent Ministry of Food inquiry—has been only about 200 a year. Perhaps it is too much to expect the Federation to take the broadest view of consumers' advantage. Chain stores are able to pass on to consumers the benefits they gain from bulk buying, and they are in a better position to offer standardised articles. The independent grocer has every right to insist on equality of opportunity; and insofar as the chain store has an advantage over him in the matter of purchasing—by placing larger and regular orders—he has his own remedy in co-operative purchasing. The chain stores themselves compete vigorously with each other, and, as a group, they have been a factor in lowering prices to the consumer. Co-operatives, patently, are not harmful to the public—if they were they could not have gained the popularity they have. There is a yearly opportunity for re-registration, yet the co-operatives have been able to keep a quarter of the total butter registrations.

The Federation does not confine itself to seeking protection from "big business." It wishes also to see a halt called to the extension of markets, open or covered, and looks forward to the elimination of mobile food shops and street stalls. It is self-evident that this proposal should be strongly resisted. Some of the recommendations are useful and practical—the continuance of rationing and price control until supplies are abundant, the setting of minimum standards for manufactured foods, the standardisation of food containers and their contents, and even the continuance of the Ministry of Food. A sad omission from the report is that it contains no section dealing specifically with the problems which will arise on demobilisation. No mention

is made of the re-entry of "independent" ex-Servicemen to the trade, or of the possibility of new entrants from the ranks of ex-Servicemen.

Unified Control

After two years' negotiation, the London Stock Exchange evolved a scheme designed to secure unified control instead of the existing duality under which one body manages the finance, in the interest of the proprietors, and another regulates the action of members as brokers or jobbers. This scheme (its details were recorded on page 540 of *The Economist* of April 22nd) has now reached its final form, and is to be submitted to the proprietors for their acceptance during the coming week. If accepted, and duly confirmed at a subsequent meeting, it will come into operation on March 25, 1945. It will continue unless two-thirds of those members of the new Council, who represent either of the two existing governing bodies, agree that the old system shall be restored. This decision can be taken during the month of January, 1947, or of any second year thereafter, to become operative on the following March 25th. During the five months' interval since the outline of the scheme became public nothing has arisen which would suggest that there is any likelihood that the scheme will either be rejected or substantially amended. From the standpoint of the public, it is evident that it falls short of perfection in that, in safeguarding the rights of the proprietors, the new Property and Finance Committee, which is in fact the existing Trustees and Manager plus representatives of the Committee for General Purposes, representing the members as a profession, has still the power to damp down improvements which would be in the interest of the institution as a servant of the public. It is to be feared that this is inevitable until such times as certain existing shareholdings become more widely dispersed, but it is very widely felt that the representatives of the proprietors will take a long view, and that there is little prospect that any serious consequences will flow from this admitted possibility of divergence of interests. From all other points of view, the facts that there will be one body to speak for the Stock Exchange, and that representatives of both proprietors and members will be called upon to consider all problems affecting either, can only be beneficial to both interests.

More Municipal Conversions

The Chesterfield offer of either redemption or conversion has been followed in a matter of days by offers by four other local authorities in respect of five loans maturing in January, February and April next. The authori-

Maturing Loan	First Redemption Date	New Issue
292,725 Grimsby 4½% 1945-55	1st April, 1945	292,725
1,500,000 Leicester 4½% 1945-55	1st Jan., 1945	1,500,000
824,000 Plymouth 4½% 1945-55	1st April, 1945	394,073
214,563 Poole 5% 1945-60	1st Jan., 1945	400,000
217,464 Poole 4½% 1945-55	1st Feb., 1945	
3,048,752		2,586,798

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Issued by the National Savings Committee, London

ties in question are Grimsby, Leicester, Plymouth and Poole. Only the last two are paying off any of the nominal amount of the debt, and the Poole repayment is very modest. The only other point of interest is that all the terms offered are the same as those of Chesterfield; a 3 per cent stock repayable 1964-69 and offered at 99. The lists close on November 11th, except that the Plymouth and Poole lists will close as soon as the total offered in conversion is covered. The technique, both of partial redemption, where funds exist, and offers at uniform terms, irrespective of credit standing, is now well established but cannot be popular with the authorities with a high standing. The accompanying table gives particulars of the old and new stocks. The saving in interest is some £67,750.

Harland and Wolff Scheme

The scheme now suggested for the alteration of capital rights in Harland and Wolff is not very different from that described on page 92 of *The Economist* on July 15th and is, in large measure, subject to similar criticisms. The existing position is that the "A" ordinary shares are entitled to a non-cumulative preferential 4 per cent and to a further 2 per cent *pari passu* with the "B" which are entitled to all remaining distributable profit. The latter have received 6 per cent in each of the past four years. It is impossible from the published accounts to determine with any degree of certainty what has, in fact, been earned on the "B" capital. It is now proposed that the "A" capital be split into equal parts of 4½ per cent cumulative preference shares and ordinary shares, and that the "B" shares be converted into ordinary. This means that the "A" surrender preferential, but non-cumulative, rights of £208,000 for cumulative preferential rights to £117,000, but that they obtain, in exchange for a limited participation of £104,000, a share—almost 60 per cent—in the equity of the company. In actual figures, apart from the cumulative rights gained which may be important, they lose in dividends if the distributable profit is between £117,000 and about £450,000. Above that figure they gain. Distributions of the past five years have averaged some £412,500. So far as it is possible to assess real earnings they appear to have been, for the same period, somewhat in excess of the critical figure of £450,000. It is to be noted that the scheme was originated by the holders of the majority of the "A" shares who recently acquired them from the original allottees. Other holders of "A" shares who have been consulted support it, but there is no mention of any approach to holders of "B" capital. The board state that they regard the proposals "as of such a nature as can be properly submitted to the members for their approval." They also state that the new securities are considered to be more marketable than the old. This may well be so, but it is easy to make both securities conform more nearly to the familiar without disturbing completely the relation between the receipts of the two classes of capital.

Bombay Bullion Slump

The rupee prices for gold and silver have fallen heavily over the past fortnight. From a silver quotation of Rs. 133/11 on August 28th, after the Bombay market emerged from the long "bear squeeze" deadlock, the price has fallen to Rs. 125/10. The rupee gold price has declined from Rs. 75/5 to Rs. 68/3. The explanation common to both movements is the war news. The news has not only been so good as to discourage the hoarding demand for precious metals which normally feeds on disasters; it has been good enough to conjure up prospects of an early peace and of at least a partial restoration of the free international movement of precious metals. If this freedom is restored, the enormous disparities between the prices for gold and silver in such markets as London, New York, Bombay and Alexandria must inevitably disappear. In Bombay the anticipation of a return of relatively free arbitrage operations have been reinforced by continued official sales of silver. Between them, these two factors have offset the impact of continued inflation and have remedied the short technical position in the market which came to a head towards the end of July. The price of gold in Alexandria and in other Middle East centres has been falling for the same reasons—that is, the expectation that with the return of peace international bullion prices will revert to a single integrated level and that this will be maintained by international movements of the metals. The parities, however, need not be

those indicated by the level of shipping costs. In India, for example, the rupee price of silver must in any case allow for the import duty, which was raised by 20 per cent in 1942 and is now equivalent to over Rs. 8 per 100 tolas. There is, moreover, some uncertainty concerning the future sterling-rupee parity, which, of course, must enter into any calculation of the prospective rupee price for silver. On current account the rupee will be an exceptionally strong currency after the war, though that position may be changed if the bulk of India's abnormal sterling claims are funded. But inflation has bitten far deeper into India's economy than into Britain's, and on this score the rupee may ultimately settle below the present parity. Such a development would also justify a higher rupee price for silver than that indicated by the present straight parity between London and Bombay.

Cheaper Farm Loans

The directors of the Agricultural Mortgage Corporation have, this week, announced the promised concession in the rate for long-term agricultural loans. All new loans will be made at 3½ per cent. The rate of interest on existing loans will not be affected, but facilities will be given to enable borrowers to convert their loans to the 3½ per cent rate on payment of a conversion fee of £5 per cent on the outstanding balance of the loan. Since 1934 the rate charged by the Corporation has been 4½ per cent. Even this rate involved the Corporation in persistent loss because its resources were raised on exceptionally expensive terms: £8,500,000 of 5 per cent debentures and £2,000,000 of 4½ per cent debentures were issued between 1929 and 1932, that is at the height of the dear money period. In order to meet the deficit of the Corporation the Government has since 1934 provided an annual subsidy of £60,000. By the Agricultural (Miscellaneous Provisions) Act which became law on July 27th this subsidy is being increased to £150,000 per annum in order to enable the Corporation to reduce its loan rate. By offering 3½ per cent long-term mortgage loans the Corporation should be able to recapture a fair volume of business which it had lost to the clearing banks after 1933. The new rate is well below the competitive market price for long-term agricultural mortgage loans; the increased subsidy placed at the disposal of the Corporation must be regarded as a further instalment in the heavy subsidy of British agriculture by the Government.

Retail Trade and Bombardment

As was expected, flying bombs were responsible for another considerable drop in retail trade in central London in July. This is clearly brought out in the accompanying table, reproduced from the retail trade report in the *Board of Trade Journal* for September 9th. Figures for North-West England are given as a standard for comparison. Trade as a whole was maintained. The index for total sales (1942 = 100) was 96, only five points below the index for June and the average for the twelve months ending in June. From the table on page 397 it can be seen that the

PERCENTAGE FALL IN SALES COMPARED WITH AVERAGE FOR JUNE, 1943, TO MAY, 1944.

Category	Central London		Suburban London		North-West England	
	June	July	June	July	June	July
Non-food merchandise	29	48	21	22	4	6
Apparel	28	50	24	18	6	7
Household goods	31	45	13	32	4	5

trade lost in London was gained in other parts of the country, especially in reception areas. Compared with July, 1943, all the provincial areas show increases in turnover with only minor exceptions. Central London sales declined in every department, and in suburban London the only rises are in what might be termed "evacuation needs"—apparel and travel goods. In the latter section the increase was as much as 85.9 per cent above a year ago. The pattern of trade will probably be repeated in the August report, but, if the current upward trend is maintained, it should show a recovery in London for September.

Anglo-Argentine Tramways

Comments by the chairmen of British owned companies operating in Argentina on the treatment meted out to them by the Argentine Government grow more and more outspoken. The recent report of Anglo-Argentine Tramways was a case in point and the thesis there outlined lost nothing in being expanded by Sir Bernard Docker at the annual meeting. The underlying cause of trouble is that, over a period of years, the local Government has refused to allow increases in charges which would permit either the full maintenance of physical equipment or a reasonable return in the capital already invested. Actually the undertaking has been absorbed into the Buenos Ayres Transport Corporation by a scheme not very dissimilar to that of London Transport and new capital is required, but there is of course no chance of raising this. Further, the money to acquire certain rivals under the grouping scheme had to be borrowed from a local financial syndicate. This loan was eventually taken over by the Government. With the advent of the new regime in June 1943 a new chapter in the process of expropriating the foreign capitalist was opened. The company's balance sheet showed, quite properly, the loan mentioned above for forty million pesos as a liability against the assets acquired. The Control Commission, acting as Government inspectors, insisted that a further sum of equal amount should be included as share capital, apparently belonging to the state, this capital representing a part of the contributions which the travelling public would in the future have to pay in the way of fares. These shares, which have no real counterpart of any sort, were given voting rights and by the use of them the authorities obtained voting control. This control was immediately used to transfer all executive posts in the Transport Corporation to state delegates. Anglo-Argentine Tramways proposes to take every legal step possible to secure the rights of the proprietors, but it has to be admitted that there would seem very little prospect of obtaining redress under a regime which engages in such fantastic procedures as that described by Sir Bernard.

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For your Fuel Efficiency Campaign to be fully effective, wise planning and enthusiastic execution are both needed. In the Ministry's Bulletins you will find specialised advice on how to improve the efficiency of your works. If your fuel-watching system is based on the friendly co-operation of management and workers, you will ensure that these improvements are maintained. Have you acted on the suggestions outlined in the previous advertisements of this series?

- ★ Have you tracked down and put to use all process waste by re-examining every production process with an open mind? For steam process you need *Fuel Efficiency Bulletins* Nos. 22, 25, 26 and 28.
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Fuel Watchers' badges and copies of the *Fuel Efficiency Bulletins* can be obtained from the Secretary of your Regional Fuel Efficiency Committee

Issued by the Ministry of Fuel & Power

Clearing Bank Returns

Heavy Treasury Deposit Receipt borrowing from the banks was again the main factor in the expansion of bank credit last month. The clearing bank returns show a rise of £27 million in the holding of TDRs and an accompanying increase of £39,505,000 in deposits. These have climbed to the new record of £4,160,888,000. The true expansion in bank credit has been even greater than the rise in deposits suggests, for during the month there was a fall of £7,189,000 in cheques in course of collection and transit items, thus reducing to that extent the element of duplication in the deposits total. The other main contribution to the rise in deposits was an expansion of £17,099,000 in the banks' short loans. This increase mainly measures the larger holding of bills by the discount market following the increase in the weekly offerings. The banks themselves are still precluded by the heavy TDR borrowing from raking their full share of the additional Treasury bills issued through the tender, and last month their discounts actually fell by £2,354,000 to £210,555,000, a total which is about £11 million lower than the figure for August, 1943. This suggests that by far the greater proportion of the additional Treasury bills issued over the past year has gone to Empire and other holders of "abnormal" sterling balances. Loans and advances continue their decline from the seasonal peak of £770,280,000 reached last June. Last month they fell by £13,324,000 to £741,712,000, a fall which has cancelled the whole of the recovery made over the first half of the year. This relapse provides fairly conclusive confirmation of the theory that the bulk of the additional loans made between January and June of this year were to finance the tax payments which are normally concentrated in the early months of the year.

Coal in the Home

The Women's Advisory Committee on Solid Fuels was formed in March last year, and a great deal of research has gone into the making of its report, *Heating, Cooking and Hot Water Supplies* (Women's Advisory Committee on Solid Fuels, 1s 3d). The Scott, Barlow and Uthwart Reports have been studied; visits were paid to collieries, carbonisation works, factories manufacturing appliances; and a prefabricated house—but not the Portal house, which was not on view in time—was inspected. General housing and housekeeping problems were also considered. The report is, however, weakened by the terms of reference implied in the committee's name. The rich field of research in the application of modern domestic appliances to poorer homes is scarcely touched upon. Emphasis is inevitably placed on the use of coal as a domestic fuel, even where, from a purely objective point of view, it cannot be justified. It is true that the running cost of coal appliances is lower than that of gas or electricity appliances, and for this reason it commends itself to the lower income groups. The use of coal has numerous disadvantages compared with other fuels, and the committee could have brought these to the attention of manufacturers with a view to the production of more appropriate apparatus. For example, one essential which is rarely found in the cheaper stoves is adequate insulation, so that too often a hot-house atmosphere is produced in the working-class home on bath night, and the lot of the housewife who has to cook on a coal stove on a hot summer day is not to be envied. There is no doubt that gas and electricity are easier to use, clean and labour-saving, and that their price should be brought within the means of the poorest home.

Wholesale Trade Index

Last April the *Board of Trade Journal* published the retail trade index on the new basis of 1942, and for the same reasons the index of wholesale textile sales has been converted from its old base of 1937 to one of 1942. This index, which appears in the *Board of Trade Journal* for September 2nd, covers sales and stocks of 87 firms, both large and small, reporting a total turnover in 1942 of about £47 million and an average stock valued at £7,000,000. Sales and stocks are reported by categories broadly similar to those in the retail trade report. The three most important are women's and children's wear, men's and boys' wear and dress materials, which accounted for 54 per cent, 17 per cent and 9½ per cent respectively of sales in 1942.

The ratios between the three categories are different from the ratios in which consumers spend their money on them because the wholesaler is not always the last link in the distribution chain before the retailer. The retail sample is composed mainly of multiples, co-operatives and department stores, whose principal source of supply is not the ordinary wholesaler, who deals mainly with the independent

INDEX OF TRADE OF WHOLESALE TEXTILE HOUSES
(Average of 1942=100)
Sales (excluding Purchase Tax)
Stocks at End of Month (in brackets)

	Total Home Trade	Women's and Children's Wear*	Men and Boys' Wear*	Piece Goods (Dress Materials)*
1941.....	94 (87)	95 (77)	95 (93)	96 (91)
1942.....	100 (100)	100 (100)	100 (100)	100 (100)
1943.....	93 (114)	92 (119)	91 (131)	97 (114)
July.....	70 (125)	66 (133)	65 (149)	77 (120)
August.....	76 (127)	78 (136)	71 (150)	68 (119)
September.....	114 (119)	118 (126)	117 (140)	93 (125)
October.....	110 (112)	116 (115)	111 (139)	93 (122)
November.....	95 (111)	93 (118)	101 (134)	82 (112)
December.....	70 (111)	66 (120)	71 (137)	79 (106)
1944, January.....	70 (121)	69 (130)	52 (144)	93 (114)
February.....	121 (116)	125 (123)	110 (143)	117 (113)
March.....	124 (108)	127 (115)	121 (135)	120 (101)
April.....	106 (103)	110 (106)	101 (127)	105 (101)
May.....	109 (97)	112 (99)	108 (122)	117 (93)
June.....	85 (103)	88 (105)	83 (127)	96 (97)
July.....	77 (108)	78 (113)	74 (136)	84 (100)

* Including exports, which form only a small part of the total.

retailer. Thus the two series of wholesale and retail sales indices represent two parts of total trade, rather than the same flow at different points. The accompanying table reproduces some of the figures in the new index of wholesale textile houses.

Shorter Notes

The numbers registered at employment exchanges as unemployed on July 17th totalled 63,197, a decrease of 11,401 since April 17th. This is the lowest level the recorded unemployment figures have reached.

The owners of 180 mills, containing nearly 15 million spindles, closed when the cotton spinning industry was concentrated in 1941, are becoming restless about the prospects and the details of reopening. To deal with the problem a special committee has been formed, with Sir Raymond Streat as chairman, and containing three representatives of the stopped and three of the running mills. The committee will give its attention to the provision of raw cotton and labour for the idle mills. Some quarters urge that, of the closed mills, single unit firms should have priority over mills in the big combines. At all events, many difficulties will have to be overcome to speed up production to the level which Europe will shortly require. At the same time, the position at a later date, when abnormal demand ends and some return to concentration may, perhaps, appear desirable, must not be overlooked.

The accounts of the General Theatre Corporation group for the year ended March 31, 1944, show gross profits £14,000 higher at £518,004. Due to increased maintenance work done during the year, deferred repairs calls for only £17,000 against £43,510. Taxation, however, requires £19,000 more, although it is reduced by relief of £48,000 (against £27,000) obtained from the absorption of EPT deficiencies of previous years. Net profit of the parent company emerges £20,000 odd higher at £79,381. The preferred ordinary dividend of 9 per cent is not increased, since it is considered prudent to transfer the large sum of £55,000, against £40,000, to general reserve. The wartime boom in some sections of the entertainments industry is reflected in the groups' increased profits, but the chairman, Mr Rank, indicates that business for the current year—especially as regards music halls—has been seriously affected by the flying bomb attacks.

COMPANY MEETINGS

TIMOTHY WHITES AND TAYLORS, LIMITED

RECORD SALES

MR LOUIS NICHOLAS ON POST-WAR DEVELOPMENT

The fifteenth ordinary general meeting of Timothy Whites and Taylors, Limited, was held, on the 13th instant, at the May Fair Hotel, London, W.

Mr Louis Nicholas, the chairman, presided. The following is the statement by the chairman circulated with the report and accounts:—

Within recent weeks the company has suffered a sad loss by the death of Mr Philip E. Hill, who has been chairman of this company since its formation. We who were privileged to work with him realise how much we owe to his wise counsel, which played an important part in the establishment of the company in its present satisfactory position.

As will be seen by the directors' report, the trading profits for the year show an increase of £98,722 1s 4d, but practically the whole of this sum has been utilised in the increased provisions for taxation and deferred repairs and renewals. All proper provision has been made in the accounts of the company and its subsidiaries for depreciation of fixtures, plant and machinery and for the writing down of leases.

Your company and its subsidiaries are still operating under difficult conditions owing to shortage of staff and other restrictions caused by the war, but we are continuing to follow our usual policy of supplying our customers with the best possible assortment of goods at reasonable prices. I am pleased to say that the total sales and the dispensing of the company and its subsidiaries during the year under review have been the largest in its history. This has only been made possible by the loyal co-operation of the personnel of all ranks, to whom I am sure you will join with me in extending our thanks.

NEW ACQUISITIONS

Since December 25th last your company has acquired the whole of the ordinary shares and some of the preference shares of Mence Smiths Stores (Proprietors), Limited. This company, which retails hardware, etc., has branches throughout the south of England. In addition, your company has also acquired 37 shops in the south of England carrying on the business of retailers of grocery, hardware, etc. These shops have been transferred to, and are now being carried on by, a new company registered under the name of J. Salmon and Son, Limited, the whole of the share capital of which is owned by your company.

Both these purchases have been made in view of a post-war scheme of development of the company which has been seriously engaging the attention of your directors for some time past, and should, in my opinion, be a most useful acquisition to the company's activities and allow for considerable expansion when hostilities cease and trading conditions return to anything like normal.

THE DIRECTORATE

You will see that the directors have done me the honour of appointing me chairman of the company. Mr Espley, who has acted as your managing director for many years past, has relinquished that position and has been appointed vice-chairman and advisory director of the company and its subsidiaries, with a view to devoting his activities to the future expansion to which I have already referred. On your behalf I would like to thank Mr Espley for the loyal services he has rendered to the company during the period that he has occupied the office of managing director. Mr G. I. Rushton, M.P.S., who has acted as assistant managing

director for some years past, has been appointed managing director in the place of Mr Espley.

A large number of our staff are still serving with the forces; some of them unfortunately have lost their lives, and I should like to tender our sympathy to their relatives in their bereavement. We are, of course, continuing the financial

assistance hitherto given to members of our staff who are serving, and we are looking forward to their return to us when hostilities cease.

The trading during the current year continues satisfactory, although in the south of England conditions have been somewhat disturbed.

The report was unanimously adopted.

CROSSES AND HEATONS LIMITED, BOLTON

EFFECTS OF LABOUR SHORTAGE ON PRODUCTION

MR JOSEPH R. HEATON'S ADDRESS

The twenty-fourth annual ordinary general meeting of Crosses and Heatons, Limited, Bolton (formerly Crosses and Winkworth Consolidated Mills, Limited), was held, on the 14th instant, at the Albert Hall, Manchester.

Mr Joseph R. Heaton, the chairman and managing director, presided.

The secretary read the notice convening the meeting, the minutes of the last annual ordinary general meeting, and the directors' report.

The chairman, in the course of his address, said: The report of the directors and balance-sheet for the year ended March 29, 1944, have been in your hands for some days, and with your permission I will take them as read.

Since the last annual general meeting the name of the company has been changed from Crosses and Winkworth Consolidated Mills, Limited, to Crosses and Heatons, Limited, in accordance with a special resolution passed at the extraordinary general meeting on March 23rd last. The scheme of reconstruction has been sanctioned by the Court, and is now effective, and I am pleased to say that stockholders are to have some return on their capital. In order that stockholders should have an up-to-date summary of the company's exact position, a *pro-forma* balance-sheet showing the effect of the scheme has been circulated with the accounts.

I desire to inform you that the company is dealing expeditiously in putting the scheme of reconstruction into operation, and stockholders would assist the staff in these very difficult times if they would refrain from corresponding with the company on matters relating to the payment of dividends, the payment of fractional differences and the issue of certificates for their new holdings. It is hoped to complete all these matters, including the payment of dividends, by October 2nd next, or as soon thereafter as practicable.

YEAR'S PROFIT

The profit for the year amounts to £170,160 which compares with a profit of £169,958 for the previous year. As stated in the directors' report, it is not necessary to provide depreciation in this year's accounts in view of the recent revaluation of the company's fixed assets, but it is proposed to set aside £25,000 for deferred repairs, in addition to which we have spent £34,224 upon repairs and renewals and in upkeep of plant, as against £33,230 during the previous year.

BALANCE SHEET ITEMS

Land, Buildings and Machinery.—In the certified balance-sheet this item stands at £2,654,955, which has been written down under the reconstruction scheme to £1,562,214, as appears in the *pro-forma* balance-sheet showing the effect of the scheme.

Debtors.—The amount outstanding is £192,444 as against £67,277, the difference representing taxation repayable, wages loans to employees and a slight increase in trading.

Stock-in-trade.—The total value is £526,738 as against £442,011, the increase being due to the carrying of larger raw cotton stocks.

Cash Position.—The credit balance amounts to £144,421 as against £231,173. *Sundry Creditors* are £117,400 as against £36,781 for last year.

PROFIT AND LOSS ACCOUNT

The net amount on profit and loss account, after deducting the balance brought forward of £581,295, which has been utilised in reducing the fixed assets in accordance with the scheme of reconstruction, is £241,846. Out of this balance the directors recommend the payment of one year's dividend on the new 6 per cent. redeemable cumulative preference stock and the payment of 6 per cent. on the new ordinary stock, both less income-tax, absorbing in total £66,573. Provision for sinking fund for the redemption of the new 6 per cent. preference stock absorbs £13,962, and your directors further recommend the setting aside of £25,000 for deferred repairs, leaving £136,311 to be carried forward to the next account in accordance with the net figure shown on the profit and loss account in the *pro-forma* balance-sheet.

PRODUCTION DIFFICULTIES

Without unduly taking up your time, I would like to give a brief outline of the production difficulties that at present beset the management of the company. As you are aware, profits depend upon production no less in cotton spinning and doubling than in any other industry, and if increased production is to be obtained, it is essential that the necessary labour is made available. Under war-time conditions we are dealing with all the difficulties as effectively as we possibly can, but I must point out to you that prior to the outbreak of war in 1939 our mills were operating at approximately 75 per cent. of capacity, but since April, 1941, when the "Cut and Concentration Scheme" took effect and the shortage of juvenile labour and absenteeism amongst the female labour due to many causes became acute, our production is now only 50 per cent. of capacity.

CHANGES ON THE BOARD

I regret to inform you that Mr John Greenwood has intimated that he does not desire to seek re-election, and your directors take this opportunity of expressing their thanks to him for his services since his election to the board in 1931.

When I addressed you on March 23rd last I intimated that it was the intention of your directors to strengthen the board by co-opting three of the company's most experienced managers. This has been done, and I am sure this step will commend itself to the stockholders. The directors concerned are Messrs Frank Berry, George Hargreaves and Herbert Nelson, all of whom have given long and efficient service to the company, and I consider they will prove to be valuable additions to the board.

Once again I should like to express the board's appreciation of the fine services of the staff and workpeople in these very difficult times.

The report of the directors and statement of accounts for the year were adopted, and the retiring directors and the auditors were re-elected.

THE FINANCIAL NEWS, LIMITED

ENCOURAGING PROGRESS CONTINUED

MAJOR-GENERAL DAWNAY'S SPEECH

The forty-seventh annual general meeting of the Financial News, Limited, was held, on the 12th instant, at the registered offices of the company, 20, Bishopsgate, E.C.

Major-General G. P. Dawnay, C.B., C.M.G., D.S.O., M.V.O., chairman of the company, presided.

The chairman said:—The report and accounts are before you and there is little for me to say regarding the figures. The profit for the year amounted to £35,491, compared with £33,122 for the previous year. This is not such a marked increase as was the case last year compared with the year before, but having regard to factors to which I shall refer later I think you will agree that it shows a continuation of that encouragingly progressive tendency of which I spoke last year.

The publications owned by our subsidiary and associated companies have shown the same tendency and the profits of the subsidiary companies, with which we have again dealt conservatively, are reflected in the accounts before you. Income tax required £18,938 this year, compared with £17,264 last year, leaving a net profit after providing for income tax and National Defence Contribution of £16,553, compared with £15,858 last year.

There is no item in the balance-sheet to which I need draw your attention. Both current assets and current liabilities show increases, but you will note that there is an excess of current assets over current liabilities of £4,878 more than was the case last year. Your directors have therefore felt justified in again recommending the payment of a dividend of 20 per cent. on the Ordinary shares. The payment of the Preference dividends has absorbed £5,269 net and the Ordinary dividend now recommended will require £10,504 net, leaving a balance of £780 to be added to the carry-forward, which will then stand at £99,594.

ADVERTISING REVENUE MAINTAINED

Advertising revenue during the year has been well maintained, but against this there has been a further increase of printing charges, and other costs have shown a tendency to rise although not to a marked degree. These trends will continue, particularly when we are able to extend the service offered by our publications.

Our various publications have all increased their circulation during the past year, which indicates that we are supplying those services which our various readers require. We are prevented from doing all that we would wish in this direction by the limitations which have been imposed since early in the war upon the use of paper. This has necessitated balancing for each issue the number of pages and the number of copies printed, and also the number of pages devoted to editorial matter and advertisements. As we have been unwilling to sacrifice the goodwill of our publications by unduly restricting the reading matter,

this has resulted in some loss of advertisement revenue.

We cannot therefore look for any material increase in profits under present conditions, but on the other hand we should be able to expect them to be maintained. After the end of the war in Europe, of which the prospect is now encouraging, we hope to be able to use paper more freely. This would enable us to increase our sales and to improve upon the services we are now able to give to our various readers. This in turn will entail additional expenditure which we can expect to be more than compensated by additional revenue from advertisements as more normal business activity is resumed.

I would, however, repeat the warning I gave last year that one very important part of our revenue before the war—namely that from prospectuses—is likely to remain very small after the war for an indefinite period.

THE OUTLOOK

When we next meet, I believe, as I think you all do, that the war in Europe will have ended. While the nation's energies must then be directed to bringing the war in the Far East to a swift and victorious conclusion, some part of the resources now devoted to war may, I take it, be diverted to the urgent problems of reconstruction with which we shall be faced. We must not forget that this country must, after the war, if our living standards are to be maintained, achieve an increase in exports of the order of 50 per cent. over the pre-war level. This will require great enterprise and initiative, and in achieving it the City of London must play a leading part. It will be the aim of the *Financial News* to make its full contribution to the solution of this vital and pressing problem.

The staff has remained at the bare minimum of the last few years. We have lost one or two junior members to the Forces whom we have been obliged to replace in the present restricted labour market. The improvements to which I have referred have meant extra work for the staff as a whole, and the directors wish to pay tribute to its efficient and loyal service during the past year. We have continued to supplement the pay of those members of our pre-war staff serving with the Forces, and the present favourable course of the war gives rise to the hope that we may be welcoming some of them back in the not too distant future.

The report was adopted.

ANGLO-CYLON AND GENERAL ESTATES COMPANY, LIMITED

DIVIDEND AGAIN 7 PER CENT.

The fifty-eighth annual ordinary general meeting of the Anglo-Ceylon and General Estates Company, Limited, was held, on the 14th instant, in London, Sir Edward Rosling (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts:—In Ceylon the crops of tea and rubber were good although that of tea was

slightly less than last year. The rubber crop, however, showed a gratifying increase. The cocoa crop was poor, owing mainly to drought but prices realised were somewhat better. Costs of production are again higher due principally to further increases in the cost of living allowance to labour, which incidentally is in very short supply.

In Mauritius, as I forecast last year, the crop was lower by 4,500 tons, although it was larger than expected, in view of the lands put under production of foodstuffs. The full loss of crop which might have resulted was to some extent mitigated by the skilful efforts of our estate managers in their programme of cultivation.

The vice-chairman, Mr F. W. Douse, was permitted to visit Mauritius during the early part of this year and spent the month of April there. He was thus able to discuss on the spot the many problems which have arisen since the war began. He comments:—"The estates are in a satisfactory condition considering the severe labour difficulties which for various reasons now exist."

RESULTS OF YEAR'S OPERATIONS

As to the accounts the gross profit for the year amounted to £193,165 and after providing £140,000 for taxation £53,165 is available for distribution to the members, and we again recommend a dividend of 7 per cent., free of Income Tax, leaving £11,165 to be added to the carry forward.

For the current year the gross profit will probably be detrimentally affected by the results in Mauritius owing to a severe reduction in the sugar crop, resulting from the visitation of a cyclone in April last and the cumulative effect of loss of production occasioned by the growing of foodstuffs. It is not anticipated, however, that the net profit after the deduction of Income Tax and Excess Profits Tax will be affected.

The report was adopted.

TRIBUTE TO SIR EDWARD ROSLING

In proposing the re-election of Sir Edward Rosling to the board, which was duly carried, Mr Francis W. Douse, said: This is somewhat of an event, because as Sir Edward has been either Managing Director or Joint Managing Director since he was appointed to the Board, he has not had to come up for re-election. He only does so now as he has asked to be relieved of his duties as managing director in view of his advancing years. Sir Edward has had a very distinguished career and enjoys a great reputation. Before he came back to this country he was our General Manager in Ceylon for six years and joined the board in 1913. He has thus served the company for over 37 years. He spent 27 years planting in Ceylon, and during 10 years of that time was the planning member on the Ceylon Legislative Council, and it was for this work that in 1913 he received his knighthood. I and my colleagues very much regret that he has found it necessary to give up active participation in the business of the company, but we are glad that he has consented to remain as chairman and that we shall therefore have the benefit of his advice, we hope, for some years to come.

be made otherwise than in accordance with United Kingdom style restrictions. In future, therefore, garments intended for export will not be subject under Board of Trade Orders to home style restrictions.

Goatskins.—Arrangements have been made to divide available supplies of raw goatskins between the United States and the United Kingdom in the ratio of 5 to 1, subject to a stock adjustment in America's favour. The United States has agreed not to buy tanned goatskins or tanned sheepskins for the rest of 1944 until UK purchases have reached agreed levels. Any additional quantities will be equally divided from January 1, 1945. East India tanned goatskins are to be divided in the ratio of three to USA and seven to the UK. East India tanned sheepskins will be divided in the proportion of one to five. It is expected that, as in the case of hides and calf and kip skins, the arrangements for co-ordinated purchases will continue to ensuring a steady flow of foreign supplies.

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Beveridge Plus?

WHEN Mr Willink promised the Bury St. Edmunds electors last spring that the Government's social security plan would be "better than Beveridge," most people thought that this was just a piece of vote-catching. But the two White Papers on Social Insurance and Workmen's Compensation show that his claim was not altogether an exaggeration. The Government, which pays a graceful tribute to Sir William's work, has incorporated very many of his proposals in its own scheme. In some cases they have been improved upon; in others, the official plan is less satisfactory. But Sir William Beveridge might properly be described as having not only designed but pre-fabricated the Government's plan.

The two White Papers issued this week (which are summarised on page 440) contain remarkably progressive proposals. They take what is best in the old insurance system and discard the worst, cutting out a great deal of dead wood in the process. The scheme is not a revolutionary one, though some of the changes come very near it. At its lowest, it is an attempt to set social insurance on a commonsense and orderly basis. At its highest, it is a new chapter in the planning of complete social security.

The six main principles of the Beveridge plan have been closely, if not completely, followed: comprehensive-

ness, classification, unification of administrative responsibility, adequacy of benefit, flat rate of benefit and flat rate of contribution. The Government proposes a universal and complete system of social insurance, for all ages and all classes of the population. It will cover all the contingencies of normal life—birth, childhood, orphanhood, marriage, sickness, invalidity, industrial injury, unemployment, widowhood and death. Especially welcome is the emphasis laid on the family as a unit, with the provision of family allowances and marriage grants, and the recognition of the housewife as a special class. The introduction of a death grant is a long-needed reform.

The scheme for workmen's compensation, published separately, proposes particularly radical changes. The Government has agreed with Sir William Beveridge that the present system is "based on a wrong principle and has been dominated by a wrong outlook" and it proposes to sweep it right away. Compensation will be taken out of the Courts, and the individual employer's liability will be replaced by a central fund. The lump sum payment will go. The principle of compensation for loss of earning capacity has been abandoned and industrial injury insurance will be treated as a social service.

These changes are indeed revolutionary. They repre-

(Continued from page 397)

on the British farmers' war effort. During the course of their visit of two to three months, it is possible that members of the party will visit Canada also.

Oils and Oilseeds.—The liberation of Marseilles and Antwerp has led to speculation on the development there of oilseed crushing and refining, since these towns were important centres before the war. If the mills and plants can operate, supplies could be sent to them from United Nations stores. Supplies are relatively good, but will need to be regulated. The new crop of United States linseed is insufficient for domestic and lend-lease purposes, and the Argentine export surplus is only 115,000 tons compared with 693,000 at the end of August, 1943.

Clothing Exports.—The Board of Trade has issued the Clothing (Restrictions) Orders (Amendment) Order 1944 (S.R. and O. 1944, No. 1039), which comes into operation on September 15th; it enables garments intended for export to

sent a departure from the insurance principle and from the traditional linkage between earning capacity and compensation. There may be pressure for a review of the proposed rates of benefit, particularly for total disablement, which are much lower than the scale proposed by the Trades Union Congress, and may be hard on higher paid workers who become totally disabled. But whether higher rates can be granted will depend, not only on the general state of the national economy, but on the effectiveness of the more positive measures taken for accident prevention and for the rehabilitation of disabled workers.

The proposals for the administration of social insurance seem, at any rate on paper, to be wholly satisfactory. For the present hotchpotch of authorities and agencies, there will be substituted a single central Ministry of Social Insurance, with local offices; the new Minister will also be responsible for the Assistance Board, which is to take over all forms of cash relief and thus virtually complete the process of nationalising the Poor Law. This should cut out the duplication, the overlapping and many of the anomalies in the present system. All contributions will be paid on one card instead of into a variety of funds. The gain in efficiency and the economies of concentration should more than offset the danger of any possible rigidity or loss of the personal element. This danger will probably be the chief basis of the opposition of the Approved Societies, which are to be superseded and not, as was originally implied, used as Government agencies. The Societies, together with the Industrial Life Offices and (possibly, though by no means so certainly) the insurance companies dealing in workmen's compensation, will undoubtedly fight the scheme inside and outside Parliament. Many of their functions will wither away under the comprehensive state insurance scheme, even if their work in other directions expands, and any increase in voluntary insurance is hardly likely to compensate for the loss of business they suffer. These institutions have performed their duties honestly and, on the whole, efficiently. They have a legitimate interest in the maintenance of the *status quo*; but however much sympathy there will be for any displaced agents and collectors, sectional opposition should not be allowed to stand in the way of the plan. The success of the new administration will, of course, depend largely on the new Minister and on the type of staff who are recruited to the new service. There is a great opportunity for introducing men and women trained in social welfare, and to make complete the break with old Poor Law tradition.

*

There are certain respects in which the Government's scheme represents a change for the worse and not for the better when it is compared with the Beveridge proposals. One of the main principles of the Beveridge report was the need for income security, by relating benefits to subsistence needs—though its own proposals were a very imperfect application of the principle. The Government rejects this approach. The Beveridge scheme was based on the assumption that prices in 1945 would be no more than 25 per cent above 1938 prices. The White Paper makes no such assumption and does not deal at all with standards of living; it makes no mention of rents, to which Sir William Beveridge devoted so much study. It argues that the linking of benefit to subsistence rates might involve frequent variation of the former in accordance with the cost of living and that social insurance, dealing in averages, cannot take account of differences in circumstances between people or places. Presumably the reason for the Government's attitude is that to adopt a subsistence basis would add enormously to the cost, especially as subsistence rates would inevitably rise under political pressure, which it would be difficult to resist. But living costs may rise steeply in the years immediately after the war (whatever happens to the unrepresentative cost-of-living index) and the new scale of benefits may soon be entirely inadequate. The whole idea of social security would become meaningless unless it aimed at some kind of income security, and this can

only be assured if benefits are related to subsistence needs. This dilemma is likely to remain unresolved for many years, and the only ultimate solution, however remote it may be, is a scale of benefits large enough to provide for all minimum needs.

The margin between benefits and subsistence may be partially met by the provision of national assistance, which will in future be available to anyone who can prove need, and will not, as at present, be limited to a few special categories. But national assistance necessarily involves a means test and the resented visits of investigating officers. This painful problem of the 1920's and the 1930's is not, after all, to be solved. There has to be some kind of cushion to catch the few people who might escape from the social insurance net. But in a watertight social security scheme, assistance would barely be necessary.

The Government's decision to adhere to the insurance basis has also led it to reject Sir William Beveridge's recommendation that full unemployment benefit should be available indefinitely, subject to compulsory re-training after, say, six months' unemployment. Instead, benefit will be discontinued after thirty weeks, but a higher allowance will be given to workers who undertake training. This decision, whatever the reasons for it, is a great pity. There is no guarantee that the offer of a few extra shillings will induce workers to accept retraining. They might prefer to cling on to assistance in the hope that they will return to their previous jobs. A policy for full employment calls for the maximum mobility and adaptability of labour. Retraining and the acquisition of new skills is an integral feature of this policy.

The Government has also departed from the Beveridge report in that it proposes more generous treatment for old people and less generous treatment for children. Instead of retirement pensions only rising to their full rate after twenty years, the rates will come into effect at once. Family allowances are to be 5s. per week per child—omitting the first child, except where the parent is receiving benefit—instead of 8s. as proposed by Sir William Beveridge. The balance, according to the Government, will be met by increased benefits in kind. But it will be some time before a nation-wide service for children can operate effectively. This economy will save the Exchequer, which is to bear the full cost of family allowances, some £40 million, though retirement pensions and widows' benefit will amount to more than £45 million more than the Beveridge scheme. It was often said that the Beveridge proposals were somewhat hard on old people, but it is false economy and wrong policy to improve their position at the expense of children. If anybody has to be sacrificed, it should not be the children, and this policy is hard to reconcile with the urgent need of raising the birth-rate.

*

"We cannot afford it" used to be the theme of much of the criticism of the original social insurance plan. This charge can be levelled equally against the Government's scheme, for there is very little difference in the cost of the two. The Beveridge scheme would have cost £697 million in 1945 and £858 million in 1965. The Government scheme will cost £650 million in 1945 (of which £411 million would, in any case, fall to be spent under existing schemes) and £796 million in 1965. The difference between the two proposals of £47 million in 1945 is narrowed by the estimated expenditure of at least £20 million on the industrial injury scheme and the specified amounts for training benefit and children's services in kind. Of the cost of social insurance, excluding industrial injury, 54 per cent will be met by the exchequer and 44 per cent from contributions. The Government should consider, before it is too late, revising the basis of collecting contributions. Great Britain is one of the few countries which does not have varying rates of insurance contributions and benefits. The Government is probably right to adopt Sir William Beveridge's view that varying rates of benefits would be inconsistent with the aim of a national minimum. But a flat rate of contribution is a form of regressive taxation, bearing unduly heavily on the lower income groups. New Zealand's social in-

insurance scheme, though it provides flat rates of benefit, is financed by an income tax graduated according to capacity to pay. This method, though there are arguments of tradition and custom against adopting it in Britain, is undoubtedly the only equitable one.

The White Paper's rates of contribution, though lower than the Beveridge rates, may seem a large slice out of a low-paid worker's income. It is, however, only fair to point out that the average worker now pays out far more than 3s. 7d. for coverage against sickness and burial. The employers' share (£125 million in 1945) will be 50 per cent higher than at present (£83 million). This additional burden cannot be dismissed as insignificant, though it is right that employers should bear some part of the cost. In industries with high labour costs, such as coal mining, the extra charge for insurance contributions may mean further increases in selling prices. Similarly, industries producing for export will argue that they are unfavourably placed compared with domestic or sheltered industries which can pass on the extra cost to the consumer. Part at least of the insurance costs should be met out of a tax on profits, and not as a general levy on employers, which can only become a tax on employment.

The technical problem of finding £239 million a year more for social insurance should not be insoluble, especially if £147 million of it can be raised by direct contributions. The plan, in other words, can be financed without undue difficulty, at least in the early years. Later on, with the rising cost of old-age pensions—by 1965, the population of pensioners over working age will have

increased by 1,900,000—it may be difficult to find means of raising the full cost. But the nation's ability to meet the cost depends on the rate at which the national income can be increased. This in its turn depends on the trend of the population, on the increase in productive capacity, on the reconstruction of international trade, and on the extent to which consuming power can be maintained—in other words, on the whole complex of the national economy. Social security, in both the Beveridge and the Government context, rests on three major assumptions. Two of these, family allowances and a comprehensive health service, have been promised. The test will come with the third assumption, the "maintenance of employment." Social insurance, as the White Paper points out, is "but a means to achieving positive effort and abundant living." Social insurance commitments, without a positive policy for wealth, would become a millstone round the nation's neck. Given that essential, social security can become the cornerstone of economic progress.

It will take time to bring a scheme of this magnitude into effect, and no target date has been suggested for its operation. There are many intricate problems still to be sorted out, many additions to the "mosaic of detail" to be filled in, and much in the Government's scheme that needs revision, while there will be plenty of people who will seek to obstruct and delay the plan for as long as possible. The Government has shown courage—if not speed—in framing its proposals for social insurance. The need now is for equal courage, and greater speed, in translating them into law.

Terms for Germany

THE article which appeared under this same title, in *The Economist* of August 12th, has aroused considerable controversy, both in these columns and outside. It is good that the issue on which the whole peace settlement will turn should be capable of stirring minds and pens. But it is disappointing that few of the critics should have been able to understand an article which was quite clearly written. The critics have written at length about the treatment that Germany deserves; *The Economist* wrote about the sort of settlement that would work. They have expatiated on German psychology; we were concerned about British psychology. They have accused *The Economist* of wanting to be kind to the Germans; our only desire was to be truthful about the British. They have attacked us for wanting a soft peace; but the argument was for the sternest peace that had any hope of being maintained.

The maintenance of the peace is the crux of the whole problem. It is easy to write a peace treaty of the utmost severity. Everybody will be pleased—except the Germans, who will have no voice. But nothing could be worse

than a severe settlement that is not maintained. The most certain way of ensuring a short peace is first to give the German people a burning grievance and then to let them become strong. It follows that any statesman who is trying to plan more than a breathing space must ask himself whether his settlement will endure. Any peace that stops short of complete extermination has to be maintained if it is to endure. And maintenance, if there are any penal clauses, requires enforcement.

There are not many examples in modern history of settlements that have, in fact, been enforced. Those that have lasted a reasonable time—pre-eminently the settlement of Vienna in 1815, which did not undergo a general revision for a whole century—have been those that were self-maintaining—that is, those that no large country seriously desired to upset. Those that required enforcement, such as Versailles, have been short-lived. Most of the examples of terms imposed by one country on another, and enforced over a long period, concern the relations of large countries with small—and even there the histories of Ireland and Poland do not encourage a belief in the

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possibilities of permanent coercion. There are few lessons to be drawn from history that are as clear as this—so much so that one writer, with a proved sense of history, was moved, only six years ago, to write that

the unending cadence of history shows that moderation and mercy in victory are no less vital than courage and skill in war.

The quotation is from Mr Winston Churchill.

But *The Economist* has not gone so far as to say that there can be no enforcement at all. Indeed, in present circumstances, a self-maintaining peace—that is, one whose terms the Germans and everybody else would freely accept—is clearly impossible. The teachings of history cannot be followed exactly. But neither should they be entirely abandoned. The path of wisdom is to conclude a peace that will require no more enforcement than will in fact be forthcoming. And how much will that be? The only possible answer, with one eye on history and the other on democratic politics, is not very much.

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If enforcement is the key to what is possible, it must surely be obvious that the governing factor is not the impact of the peace terms on the Germans but their impact on the Allied peoples, whose attitude will determine whether, in twenty years' time, an infringement of the treaty will be countered by force. This is the very simple point that quite three-quarters of our correspondents have failed to grasp. The psychology of the German people, their history and present state, the punishment they have deserved, the anti-Prussian feelings of the Southern Germans, the shades of goodness and badness among them—all these are highly interesting questions. But they are barely relevant (if, indeed, they are relevant at all) to the question of what will be maintained and enforced ten or twenty years from now. In this paramount issue, it is the psychology and policies of the victors that matter. Nor can enforcement safely be left to some of the victors without the others, for a split in their ranks would offer the most obvious opportunity for German manoeuvres. The weakest link in the chain is the future resolution of the American and British peoples, and it is, therefore, on a correct judgment of this vital factor that the workability of the peace depends.

To estimate the mood of the British people twenty years hence is necessarily hazardous. But two things are reasonably clear. The first is that a policy of enforcement would be burdensome. It would involve constant vigilance, a willingness to accept unwelcome facts, a readiness to take unpleasant action before it could be shown to be strictly and directly necessary, an ability to see clearly through the fog of propaganda, a total immunity to the doctrines of appeasement, an ability to avoid any periods of lapse into indolence or indifference. The second thing that should be clear is that neither the British nor the American Governments or peoples demonstrated their possession of these qualities in the 1920's and 1930's. It is perfectly open to anybody to hold that, though the last peace was not enforced, the next peace—though it may be stricter, and therefore harder to enforce—will be. But the onus is surely on those who hold this view to produce some evidence for the belief, which is a necessary part of their contention, that popular psychology and governmental procedures in Britain and America will, after this war, be radically different from what they were after the last war. It is not enough to say that we may have learned a lesson or two. To sustain the argument, it is necessary to contend that, in their beliefs and actions, the democracies will be wholly different creatures. And to this contention it can only be answered, with regret, that there is no sign of conditions being very different from what they were. The indignation against the Germans was just as strong in 1918. So was the determination that it must not happen again. Are we really any wiser or any more far-sighted, or any less tired, or any less given to wishful thinking than we were then? Those who believe in the possibility of enforcing a very severe peace have to give firm affirmatives to all these questions. Where is their supporting evidence?

The possibilities of enforcement are, of course, partly

a function of time. The argument—and perhaps this should have been made more clear in the original article—relates most strongly to long-term policies. In the short run, much greater severity can be shown—and should be. For a few months, the victors will be ready to enforce almost anything. There is, very properly, to be a complete occupation of Germany; the war criminals are to be punished; and Germany cannot expect to get equal treatment in the distribution of relief. Beyond that, there is no reason why countries which have been stripped and despoiled by the Germans should not help themselves to any industrial plant they may find in Germany, or compel Germans to labour for the rehabilitation of devastated areas. Within, say, the first three years, all these things will be possible. It is when they begin to stretch themselves out into long-term policies—when the occupation becomes permanent, when the punishment is everlasting, when the Germans are told that their standard of living is to be permanently lowered, when German industry is not only transplanted for the moment but forbidden for the future—it is then that the problem of enforcement arises. It is surely axiomatic that the longer the preventive and punitive measures stretch out in time, the more difficult will it be to secure their enforcement. The mood of readiness for military action will ebb steadily from the very day of the armistice. A policy which may be reasonable on the morrow of occupation may be physically impossible ten years hence.

Of all the policies for breaking German aggression over a long period, three are most frequently discussed. The first is territorial readjustment. It takes the form either of splitting Germany up into a number of states or of handing over large areas of German territory to the sovereignty of neighbouring states. The second is economic impoverishment. The third is total disarmament. Of the three, the last is by far the most important. *The Economist's* contention is that, since the democratic peoples cannot be relied upon to enforce very much, the whole of their resolution and determination should be concentrated on this one vital policy. Germany should be wholly disarmed. There should be no German Army, however small. Germany should be permitted to make no aircraft of potentially dangerous types, no guns, no tanks, no armed or armoured ships. This disarmament should be unilateral and imposed for an indefinite period. If Germany is kept totally disarmed, then it is not necessary, for the purpose of keeping the peace, that it should also be partitioned and impoverished. Since the supply of resolution to enforce is limited, and since disarmament is the essential item, let us concentrate on that. To do so is to provide a chance that the essential will be retained.

Unfortunately, if the reports are to be believed, Mr Roosevelt and Mr Churchill, meeting at Quebec, have taken the different view. They have decided to go the whole hog and try all three policies at once—partition, impoverishment and disarmament. Territories west of the Rhine may go to France, Belgium and Holland, territories east of the Oder to Poland. German minorities may be transferred to the remaining territory in which industrial life will be more or less banned—the so-called policy of "pastoralisation." This is an unworkable policy; a settlement based upon it would not last ten years. Whether the Germans have deserved it simply does not enter into the calculation. All three policies require perpetual supervision and enforcement, not on the morrow of the treaty but thirty and fifty years after. Their effectiveness turns on the degree of enforcement put behind them. If they are not enforced, the weary history of 1933 to 1939 will be repeated and the stage set for the third world war.

Territorial changes which flout the rule of self-determination, and economic changes which condemn the Germans to live at the level of a crowded peasantry, are terms at once unessential, impossible and positively dangerous. They are not essential, for if total disarmament is enforced, the Germans will not in any case be able to make war. They are impossible because they would not be enforced. Anyone who remembers how quickly the Treaty of Versailles came to be regarded, especially in America, as the root of all evil, will find it impossible to believe that the democratic communities

could be rallied behind a policy of using force to prevent the violation of infinitely more stringent territorial and economic clauses. It will not be a question whether the terms of the settlement continue to enjoy abstract approval. It will be whether the electorates will be willing to take expensive and unpleasant action to support them. Quite certainly, they will not.

And from this fact flows the third criticism of these terms—that, by complicating the task of enforcement, they are positively dangerous. If all these onerous restrictions were placed on Germany, it need not be thought that the Germans would begin by violating the disarmament clauses. They would first attempt to restore their industrial life. They would then plead for "justice" for Pomerania or the Rhineland. In doing so, they would divide counsel, trouble conscience and bedevil all hope of action among the democracies. The rot would have set in long before the question of rearmament arose.

Yet the question of armaments is the real issue. A disarmed Germany cannot make war. A direct and undisguised plea by Germany for rearmament will be rejected—provided the issue is not confused by a lot of other points on which consciences are tender and resolution weak. But if some new Hitler can start with the easier items and work his way upwards, the ban on armaments will eventually be carried away, almost unnoticed, by the revisionist flood. However pessimistic one may legitimately be about the continuing vigilance of the Allies it must be hoped that on the issue of German rearmament, if it is simply presented, they can stand firm. If they stand firm on this, economic penalisation and territorial sanctions are unnecessary. If they cannot stand firm on disarmament, there is no hope for anything more complicated.

A peace that puts all its emphasis on disarmament is not a weak peace. It is a strong peace, for it has some hope of being enforced. It has incidentally a better hope of winning over some Germans to accept it, thus paving the way slowly to the only lasting way of peace, the way of acceptance and self-maintenance. But this is not the argument. In any foreseeable future, enforcement is the crux. A peace based primarily on disarmament may be enforced in twenty years' time. The peace of Quebec, the

A Policy for Wealth—VI

Technical Progress

HITHERTO the argument of this series of articles has mainly been concerned with the need for a rapid increase in the productive equipment of British industry and with the obstructions that lie in the way of such an increase, whether they arise on the side of labour or of management. But it is not enough to underline the need for more capital. It is also necessary to specify what sort of capital, and to ensure that it is used with the maximum skill. This is the province of the technician and the scientist and a Policy for Wealth will fail unless it enlists their help to the fullest possible extent. There is, unfortunately, good reason to believe that the British community is not only failing to provide itself with enough new capital, it has also not been acquiring capital of the right sort. Or in other words, the productive equipment of the country is both too small and too old. In recent years, we have been consistently slower than our chief competitors in exploiting technical progress.

This is a sweeping statement, and being a qualitative judgment it cannot be proved by any statistics. There are doubtless exceptions. But the general impression left on anyone who has first-hand knowledge, however slight, of British, American and German industry and their products, is that British industry, on the broad average, is rather old-fashioned. It is certainly no longer, as it used to be, in the van of technical progress. The new products, the new processes, the technical revolutions, nowadays begin elsewhere and are somewhat belatedly copied in Britain. It would be difficult to name more than two or three cases

peace of permanent economic impoverishment and permanent territorial loss, most certainly will not.

The letters that have been printed in these columns show how very difficult it is to get the thesis here expounded, simple though it is, understood at this time of excusable passion. There will be those who will misunderstand this second exposition as fully as they did the first, and who will again say that *The Economist* wants to have a soft peace, and to be kind to the Germans. This is not only not true but the reverse of the truth. There will also be those who failed to see the point of the first article but will grasp it at this second statement, and maintain that *The Economist*, under pressure from its readers, has shifted its stand. This also is untrue; every single argument in this second article was also in the first. And there will be those who, without reading either the first or the second article, will merely dismiss the whole contention as sentimentality. They may be asked who are the real sentimentalists, those who would base long-term policies on the emotions of the moment (however justified those emotions may be), or those who make an objective attempt to foresee the atmosphere in which the policies will have to be carried out?

The great majority of the very many letters received were in opposition to the view taken by *The Economist*. That was expected and is not surprising. The contention here put forward is that the peace settlement should not contain anything that cannot be enforced, and that what it does contain should be enforced. Both halves of the policy will be unpopular. But the criticism now expressed against a "soft" attitude is as nothing to the abuse that will be showered on a "hard" attitude hereafter. There is the rub. This is as near a matter of life and death as ever arises in public policy. We would ask no more than that every advocate of severity should look into his own heart and ask himself, in all seriousness, whether he really thinks that the policies he puts forward stand any chance of having great and painful efforts made to support them, not by ideal parties in an ideal country, but by Conservatives and Labour, by Republicans and Democrats, elected by the present methods, by the present electorates. Only to the extent that we can successfully predict our own future moods shall we build an enduring peace.

in the last thirty years of a new industry starting first in these islands, or of a new technique of major importance to an established industry being tried out first here. The wartime triumphs in aircraft design and in radar (to name only two) have shown that there is no inherent national inferiority in these matters. It can be done; but in peacetime, and in the context of industry, it is not being done.

The blame for this state of affairs cannot fairly be placed on the abstract scientists. Their quality is as high as ever. Relative to their numbers, they have fully as many achievements to their credit as the scientists of any other country. "Relative to their numbers"—there is the crux of the matter, for the scientific community is far smaller in this country than in either of its major competitors. Inventive genius cannot, of course, be bought for money; but the chances of a Faraday or a Rutherford emerging from ten thousand scientists is clearly much greater than from a hundred. Moreover, it would be a mistake to ascribe most technical progress to genial leaps of the human spirit. Most of it comes from the systematic teamwork of competent scientific technicians.

The first and most obvious need is thus to enlarge the scientific constituency. The country needs a very much greater flow of scientists, and the schools, the colleges and the universities need to be widened and enlarged—twofold, threefold or fourfold—for the purpose. Not only should they be enlarged, there is still something of a gap to be bridged between academic science and industrial technology. The country very urgently needs institutions

such as the Massachusetts or California Institutes of Technology or the better Technische Hochschulen in Germany—institutions of the very highest academic standing which, at one extreme, embrace the most rarified atmosphere of abstract science and, at the other, reproduce the conditions of everyday scientific work in practical industry.

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There is thus no lack of objects for the fruitful expenditure of effort and money in the improvement of scientific education, both in quality and especially in quantity. But this is not the major need. The root of the trouble does not lie in the universities but in industry. Just as, in respect of the *quantity* of productive equipment, the difficulty is not in finding the savings, but in inducing industry to use them, so in respect of the *quality* of British investment, the difficulty lies not so much in providing the scientific advice, but in persuading industry to follow it.

By and large, British industry is not nearly as interested as it should be in being up to date. Here again, there are, of course, outstanding exceptions, individual firms and even whole industries who keep the keenest eye on the progress of their respective technologies and who maintain large scientific staffs and research establishments for the purpose. But there is also (to speak frankly) a great deal of industrial "research" which is little more than window-dressing, either testing staffs dressed up in academic titles, or else adjuncts to the publicity department designed *pour épater les bourgeois*. Spread over the whole range of British industry, the volume of genuine scientific research is very thin. Moreover, apart from fundamental research, there is a lack of willingness to bide the time, or spend the money, for a proper development stage. Most technical advances are not handed to the industrialist on a plate in a finished state. They need long, difficult and expensive development, at every step of which the scientist and the production man must work side by side. This is what is chiefly lacking in British industry. If these are thought to be extreme statements, three examples (for which we are indebted to a memorandum written by Dr George Tugendhat for private circulation) should help to establish the case.

The first is rubber. Before the war the British Empire was the largest producer of rubber in the world. Yet until recently there was virtually no research going on in this country into the structure of rubber and its possible substitutes. When synthetic rubber began to come over the horizon, basic research on a large scale was conducted in America not only by the petroleum companies, whose interest was in the raw materials of the new processes, but also by the rubber companies, whose interest was in the end-product. In this country very little research indeed has been done in synthetic rubbers and virtually none has been commercially produced.

The second example is coal, England's greatest natural resource. Quite a number of the more complicated tar derivatives and even some of the more common types, such as anthracene, had never, until the present war, been produced in this country. In the hydrogenation of coal—more important to no country on earth than this—we have been largely content to import foreign ideas. England is practically built of coal and lime, yet until the last few years we had to import every ounce of calcium carbide, and thus had no home supply of acetylene, which is essential for many welding techniques.

The third example is petroleum. In America, in Russia and in Germany, new industries are arising to exploit the derivatives of petroleum, of which synthetic rubber is only the most dramatic. On all this we know very little and are doing even less. An official committee is, it is true, now sitting on the question of petroleum as an industrial raw material, but its terms of reference have been carefully restricted to the fiscal issue.

Who, or what, is responsible for this state of affairs? The Government bears some of the blame, though only

a negative one. Both the burden and the incidence of taxation have been discouraging to technical progress. Capital expenditure on research has not been tax-free, though it is to be in the future, and the depreciation rules have, at the least, not encouraged the industrialist who wanted to keep his plant up to date. The general protectionist mentality has, in this matter as in others, been far more to blame. It has not been necessary for British industrialists to keep up to scratch. If, with their present plant and methods, a comfortable profit could be assured by rings and cartels, tariffs and quotas, why should they undertake the painful intellectual exercises and the expensive outlays that were necessary to keep up with the latest fads of the scientists? Indeed, in a surprising number of cases, the effect of the patent laws, buttressed by international cartel arrangements, has been to erect actual prohibitions against research by British firms in specified fields.

But even more important than the protectionist mentality, pervasive though it has been, has been the general quality of British industrial management. How often has one heard the complaint that "scientists are not practical men, they have never seen a factory"—but how rarely the far more valid complaint that "practical men are not scientists, they have never seen a laboratory." The painful truth is that far too many British business men are out of their depth in their own technologies. They may employ scientists, but they do not understand them, and are thus hardly in a position to be advised by them. In an American or German industrial firm, a majority of the directors will be university graduates, with a good knowledge of the branch of science with which the firm is concerned. Is there a single large British firm of which the same can be said? Yet without a full understanding of both sides of the question, the very difficult marriage of the technical and the commercial cannot be accomplished. There are, indeed, virtues in government by intelligent amateurs, but rapid technical progress is not among them. And when the amateurs are selected by heredity rather than by intelligence, the virtues are far to seek.

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What, then, can be done to put British economic policy on a sounder scientific basis? A certain amount can be done by public policy. The money spent on higher scientific education can be multiplied. The depressing incidence of taxation can be still further modified. The Government can use all its powers of persuasion and compulsion—as, for instance, when permission for price-fixing is sought or protective tariffs are solicited—to insist on research being both initiated and applied. The whole subject of restraints upon trade, whether by the patent laws or by other means, can be reviewed. But the vital points cannot be touched by overt state action, for they are matters of psychology and custom. For this purpose, it is the public opinion of the business world that needs to be mobilised. If a day came when every Board of Directors felt itself impelled, by the pressure of opinion it respected, to spend more on research, to pay more attention to the results, and to reinforce its own numbers by men who really understood what it was all about—then the battle would be won.

This is where the argument comes back to the familiar point. No economic atmosphere will be more conducive to this happy result than one that combines competition with prosperity. Competition without prosperity, the true cut-throat competition, leads to capital consumption rather than capital growth. It is a *saute qui peut* in which no long-term policies can get a hearing. Prosperity without competition is an invitation to indifference and to fatty degeneration. But if a successful policy of Full Employment can be combined with a rebirth of competitive enterprise—if there are ample profits, but only for the efficient—then the whole tempo of scientific and technical progress would be speeded up. Competition-in-prosperity brings the practitioners of the best methods to the top. And it compels the others to follow suit. No more effective formula could well be found.

Finances of the Church—II

A New Reformation

THE Church of England is faced with an urgent need of financial reform. Its resources are still chained, in modified form, to parishes that are grossly unequal in size and income. Mobility needs to be restored. Men and money must be freed to go where they are needed now and not where the circumstances and generousities of the past have rooted them. This article will consider first, what redistribution of existing resources is necessary and desirable and, as a corollary, what administrative changes will be required.

Every benefice should have a reasonable minimum income—say £400. To secure this, an extra £887,000 is required. Part can be found by a levy on the richer benefices. A graduated system of taxation has been suggested, starting at £400 and allowing a maximum income of £800; this would yield £264,000. A much better method is the compulsory pooling of all surplus income, advocated by a recent Commission of the House of Bishops.* The Commission does not define surplus income, suggesting that each case should be judged on its merits, but the most rigorous basis possible would yield under half the required amount.

But these figures relate to *endowed* income. There is in addition the comparatively small amount (under one-tenth of the value of endowments) which incumbents receive in annual voluntary contributions from their own parishioners. The Church hopes to expand this amount. The latest scheme of the Ecclesiastical Commissioners offers to meet any *additional* money raised by each parish with an equivalent grant. The Bishops' Commission suggested that the same principle should apply to future grants from diocesan and central funds; and that, where there was insufficient voluntary support, there should be no incumbent. Such devices are simple and psychologically attractive. They may raise much new money, but the trouble is that voluntary giving, quite as much as endowment, "bloweth where it listeth." Contributions vary not only with the wealth of the parish, but with the popularity of the incumbent—which many would say is no index to his worth. On the other hand, if the unequal incidence of voluntary gifts were to be evened out by central grants, the special inducement to give more—or indeed to give anything—would disappear. A solution is to divert more voluntary contributions to central funds. Less might be raised this way than through a local and personal appeal—but pay could be fairer and the clergy more independent. Supplemental schemes of purely local assistance might be retained. The first aim should be to build up a central fund of voluntary contributions which, with the pool of surplus incomes, ought to be enough to make up the income of each benefice to a guaranteed minimum. On this basis, the suggested minimum of £400 should be realisable.

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The first condition of equal pay is equal work. The size of parishes must be changed as well as their incomes, and clearly the two reforms must proceed closely together—to undertake one without the other would be both impractical and unjust. The Archdeacon of Croydon has suggested, in a recent pamphlet, that if the number of benefices were reduced by a fifth, the large sum of £500,000 would be freed for assisting poorer benefices. The fallacy of this argument is that his figure is reached after allowing £375,000 for the 1,000 extra curates presumed to be needed—in other words, it would involve a higher proportion of junior lower-paid clergy. Some money might certainly be found by a reduction in the number of parishes but all of it will probably be swallowed up in meeting new needs.

*Report of Commission of the House of Bishops on the Remuneration and Housing of the Clergy (and other matters), unanimously approved by the House of Bishops, 1943.

The Church has, in fact, too few and not too many clergy. Yet the clergy themselves are more unevenly distributed than their incomes. In the first place, parishes are absurdly unequal in population. About half of them contain under 500, about a quarter over 4,000; or, to take the extremes as revealed by the 1924 Commission on the Property and Revenues of the Church (now somewhat modified), 20 per cent of parishes have under 300 inhabitants, while 5 per cent have over 10,000. In the second place, assistant clergy are not spread so as to minimise this inequality, but so as to accentuate it. Thus, perhaps a thousand parishes with a population of over five thousand have no curate, while many parishes a fifth of the size can afford two clergy. In the third place, the clergy are tied to the parishes by the system of local endowments. Yet all the time and on every side, there are increasing opportunities and needs for clergy in factories, missions, hostels, and youth centres.

The country is much better served with clergy than the town. Suburbs, again, are much better served than the poorer industrial districts. An urban parish has, on the average, ten times the population of a rural one. Again, there are four times as many curates to population in the rural diocese of Guildford as in the urban diocese of Blackburn. The trouble here is not so much, as Oscar Wilde suggested, that the countryside is honeycombed with curates, as that the urban supply is woefully inadequate. Any increase in the size of rural parishes must take into account the wide and scattered nature of many areas, the strong force of local tradition and custom and, of course, the site of the church itself. The church, as the Bishops' Commission pointed out, is "where it is and not where reformers think it ought to be" while, in the countryside, "history and geography are more relevant than arithmetic." Redundant churches, both in town and country, might be closed for Services and arrangements for their upkeep made with interested architectural bodies. There is a case for perhaps three times as many clergy in the country as in the town. Such a standard would permit considerable further amalgamations of rural parishes. Moreover, there is a strong case for an all-round stepping-up in the size of parishes. Groups of clergy have successfully tried the experiment of working a large area from a communal centre. This economises manpower and helps to solve the difficult problem of the over-large parsonage house.

The obstacles to redistributing curates are largely financial. Many are earmarked to particular parishes from the beginning of their careers, through training grants made by the richer dioceses and through financial offers coming from the richer incumbents. There is some help in the suggestion that bishops should "ration" the number of curates they licence and of ordination candidates they accept according to a mutually agreed scheme. But the major solution for the supply of curates must lie in the redistribution of financial resources.

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It is not surprising that many reformers suggest that the Church should scrap its financial past and start afresh. On this basis, all endowments would be pooled, all existing areas abolished, and a representative central authority

CORRECTION

In the first article on Finances of the Church, in *The Economist* of September 16, it was stated that Queen Anne's Bounty was responsible for annual payments to the clergy of about £270,000. This figure was intended to refer only to annual payments other than those arising from tithes, and should have read £490,000. It is in respect of income other than tithe that the Ecclesiastical Commissioners make the larger annual payments.

would reallocate spheres of work and pay a fixed scale of stipends on a planned and rational basis.

Such drastic measures are, theoretically, both just and administratively simple. Nevertheless, most of the desired results can be achieved without causing such strong antagonisms or breaks in tradition. Compulsory pooling of surplus incomes and redivision of parochial areas could best be done, as the Bishops' Commission suggested, by representative diocesan authorities. Once the principle of thoroughgoing redistribution has been accepted by clergy and parishioners, there might remain technical difficulties in readjusting rights of patronage. Although at least half the total of incumbents are now appointed by ecclesiastical authorities, the Crown and a large number of laymen still have a say in many appointments. Patronage is an anomaly; but individual patrons have been increasingly co-operative. So long as patronage does not delay reform there is a case for its further retention.

One administrative reform in Church finance is long overdue—the amalgamation and reconstruction of the Ecclesiastical Commissioners and Queen Anne's Bounty. The 1924 Commission suggested that both bodies should have the same board of governors; a special Commission, set up in 1933 to consider this point, advocated complete union, and a joint committee of the two bodies is now working out details. The administrative duplication involved in their many parallel functions is sufficient logical argument for amalgamation. A new board of governors is suggested, less cumbersome and more democratic than either of the existing boards. It would comprise 41 members, including ten each from the three House of Bishops, Clergy, and Laity.

The joint body thus constituted would act, in effect, as the trustee of the Church's inherited wealth of all kinds. It would also have an annual surplus available for welfare schemes and new grants. Economies of joint management might make this larger than the present total surplus of the two bodies of £425,000. Finally it would, under the suggestions of the Bishops' Commission, act as the central financial agency for the redistribution of resources to be carried out by the dioceses.

Social Insurance—A Summary

1. The Government's scheme for Social Insurance falls into two parts, Part I (Cmd. 6550, 6d.), dealing with Social Insurance, Part II (Cmd. 6551, 3d.) with Industrial Injury Insurance.

2. The entire population is classified in six groups, with different benefits and contributions. The categories and numbers in each group are as follow:—

Class	Numbers in thousands		
	Men	Women	Total
I Employed persons.....	13,350	4,750	18,100
II Others gainfully occupied.....	2,150	450	2,600
III Housewives, including those gainfully occupied.....		9,650	9,650
IV Other persons of working age.....	1,000	1,250	2,250
V Children under 15, or 15-16 at school.....	5,150	4,950	10,100
VI Persons above working age who have retired.....	1,200	3,600	4,800
	22,850	24,650	47,500

3. Weekly rates of contributions, including those for industrial injury insurance, are given below, with Sir William Beveridge's proposals in italics for comparison:—

Class	Class I			Class II	Class IV
	Insured Person	Employer	Total		
MEN: Aged 18 and over	s. d.	s. d.	s. d.	s. d.	s. d.
21 and over*	3 10	3 1	6 11	4 2	3 4
Between 16 and 18...	4 3	3 3	7 6	4 3	3 9
Between 16 and 18...	2 5	2 1	4 6	2 9	2 2
Between 16 and 18...	2 6	2 6	5 0	2 0	1 6
Between 16 and 18...	3 0	2 5	5 5	3 6	2 8
Between 16 and 18...	3 6	2 6	6 0	3 9	3 0
Between 16 and 18...	2 0	1 7	3 7	2 5	1 10
Between 16 and 18...	2 0	2 0	4 0	2 0	1 6

* The Beveridge Report proposed three groups—16-18; 18-21; and over 21.

4. The following is a summary of the principal benefits proposed:

The effect of all these reforms can now be briefly indicated. Administration would be simplified. It would reach at least half-way towards full centralisation and full democratic control. Financial control would be shared between the Church's own representatives and the amalgamated Commissioners and Bounty. The former would be more powerful and the latter more representative. All clergy would receive an adequate minimum stipend, which would end uncertainty and inequity of payment and, with it, the need for personal appeals. Parishes would continue to possess their own endowments up to a maximum limit, but their incumbents would be paid increasingly from central funds. The Church's control over its own clergy would thus be increased—though to no alarming extent. Finally, the clergy would be redistributed on a rational basis and some funds diverted to extra-parochial needs.

Such a programme of reform is radical but it involves no sharp break with tradition, and some of the advantages of the localised "parochial system" could be retained. It is no more than a *minimum* programme if the Church's resources are to be fairly and fully utilised. The Church of England is fortunate compared with Nonconformist bodies in the wealth of its endowments and the continuity of its tradition. It has corresponding responsibilities. Only in the last twenty-five years has it had the opportunity, through the creation of the Church Assembly, to speak with an authoritative voice on financial and administrative matters. That it also now speaks largely with one voice is encouraging and in strong contrast to secular politics. Numerous and successive commissions of the Church Assembly and its Houses have been almost unanimous in advocating widespread reforms; and many minor measures of reform have recently been passed. The voice of the Church is progressive and egalitarian but at the same time deeply sensitive to tradition and cautious of action. There is a widespread feeling that the Church's attention to moral and spiritual matters, in an era that is critical both for itself and the world, should not be distracted by financial preoccupations. Yet the Church's authority is clearly weakened if its own house is not in order. The Church of England would gain immeasurably from a new and internal reformation.

Family allowances of 5s. a week for second and subsequent children. Where the parent is in receipt of benefit, the first child will be included. Services in kind, including school meals and milk, to be extended.

Orphan's allowances of 12s. a week for each orphan.

Sickness and unemployment benefit of 40s. a week for a married couple, 24s. for a single person. After three years, sickness benefit will be replaced by an invalidity benefit at retirement pension rate. Unemployment benefit will end after 30 weeks. Special allowances at a higher rate will be given for attendance at approved training courses. An additional allowance of 16s. a week (15s. for invalidity benefit) will be added for those on single benefit who have an adult dependant. Self-employed persons will not receive sickness benefit during first four weeks of illness, and will not be eligible for unemployment benefit.

Retirement pensions at standard rate of 35s. for a married couple and 20s. for a single person. Minimum retiring age of 65 for men, and 60 for women, but joint pensions payable from date when husband qualifies. Pensions will be increased by 2s. a week (joint) and 1s. (single) for each year by which retirement is postponed beyond pensionable age.

Maternity Grant of £4. Maternity benefit of 36s. a week for gainfully occupied women for 13 weeks, provided the occupation is given up.

Attendance allowance of £1 a week for 4 weeks for married women not eligible for maternity benefit.

Widow's benefit of 36s. a week for 13 weeks, with 5s. per week added for first child, for widows under 60. Guardian's benefit of 24s. a week if there is a dependent child. Widow's pension of 20s. a week for widows of 50 or over at the time when the husband dies or children cease to be dependent, provided 10 years have elapsed since marriage.

Death grant of £20 for person over 18, £15 between 6 and 18, £10 between 3 and 6, and £6 under 3 years of age.

The main benefit rates are summarised as follows:

	Sickness Benefit	Invalidity Benefit	Unemployment Benefit	Retirement Pension
Single man or woman.....	s. d.	s. d.	s. d.	s. d.
Married man with gainfully occupied wife.....	24 0	20 0	24 0	20 0
Married man with wife not gainfully occupied.....	40 0	35 0	40 0	35 0
Married woman, gainfully occupied.....	16 0	16 0	20 0	20 0
Dependant's allowance, where payable.....	16 0	15 0	16 0	...

(The standard rates of sickness and unemployment benefit are the same as in the Beveridge plan, except that the duration was unlimited and except for the condition of compulsory attendance at training centre. Retirement pensions of 25s. for a couple and 14s. for a single person in first year rising to 40s. and 24s. respectively after 20 years.)

5. National assistance will be available to all who can prove need.

6. The administration of the scheme will be the responsibility of a Ministry of Social Insurance. The administration of Assistance will be kept separate, though the Minister of Social Insurance will be responsible to Parliament for both. Approved Societies will not be retained either as independent financial units or as agents for the administration of the scheme.

7. Financial aspects.

The estimated expenditure (excluding workmen's compensation) over the next 30 years will be as follows:

	(£ millions)			
	1945	1955	1965	1975
Social Insurance Benefits:				
Retirement pensions.....	169	203	272	324
Widows' and guardians' benefits.....	34	41	40	36
Unemployment benefit.....	87	87	85	80
Sickness and invalidity benefits.....	55	66	68	65
Maternity grant and benefits.....	9	8	8	7
Death grant.....	4	7	11	14
Cost of administration.....	16	16	16	16
Total.....	374	428	500	542
National Assistance:				
Assistance pensions.....	37	41	39	37
Unemployment assistance.....	22	22	21	20
Other assistance.....	6	6	6	6
Cost of administration.....	4	4	4	4
Total.....	69	73	70	67
Family Allowances:				
Allowances.....	57	58	54	50
Cost of administration.....	2	2	2	2
Total.....	59	60	56	52
Health Service.....	148	170	170	170
Total Expenditure.....	650	731	796	831

Estimated income over the same period will be:

	1945	1955	1965	1975
Receipts from contributions of insured persons and employers.....	283	280	275	259
Interest on existing funds.....	15	15	15	15
Balance of expenditure, to be met from Exchequer (or local rates).....	352	436	506	557
Total income.....	650	731	796	831

The total cost of the Beveridge proposals was estimated at

	Government Proposals			Workmen's Compensation Acts			Beveridge Plan	
	Injury allowance during incapacity for work (first 13 weeks)	Injury allowance after 13 weeks and pension rate for 100% disablement	Pension, if 100% disabled and unemployable	Pre-war	With war increases		Disability Benefit (first 13 weeks)	Industrial Pension (after 13 weeks)
					First 13 weeks	After 13 weeks		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(a) Single man or woman without dependant	s. d. 35 0	s. d. 40 0	s. d. 50 0	s. d.	s. d.	s. d.	s. d.	s. d.
(b) Single man or woman with adult dependant	43 9	50 0	60 0	earnings 30 0 max.	35 0 max. (limit of 3rd earnings)	40 0 max. (limit of 3rd earnings)	40 0	3rd earnings 60s. max. (minimum as in col. 8)
(c) Married man...	43 9	50 0	60 0		40 0 max. (limit of 3rd earnings)	50 0 max. (limit of 3rd earnings)	40 0*	
(d) Married man and first child	48 9	57 6	67 6		45 0 max. (limit of 3rd earnings)	55 0 max. (limit of 3rd earnings)	48 0*	3rd earnings + 8s. 60s. max. (Minimum as in col. 8)

* Subject to wife not being gainfully occupied.

£697 million in 1945, rising to £858 million in 1965, owing to the increase in the cost of retirement pensions from £126 million to £300 million. Under the Beveridge plan, social insurance benefits would amount in 1945 to £367 million, national assistance £47 million, family allowances £113 million, and health service to £170 million. Total costs of administration amounted to £24 million.

The total cost of the present social insurance system is £411 million, made up as follows: Pension benefits, £177 million; unemployment, £87 million; sickness, £30 million; health service, £80 million; public assistance, £15 million; children's benefits, £4 million; administration, £18 million.

A comparative statement of estimated income gives the following result:

	Under Present Social Insurance Schemes and Allied Services		Under Government Proposals	
	£ Millions	Per-centages	£ Millions	Per-centages
Receipts from contributions of insured persons and employers.....	136	32	283	44
Interest on existing funds.....	15	3	15	2
Expenditure to be met from Exchequer (or local rates).....	278	65	352	54
	429*	100	650	100

* This discrepancy between this figure and the £411 millions above is mainly due to the changes in the financial position of the unemployment scheme.

8. *Workmen's Compensation:* Industrial Injury Insurance will be treated as a social service. The scheme will be comprehensive in scope, and will apply to industrial accidents and specified industrial diseases. Liability will be placed on a central fund out of which all benefits and administrative charges will be paid.

The weekly rate of contributions will be 6d. for adult men and 4d. for women, shared equally between employer and workman, with half the amount for juveniles, with a contribution from the Exchequer. Benefits will not depend on a contribution qualification. (These contributions are included in the main Social Insurance contributions listed above.)

The scheme will be administered by the Ministry of Social Insurance, with the advice of an Advisory Council composed equally of employers' and workers' representatives.

Claims will be dealt with by a Pensions Officer, subject to appeal to local tribunals, on which employers and workers will be represented, and further right of appeal to an Industrial Injury Insurance Commissioner, whose decision will be final.

Disablement benefits will be at uniform flat rates for first 13 weeks of incapacity, to be replaced by an industrial pension, supplemented by a special allowance if the pensioner is unemployable. Allowances will be given for family responsibilities.

Industrial pension will not be based on loss of earnings, but on the degree of disablement due to the injury, which will be assessed by a medical board. No provision will be made for commutation of pension by lump sum payment.

In fatal cases, the widow will receive temporary benefit under the general scheme (36s.) for 13 weeks; this will be followed by a pension of 30s. a week if she is 50 years or over, has dependent children or is incapable of self-support, and 20s. a week for other widows, with allowances in respect of dependants.

The rates of injury allowance and disablement pension proposed, compared with existing scheme and Beveridge plan, are summarised below:

NOTES OF THE WEEK

Arnhem

The airborne invasion of Holland was an audacious plan to break the stalemate into which the Allied armies were moving along the frontiers of Holland and Germany. Had it been entirely successful, it would have turned the German defences along the length of the Rhine and would, possibly, have initiated a new battle of movement. Even with limited success, it was planned to open up Holland, trap the German armies on the Dutch coast, and lengthen the German line defending the Reich. This more limited objective has been fully achieved. General Dempsey's forces are established in a wide salient along the Maas and have forward elements in control of Nijmegen with its vital bridge across the Waal. The full success hoped for has not been achieved. After a magnificent ten-day struggle, the British First Airborne Division fighting round Arnhem had to be withdrawn across the lower Rhine to rejoin the Second Army at Nijmegen. They have lost the first round, even though it was their struggle that made the successes at Nijmegen and Eindhoven possible. But it is not likely that this is the last round in this vital area. The attempt was defeated because the weather was bad and the relieving land forces were too far away. Winter weather has not yet set in, and now the main forces are on the spot. It may not be long before Arnhem is fully avenged.

Last Lap

On Tuesday the Long Parliament reassembled after its longest wartime holiday to face the busiest and probably the most critical months of its career. This Parliament has been burdened with responsibilities as heavy as any in history. Its opportunities have been equally exceptional. Resolutely led, it has brought the nation through the storms of war to the approaches of victory; supported and encouraged by the common will it has undertaken to plan a vast scheme of social and economic reform. No parliament has ever been so rich in good intentions. But few have started so much and finished so little. The truth is that Parliament and Government have been overtaken by the march of events. There is now a real danger that in spite of every lesson and warning the nation will find itself as little prepared for the coming of peace as it was for war. In planning for peace the country is still in the pre-Dunkirk period. What have the Government to show for their years of planning? With the single exception of the Education Act no major plan of reconstruction has reached the statute book—and even in this one case full implementation is delayed. The Government's scheme of social security has at last reached the White Paper stage and joins the queue with policies for a national health service, full employment and the control of land use. Nothing is known of the Government's plans for the reform of local government and very little of their scheme of industrial reconversion. There is so much to do and so little time left to do it in. This, surely, is the moment for Parliament to reveal its strength—and the strength of the democratic principle—by pursuing as rapidly as possible, and in the true spirit of unity, the real aims of national reconstruction policy. Sectional wrangling at this stage—or even wholly high-minded, but excessive, quibbling over details—would be disastrous. The fine promise of "food, work and homes" can still be shattered by details of procedure. Parliament has entered its last lap. Only by a burst of legislative activity can it catch up with the hopes of the nation.

The Housing Crisis

The most urgent of Parliament's numerous tasks is to expedite legislation to solve the serious housing problem. The alarming cynicism with which the average citizen regards the Government's promises is not due entirely to bitter memories of the unfulfilled pledge, "Homes fit for heroes to live in," of 1918. It is due, also, to the unfortunate lack of realism that has marked the handling of the housing problem in recent months. Housing is com-

plicated by its interrelation to the wider problems of town planning and the control of land use, and there is some excuse for the patchwork nature of the Government's policy. But there is no excuse for delay in the enactment of that policy—delay that threatens to condemn a large number of people to sample peace under appalling conditions of overcrowding. Neither of the two Bills concerned with housing and now before Parliament is free from faults. The Housing (Temporary Accommodation) Bill, making provision for emergency dwellings of the Portal type in the first two years of peace, requires amendment in several matters of specification, costs and siting. The Town and Country Planning Bill, which was given its second reading on July 12th and has now entered the committee stage, is inadequate in certain of its financial proposals relating to grants and compensation. But each of them is much more than half a loaf and infinitely better than no Bill at all. Mr W. S. Morrison has been very busy during the recess trying to placate the local authorities who contend that the Planning Bill does not go far enough and that the same powers and grants afforded them in their task of developing the blitzed areas should be extended to all urban areas. Clearly the financial relations between the Exchequer and the local authorities are in need of complete overhaul. Meanwhile the debate on Wednesday showed that the Government's concessions have made the Bill much more widely acceptable. The Planning Bill can become an effective piece of legislation only if there is complete goodwill and co-operation between the Ministry and the local authorities. The amendments include a series of minor concessions concerning grants, but do not make provision for any extension of Exchequer grants in the redevelopment of blighted areas. A new category of land, open space or playing-field, is added to those which the authorities may acquire for planning purposes by compulsory purchase. Other amendments simplify the procedure of compulsory acquisition, and make compulsory purchase applicable to land required for "the relocation of population or industry or for replacement of open spaces."

On Tuesday Mr. Lyttelton announced that several types of temporary houses have been judged satisfactory and will go into production early next year. The necessary jigs and tools have already been ordered. When the three types already approved are in full production next summer about 2,500 houses will be made available each week. On Wednesday the Housing (Temporary Accommodation) Bill was given its third reading. Equally satisfactory is the news that good permanent houses can now be constructed in less than half the normal number of man-hours. This fact has been established by experiments in new construction methods conducted by the Ministry of Works. The physical specifications of post-war housing are becoming clearer. The question of how is being answered. But the where and the when and the how much are still obscure. Large-scale requisitioning of land by local authorities is still held up through uncertainties regarding terms of compensation; and this means that the first practical steps in housing policy—the planning and preparation of building sites—are as yet far too timid. The Planning Bill provides the local authorities with wide powers to tackle their housing problems—to replan and redevelop all urban areas spoliated by war or obsolescence. Nothing is more important for the future of housing than that the Bill should become law as soon as possible. Any form of obstruction, or even of delaying criticism, from any quarter, will be unforgivable. The Government's aim is the erection of some 4,000,000 permanent houses within ten or twelve years of the general resumption of building activity. For a decade at least a large number of people will be accommodated in temporary houses. But London's housing problem cannot wait for temporary houses. Mr Bevin has appealed to the building trades for a large number of volunteer workers. If the appeal is not answered, London will face the sixth winter of war better sheltered from the enemy than from the elements.

Poles Divided

On Friday last the Polish Government unanimously passed a resolution demanding the dismissal of General Sosnkowski, the Polish Commander-in-Chief. The root of this demand is the Polish Government's growing disapproval of General Sosnkowski's political activities. These are notoriously directed in the main against any policy of understanding with Russia. That a Polish military commander or a military junta should be able to obstruct the foreign policy of the Polish Government is a regrettable legacy from the Pilsudski-Beck regime. Another equally unfortunate legacy is the prerogative enjoyed by the President, by virtue of which, under the Constitution of 1935, he is empowered to veto any political decision taken by the Government. The Polish President has now made his consent to the dismissal of General Sosnkowski conditional upon a reshuffle of the Polish Government designed to bring the spokesmen of the Nationalist opposition into the Cabinet. The Nationalists are at least as much opposed as General Sosnkowski to a policy of reconciliation with Russia. Only last week they demanded that M. Mikolajczyk should declare null and void the proposals for agreement that he had shortly before addressed to Marshal Stalin. General Sosnkowski's dismissal may make it easier for the Polish Government to come to terms with Russia. But the inclusion of the extreme Nationalists would certainly offset that advantage. The Polish Government should not have accepted General Sosnkowski as Commander-in-Chief in the summer of 1943. Very late in the day they are trying to correct that mistake; but they would be utterly short-sighted if they now allowed new obstacles in the shape of the Nationalists to be placed in their path. The Western Allies are at present making a determined effort to persuade Marshal Stalin to accept M. Mikolajczyk's scheme for a Russo-Polish settlement. The Russians' excuse for refusing to deal with the legitimate Polish Government has been hitherto their alleged inability to carry out any policy in the teeth of a concerted opposition from the President, the military groups, and the irreconcilable anti-Russians. If the Polish President, by his political attitude over the Sosnkowski crisis, provides convincing evidence that Russia's suspicions are not altogether groundless, his will be the melancholy distinction of having contributed personally and irrevocably to Poland's servitude and to the weakening of the Grand Alliance.

Aid for Italy

It looks as though Mr Churchill's recent visit to Italy, during which he could acquaint himself with local conditions, has now borne fruit in decisions of great importance for the future of Italy. The President and the Prime Minister have decided to hand over a large measure of control to the Italian administration, and the Allied Control Commission will in future be known as the "Allied Commission" only. The British High Commissioner in Italy is to have the rank of Ambassador—a procedure the Americans have already adopted, and the Italians are to appoint representatives to London and Washington. The reason for this, in the words of the official statement, is that

The Italian people, freed of their Fascist and Nazi overlordship, have in these last twelve months demonstrated their will to be free, to fight on the side of the democracies, and to take a place among the United Nations, devoted to principles of peace and justice.

This is all to the good. It has been impossible in the last six months not to criticise the attitude of the Western democracies towards the Italian effort to recover a free and constitutional way of life. The Allies' lack of warmth and encouragement tended to discourage the democratic groups, and to alienate them from Britain and America. The new declaration by the President and Mr Churchill is a hopeful new start along the way of clearer understanding. Two things only warrant criticism. It must be asked why Russia was not associated with the decision. It is true that Russia took unilateral action some months ago, when it formally recognised General Badoglio's government without consulting Britain and America, but this is no reason why Russia's Allies should have adopted a procedure which belittles the form if not the substance of the Grand Alliance. The other point touches on the relations between the Western Democracies. This recognition of Italy is a reminder that the Provisional Government in Paris, which has received a clear mandate from France, has yet to be recognised in London and Washington. It is time this curious anomaly came to an end.

The statement issued by the President and the Prime Minister also covers the question of the economic restoration of Italy. Last week, at the request of Britain and America, UNRRA decided to extend immediate aid to Italy. This may help to meet the really appalling food position and the shortages of every kind of essential supplies in Italy. Britain and America are also to send technicians and industrial experts to Italy, and are to help the Italians to restore their communications and power systems. At the same time, the Trading with the Enemy Acts are now to be modified in their application to Italy. These decisions are long overdue—just how overdue can be gathered from a report published by five Trade Union delegates who toured Italy this summer. It states that the degree of dislocation, starvation and unemployment in Italy is difficult to describe to those who have not seen the situation at first hand. As the Report puts it—

The majority of the people are without normal employment. Those who have a job earn between 50 and 150 lire per day. A number of food articles are rationed, and in a general way, the rations are forthcoming, but their quantity is insufficient to maintain a minimum standard of health, especially for those who work. . . . Except for parts of Sicily and Naples, there is no means of transport or communication worth mentioning. . . . There is also considerable shortage of raw materials of all kinds, especially coal and power, most of which had to be imported before the war. The result is meagre prospects to improve employment possibilities, and, consequently, the social conditions of the workers.

The UNRRA decision and the help proposed by the President and Mr Churchill will begin to remedy the situation, but the steps proposed only cover the short-term problem of Italian reconstruction. The Fascist experiment of autarky, which was responsible for much of the lowering of Italian living standards, will, of course, be abandoned. But what kind of place is to be offered to the economy of Italy in the post-war world? Do the Allies mean to abate the economic nationalism of Europe? Do they mean to associate Italy's economic structure with the heavy industrial areas of western Europe on a basis of reasonable trading and exchange? Above all, do they mean to relax in any way the present restrictions of Italian emigration? Until these questions are answered, the pattern of Italy's final reconstruction cannot even be traced.

Belgium's New Government

On September 20th Prince Charles, brother of the King, became Regent of Belgium, and on the following day he accepted the resignation of M. Pierlot's London Government. Then followed several days of the most careful and far-reaching discussion and consultation, during the course of which M. Pierlot and his right-hand man, M. Tschoffen, held lengthy conversations with anybody who could claim to have any political influence in Belgium. All parties from Catholics to Communists were sounded. Consultations were held with all manner of social groups from the directorate of the National Bank to the Trade Unions and the Socialist Co-operatives. Finally, the Regent entrusted M. Pierlot with the task of forming a new Ministry, and after further discussions he was able on September 26th to announce the composition of his new Government. The key positions are occupied by the Ministers who already served in London. M. Pierlot himself is Prime Minister; M. Spaak continues to be Foreign Minister; M. Gutt still presides over the Ministry of Finance; M. De Vleeschauwer will carry on as Minister of Colonies. The new men are all drawn from the Resistance Movement inside Belgium, and represent all the parties, Catholics, Liberals, Socialists and Communists. There is also one representative of the non-party resistance movement, M. Demany, who is Minister without Portfolio.

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The composition of this new government, which in some respects so strongly resembles the new government in France, throws an interesting light on conditions in liberated territory. It is a convincing answer to all those who have believed *a priori* that no outside government could represent the real mind of an occupied country. The London Ministry apparently commands the support of the Belgian people. Not only are its leading figures retained, but prominent among the new Ministers are men who were members of the Underground Committee which remained in close contact with the Belgian Government in London, and, practically speaking, organised the Resistance Movement. For example, M. de Busscher, a Catholic and a Minister without Portfolio in the new Cabinet, was President of the Belgian Resistance Committee. M. Herman Vos, Minister of Public Works, and a Socialist Senator, was also a member of this Committee. M. Marteaux, the Communist Minister of Health, came to London after a period in the Underground. Most of the new men, too, were in politics before the war, and there seems to have been far less break with the old parliamentary tradition in Belgium than there has been in France.

However, the Government resembles the Provisional Government in France in that it illustrates very strongly the nation's desire for unity. Another feature in common is the apparent determination of the Government to proceed with caution along the road of drastic social change. In France M. Mendès-France, a Radical, and M. Lepercq, an industrialist, are in control of the country's economy. In Belgium, finance is in charge of a non-political financial expert, M. Gutt, and the new Minister of Economy, M. Delruelle, is an industrialist from Liège. This evidence of moderation may come as a surprise to those who have been tempted to speak gloomily of the "bolshévisation of Europe." It is certainly true that Communism both in France and in Belgium is stronger than it has ever been before. It may even be true that if the Communists wished to do so, they could set up Workers' and Peasants' Soviets. But the Communist Party of to-day does not indulge in such Trotskyite activities. Both in France and Belgium all its slogans are directed towards greater efforts in the war against Hitlerite Germany. In the purely political sphere, both in France and in Belgium, the Communists have accepted non-political ministries. In fact, with M. Marteaux in Belgium and M. Tillon in France, one might almost say that Public Health has become the classic Ministry of continental Communism.

Reverse Lend-Lease

The Ministry of Production has made public the details of British Army lend-lease to the United States Ground Forces in preparation for the invasion. They should enable the least imaginative of laymen to get an idea of the magnitude of the assault operations and of the immense amount of spade-work that preceded them. They show, too, how complete is the pooling of Allied resources and how intensely lend-lease in reverse has encroached upon the civilian life of Britain. By June, 1944, Britain was not merely an unsinkable aircraft-carrier, but a compact armed camp for the Americans. New buildings for the US forces to a value of almost £50 million had been erected from British materials by British labour. They covered 41 million sq. ft. of open and covered storage and workshops, 175 miles of railway track, 200 miles of roads in camps and depots, accommodation for 750,000 men and hospital space for 100,000 beds. This vast programme employed 40,000 workers for twenty-five months. In addition more than 12 million sq. ft. of British Army depot buildings and civilian premises were handed over to meet further storage and workshop requirements. The American forces were provided with great quantities of military equipment—armour plate, guns, ammunition, pontoon units, etc. They were given 19 hospital trains and five hospital carriers, two of them staffed by British personnel. The figures of reverse lend-lease on the railways are equally impressive. From January to June, 1944, 3,764 special trains (583,525 wagons) carried US army stores. Nearly 1,000 goods trains were run in June alone, while a further 1,531 trains for the US forces were run in May and June. Other items handed over included five train ferry steamers, 50 cranes for handling coal and stores, four floating docks, nine breakdown trains and eight mobile workshops.

Oiling the Wheels

One of the chief criticisms of the Government's plans for demobilisation was made even before the plans were announced. This was that, whatever the principles of the scheme, the primary need was for the plans to be known and understood by the men and women whose future lives would be affected by them. Delay in announcing the plans increased the risks of unnecessary frustration and discontent. Having at last declared their intentions, the Government apparently intend to lose no time in explaining them. A special pamphlet issued by the Army Bureau of Current Affairs will help to explain the scheme to all units not actually engaged in battle. Besides this, a booklet will be issued shortly to every member of the forces explaining, not only the system of demobilisation priorities, but plans for reinstatement, social insurance, pensions and benefits and the provisions of the Disabled Persons Act and the opportunities for industrial and university training that will be open to service veterans. The function of the Resettlement Advice Offices will also be explained, so that full use can be made of them. These offices will be attached to 400 Labour Exchanges throughout the country and will be staffed mainly by the same people who have been used to fitting men and women into essential war work. This administrative machinery, first announced by Mr Bevin three months ago, can do much to oil the wheels of reconversion. Service men and women are first concerned with the speed with which they can be released once they are no longer needed. Their greatest anxiety, however, is still whether there will be something better than temporary jobs for them in civilian life. Fundamentally, of course, this anxiety can only be relieved if Government plans for reconversion are fully successful, but at least a part of the battle can be won by good administration. There is much to be said for recruiting at least some of the resettlement advisers from among service people who will intimately understand the particular difficulties faced by the demobilised men and women in adapting their lives from an army to a civilian pattern.

The Forces' Pay

Previous increases in the pay and allowances of the armed forces have been obtained with such difficulty and have been, as a rule, so niggardly that the increases announced in last week's White Paper (Cmd. 6553) came as a welcome surprise. The Government has granted them as a war measure to compensate those who will not be demobilised when the German war is ended, and those taking part in the war against Japan. Thus, the increases are to take the form of war service increments for officers below the rank of Rear-Admiral, Major-General and Air Vice-Marshal, and for all ratings and other ranks, and of a Far East allowance and Japanese campaign pay. For men with three years' service, the war service increments will range from 7s. a week for other ranks, with an additional 3s. 6d. a week for each subsequent year's service, to 21s. a week for senior officers, with an additional 7s. a week. The Far East allowance, which will be tax free and will replace the field and colonial allowance, will range from 2s. 4d. a week for other ranks to 21s. for all officers, and the Japanese campaign pay will range from 7s. a week for other ranks to 21s. a week for junior officers and 77s. for a general. The pay of a private, Class 1, with three years' war service, will thus be raised from £1 13s. 3d. to £2 0s. 3d. if he is serving at home, and £2 9s. 7d. if he is serving in the Far East. The extent of the increases may be gauged by the estimate of their cost—£100 million a year, which is more than double the estimated cost of the considerable increases in family allowances made last April. At that time, the Government declared that no general increase in pay was required. On an earlier occasion, it had pleaded the fear of inflation. Wisely, it is now making amends. The new increases will not close the gap between the pay plus emoluments of a soldier and the earnings of a civilian, and the discrimination against women, who will only receive war service increments at two-thirds of the men's rates, cannot be defended. But the new rewards for service, especially long service, will be thankfully received.

The Supply of Skill

The war has caused the interruption of apprenticeship and training for very many young men and women who were called up to the Forces and other kinds of war service,

and it has also depleted the numbers of skilled workers available in industry. The apprenticeship scheme announced by Mr Bevin in the House of Commons on Thursday should kill two birds with one stone, for it will serve the dual purpose of enabling demobilised ex-apprentices to resume their training and of ensuring an extended supply of skilled labour to industry in the critical post-war period. A youth, called up at the age of 18 in 1940, for example, having served two years' apprenticeship, will find that, on demobilisation at the age of 22 or 23, he has lost three years of apprenticeship and the prospect which he could normally have expected, of earning a skilled journeyman's rate. The Minister of Labour proposes that on return from the Forces, a man whose apprenticeship has been interrupted should be treated as a man and paid a man's wage. But since he will be doing what is virtually a boy's job, it would be unfair to expect the employer to meet the cost, and therefore the State will make a contribution, thus recognising its responsibility towards the man whose career has been interrupted. There will be a wages' allowance of one-third of the recognised journeyman's rate for the occupation and district; a maintenance allowance to apprentices training in a technical institution or training centre; and a further allowance to cover the cost of training fees. The scheme will be open not only to indentured apprentices but to those training under less formal agreements and to recognised learners. The period of apprenticeship will be shortened in every case, and to the extent that men have been able to continue their training or pursue their trade in the Forces, it will be still further reduced. Both sides of industry have been consulted and have approved a scheme which is, after all, very much in their own interests.

Deadlock over Pakistan

The talks between Mr Gandhi and Mr Jinnah have ended in deadlock. True, they have expressed their hope that "the public will not feel embittered" and that "this is not the final end of our effort," but unless some entirely new line of advance can be discovered, it is difficult to see where a new initiative can begin. The fundamental cleavage of opinion is undoubtedly rooted in distrust. Moslem India is Minority India, and behind all Mr Jinnah's reserve and caution lies the fact that he represents people who do not feel any confidence in the intentions of the majority among which they live. Mr Gandhi's proposal—based on the formula worked out by Mr Rajagopalachari—was that Congress and the Moslem League should form a provisional government which would take over full power from the British. It would then appoint a boundary commission and proceed to the demarcation of Pakistan. Mr Jinnah would not accept this procedure. He demanded that Pakistan should be defined and established before independence. In other words, the Moslem League wishes the separation to be carried through under the aegis of Britain. Hence his violent objection to the Congress "Quit India" resolution. It was when he stated that putting independence before separation was putting the cart before the horse, that Mr Gandhi dismissed the theory of the two nations as unreal. This is probably nearer to the general view held by most Hindus. Mr Gandhi throughout has claimed to speak as an individual only. But if most Hindus do not believe in Pakistan, what would be their attitude if, by virtue of their overwhelming majority, they came to exercise supreme power in an India that Britain had "quitted"? This is the question to which Mr Gandhi gave no answer; yet it is uppermost in Moslem minds.

Transition in France

The French Provisional Government has made the first move towards the unification of the Armed Forces of France. All irregular forces are now to be united in the French Forces of the Interior. This will probably mean that the Communist controlled *Francs Tireurs et Partisans* will give up their independent existence. New recruitment for the F.F.I. has been forbidden. The unified F.F.I. is to be incorporated into the regular army and placed under normal discipline. "The men of the Maquis must understand that the story of the Maquis is over." The members of the F.F.I. have been given an informal assurance that their detachments will not be dispersed, but as far as possible left intact within the framework of the regular forces. The question whether the commanders who led

those units in the Underground will continue in their commands has not been decided so far. But the question is more or less irrelevant. Once the F.F.I. becomes part of the regular forces, the appointment of commanders necessarily comes within the province of the Supreme Command. The important fact is that General de Gaulle has apparently scored a success in his attempt to end the dualism, if not pluralism, of the French Armed Forces. In the sphere of civilian administration the tasks of unification still lie ahead. For the time being there is much overlapping between the ordinary civil services and the local Committees of Liberation, who are still the more real centres of authority. As the Prefect of one department put it to the members of the local Committee of Liberation: "*Nous serons Préfet à deux.*" Whether this state of affairs can be stabilised is very questionable, to say the least. But for some months to come the administration of France will probably continue in a state of flux, and General de Gaulle's Government will be provisional not only in name but also in fact. To what extent it can carry out any fundamental reforms during this period has already become a matter of political controversy. The Left is pressing for the immediate nationalisation of key industries. But against this demand is advanced the argument that, in view of its provisional character, the Government has no right to carry out such fundamental reforms, which can be voted only by duly elected legislative bodies. The argument is undoubtedly valid, provided it is sincerely meant. The principle that there should be no *faits accomplis* without consultation with the French people should apply to everybody, leaders and followers alike, and it should be applied as firmly in the political as in the economic field.

Controversy Over Bulgaria?

Nearly a month has passed since the Bulgarian Government asked the Allies for an armistice. Meanwhile events have moved fast in Bulgaria. Russia declared war on Bulgaria. Bulgaria declared war on Germany. The Bulgarian Government again asked for an armistice. The Muraviev Government gave place to a National Front Government under Georgiev. But nothing has been heard of the armistice negotiations. In an interview with the Press, the Bulgarian Prime Minister declared that he "lacked any information from the Allies concerning the time and place of the armistice negotiations." The reason for this delay can only be guessed at. It is a fact that the Bulgarian governments, that have replaced each other in such quick succession in the course of the last few weeks, have all upheld—in one degree or another—Bulgaria's old territorial claims. Last week the Bulgarian occupation forces in Greek Thrace and Macedonia concluded an agreement with the EAM partisans to whom they handed over the local civilian administration. The Greek Government has not endorsed that agreement, and it has renewed its demand for an immediate withdrawal of all Bulgarian forces from Greek territory. The Bulgarian Prime Minister, on the other hand, has declared that the agreement has only a provisional character, and that

the Bulgarian people naturally hope that at the Peace Conference due attention will be paid to Bulgaria's need of a free outlet to the Mediterranean.

What is the attitude of the Allied Powers towards this Bulgarian claim? It can be presumed that the British Government gives full support to the Greek demand for an immediate and unconditional withdrawal of the Bulgarian

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forces. On the other hand, would the Bulgarian Premier still speak about "Bulgaria's need for a free outlet to the Mediterranean" if he had not some hopes of Russian backing, now that the Red Army is in Bulgaria? In the light of these facts, a controversy among the Allies over the frontiers of Bulgaria is not impossible, and this may have caused the delay in the armistice negotiations. It may also account for the anomalous position of a British "military mission" in Bulgaria, which the Bulgarians have asked to leave and the British apparently disown.

War in the Baltic

Until this year, the Germans have had it all their own way on the Baltic front. Their hold on Finland and the Baltic states shut in the Russian fleet and their control of Denmark and Norway shut out the British. Only a few adventurous submarines and mine-laying planes disturbed the security of these waters. The Germans could move their armies almost at will to the Baltic states, to Finland and Norway. Finnish, Swedish and German ships carried out Germany's economic purposes without very much hindrance. Above all, the iron ships could bring tens of thousands of tons of iron ore a day from northern Sweden. So complete was the Germans' control that the Swedish Government felt obliged to modify its neutrality to the extent of giving them important transit rights across northern and southern Sweden. To-day all this is changed. On September 23rd the Finnish Diet unanimously ratified the armistice terms with Russia which are to give Russians the use during the war of air bases in Finland and to give them in perpetuity a military base on the very doorstep of Helsinki. In Estonia, Tallin has fallen and the Germans have lost all the other escape ports through which they may have hoped to bring out their shattered armies. Estonia is nearly cleared and the Russians are steadily advancing on Riga. The Baltic is being opened to the Red Fleet, and at the same time its waters have been closed to Germany by the latest act in Sweden's retreat from its earlier unneutral policy. On September 23rd it was announced in Stockholm that after September 27th no foreign shipping would be allowed into its Baltic ports or its territorial waters. This means, of course, the complete stoppage of all trade between Sweden and Germany. For many months now there have been signs that the Swedes were anxious to embarrass the defeated Germans as far as lay in their power. First of all, the trade agreement signed at the beginning of the year reduced considerably the scale of Swedish-German trade. In August, the Swedish War Insurance Board ceased to insure ships trading with Germany's northern and Baltic ports. The transit of military traffic across Sweden was stopped in the autumn of 1943. At the beginning of this month, transit facilities for non-military supplies were also stopped. It seems likely now that even individual transit permits for Germans will be suspended. Thus at a time when Russian ships are at last able to make their way freely into the Baltic, all German facilities east of the Skagerrak have disappeared. It may well be that in the long perspective of history this change in the balance of power in the Baltic may prove to be one of the most lasting results of this war. One Power after another has attempted to exclude Russia from a predominant position in these northern waters. To-day it looks as though the long struggle may be at an end.

Honourable and Gallant Member

The Home Secretary announced in the House of Commons on Tuesday that Captain Ramsay, MP, has been released from internment. In the great majority of cases internment under Regulation 18B, the public knows nothing of the acts or activities which brought the person concerned within its scope. In the case of Captain Ramsay, however, his record was revealed, in part at least, in 1941, when he won his libel suit against the *New York Times*. Among his activities was the founding of the Right Club, which included among its members William Joyce, Tyler Kent and Anna Wolkoff. The Home Secretary has now decided that the state of the war justifies his release, and, though there is to be no release *en bloc* at the moment, a fresh review of the 223 persons detained on July 31st has led to release being authorised in 70 cases. Captain Ramsay has been released unconditionally, because, Mr Morrison ex-

plained, the imposition of restrictive conditions would be incompatible with the rights of an MP, and in answer to a question in the House whether action would be taken if Captain Ramsay engaged in hostile propaganda in Parliament, he very properly replied that it would be a matter for the Speaker. Moreover, the right judges on Captain Ramsay's past are the electors of Peebles and Southern, where a new Conservative candidate has been adopted. But what the public as a whole has the right to ask is whether the political machinery, which selected a man like Captain Ramsay as Conservative candidate for that constituency, will have been properly overhauled before the next General Election.

Permanent Houses

The Government's plans for the construction of permanent houses have reached the prototype stage. On its demonstration site at Northolt, Middlesex, the Ministry of Works and Buildings has erected thirteen types of dwellings which can be seen by the public and by local authorities. They were built for experimental purposes, and records have been kept of their cost and the time taken to build the various types. The full details will not be published until they are given to the House of Commons. The similarity of the general plans of the houses is probably accounted for by the need to equate relative costs. The interiors are practical, and obviously much thought and attention has been given to planning the layout and equipment. It seems that housewives' tastes and wishes have been considered. Kitchens are laid out as efficient workrooms; cupboard space is excellent and no bedroom is cupboardless; bathrooms are perhaps too small. It must be admitted that while the interiors of the houses show great advances on pre-war design, the exteriors are extremely drab. Since they are meant to last about 60 years, and will compete with later architectural developments, it is a pity that external appearance has not kept pace. Fortunately, the houses are not meant to be specifications to be copied everywhere by local authorities and builders. The *Housing Manual*, 1944 (HMSO, 2s.), published this week, has been prepared by the Ministry of Health and the Ministry of Works, with assistance from the Ministry of Fuel and the Ministry of Town and Country Planning, for the guidance of local authorities and others; it gives advice on planning, construction, installation and equipment. The need for architectural advice is stressed, and the *Manual* rightly says:

It is essential that the housing schemes promoted by local authorities should set a good standard for the country . . . The only statistical information about the demonstration houses so far released is that the "traditional" brick house cost £759 to build (labour and materials) and took 2,100 man-hours. One block at the demonstration site is "revolutionary" in family housing. It is a two-storey block of four flats, built on a steel frame. Much of the material is prefabricated, and the assembly on the site takes only 900 man-hours per flat. The roof can be put on at an early stage, so that work can proceed whatever the weather. The same construction can be used to build a block of four houses. For speed as well as for general appearance and amenities this type of house has much to commend it. The Duplex type of house is interesting in that it is designed as two small flats which can be converted into one house as the housing shortage is eased. It is clear that the demonstration houses will be of the utmost help to all concerned in the task of post-war building.

Recruitment for the Colonial Service

A statement from the Colonial Office a fortnight ago drew attention to the shortage of staff in the colonial service, both by pre-war standards and in view of the expansion needed to carry out development and welfare schemes. Even when allowance is made for a wider recruitment to the service from the colonial peoples themselves, there will still be many vacancies for Europeans, and it is intended, after the defeat of Germany, to consider candidates from the armed forces and from those employed in other forms of war work. This expansion in the colonial service would be a suitable opportunity for transferring the burden of its cost. At present, the salaries, passages and

pensions of all European members are paid out of the colonial budgets—that is, from taxes on the colonial peoples. From the analysis given in the *Economic Survey of the Colonial Empire*, which inevitably makes some arbitrary distinctions, it appears that the cost of administration and pensions in all the colonies before the war amounted to almost half their total expenditure, and a large part of this must have been paid to Europeans—and spent in Great Britain. The absolute sum—about £31 millions—was not large by United Kingdom standards, and it would surely be of far more practical value to the colonies to relieve them entirely of the cost of European salaries and pensions than to make them isolated grants for development and welfare projects which they would then be in a position to finance themselves—though loans or grants for big development schemes would certainly still be necessary. Such a step would remove one of the chief grounds of agitation in the colonial press against British policy; it would also serve a political purpose, for it would justify two scales of salaries, one for the European, which being paid by the British taxpayer would be in accordance with British standards, and one for the colonial, which would be in accordance with his country's ability to pay. The colonial peoples would know exactly what it would cost them to have their own administrators, a first lesson in responsible government.

London House

The Nuffield Foundation has made a grant of £225,000 to London House, which is a hall of residence for Empire students. Founded as long ago as 1930, the hall has been mainly used by post-graduate students, particularly by post-graduate medical students, and there was always a long waiting list for admission. The Governors are now planning to complete the buildings, which will be close to the University of London, as soon as possible, and are appealing for £500,000, in addition to the Nuffield Foundation grant, for this purpose and to provide an endowment. The new buildings will enable accommodation to be provided for 250-300 men—some day, somewhere, someone will have to provide similar facilities for women—at a moderate cost. But London House is not a charitable institution. The Nuffield Foundation, whose central offices will be accommodated in London House, intends to assist on a large scale future teachers and research workers in medicine and science and to enable Empire students to do post-graduate work in this country. London House will not only provide a social background for these students and bring them into contact with persons eminent in medicine and science; it will also help London to realise its opportunities for becoming a post-graduate centre for the world.

Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,980	3,474
Sept.-Dec., 1940.	22,282	28,522	50,804
Total, 1941.	20,863	21,839	42,702
Total, 1942.	3,221	4,149	7,370
Total, 1943.	2,357	3,462	5,819
Jan.-May, 1944.	1,561	2,916	4,477
June.	1,935	5,906	7,841
July.	2,441	7,107	9,548
August.	1,103	2,921	4,024
Totals to date.	57,257	78,802	136,059

Those killed in air-raids during August included 506 men, 508 women and 89 children under 16.

The Catering Wages Commission has recommended the establishment of its second Wages Board—to regulate the wages and conditions of workers in teashops and unlicensed restaurants. It will apply to about 70,000 establishments throughout the country. The Commission expects to propose Wages Boards in the near future to cover licensed catering establishments and public-houses.

Letters to the Editor

The Bombay Plan

TO THE EDITOR OF THE ECONOMIST

SIR,—Please allow me as one of the signatories of the proposals known as the Bombay Plan to offer some comments on the interesting article on the subject that appeared in your issue of June 17th last.

I notice that you have criticised the Plan on various grounds. First of all, you ask whether the Plan is practicable and charge the author with assuming "light-heartedly that the political and social conditions for over-all economic planning by the State can and will exist in India after the war." You will agree that none can be dogmatic and prophesy with regard to the future. The Government of India, however, seems to believe as we do in post-war planning, and if we have been light-hearted in making assumptions, I hope you will grant that we are in good company. Sir Ardeshtir Dalal, one of the "light-hearteds," has been appointed a Member of the Viceroy's Executive Council to deal with post-war planning.

You also criticise us for assuming "without proof or evidence that new investment in capital equipment including land and building will produce net industrial output in the ratio of 2.4:1." You emphasise that "the figures have no basis in fact" and that "it is the view of many experts, for instance, that the increase of 130 per cent contemplated in agricultural production is perhaps four times too high." Luckily for us, the experts of the Government of India in the Kharegat Committee's Report have come to almost the same conclusion as ourselves. They estimate that with an investment of 1,000 crores agricultural production could be increased in fifteen years by 100 per cent. Our estimate of an increase of 130 per cent with an expenditure of 1,240 crores does not differ substantially from the estimate of the Government.

We do not claim perfection. Yet, it would be wrong to say that we had not our feet on earth when we made the estimates. Those of us who are engaged extensively in business and industry and can speak from personal experience of the matter which is not so negligible will bear it out that the ratio of 2.4:1 is much nearer the mark than you seem to think.

You are correct when you say that if the prices in the planning period were higher than 1931-32 prices on which the whole estimate is based, the expenditure of 10,000 crores would be proportionately increased. But should we always calculate such expenditure in terms of money? Why not in terms of human labour? My estimate is that 10,000 crores, which is our estimate of the expenditure involved in the Plan, is, in terms of human labour, the same value as that obtained from the work of 5 per cent of the total population employed fully for fifteen years. In "savings," perhaps it would come to about 15 to 20 per cent of the annual savings of the people. If we kept this one fact in mind, we would cease to talk of inflation and created money. The whole problem revolves round one central fact. Is it possible for India to employ another 5 per cent of her total population for full fifteen years for the task of reconstruction? To put it in terms of money, is it possible for India to save 15 to 20 per cent of her annual wealth for reinvestment? My answer is "Yes." Other countries have done it, and I see no reason why India could not do it.

According to you, our estimate is wrong since we have forgotten to add to our total estimate of capital investment certain recurring items. May I submit that money spent on education, health and such other services is, if expenditure, also the income of those like teachers, doctors, etc., who will be the earners? The nation as a whole, therefore, does not invest any extra money in utilising its existing idle labour for the purpose of social uplift. In estimating the annual expenditure on the social services, we have only pointed out how much the State will have to spend. The money so spent on salaries and wages must immediately be reflected in the income of the services and eventually percolate to the exchequer. The recurring expenditure, therefore, does not stand on the same footing as other items of investment. There is an obvious difference between the two kinds of expenditure. When investment is made for production, the existing standard would not be affected until the industry

begins to produce consumer goods. An engineering workshop that produces capital goods cannot provide any consumable wealth to the nation until consumer goods are produced with the help of the machines produced at the workshop. Until such time as the consumer goods are received, money expended remains a blocked investment. In social service, however, expenditure and income accrue simultaneously, and there is, therefore, no blocked investment. You will thus see that there is no such mistake as the article assumes.—Yours faithfully, G. D. BIRLA

Calcutta.

A Temperate People

TO THE EDITOR OF THE ECONOMIST

SIR,—I do not think that the present facts warrant the complacent attitude to the drink problem reflected in the editorial paragraphs which appear in your current issue.

There has, in fact, been a very disturbing increase in drinking and drunkenness amongst young people during

the last two or three years and Chief Constables, magistrates and others have called public attention to this deplorable tendency, particularly in certain munition areas and seaport towns.

It is certainly a reflection on our national housekeeping that beer production in war-time has been regarded as a Priority No. 1, and that grain has been allocated to the brewers at the expense of poultry-keepers, dairy farmers and other producers whose products have been drastically curtailed.

In the fourth year of the Great War the production of beer was reduced to 14 million barrels. In the fifth year of the present war, beer production is approximately 30 million barrels and constitutes a heavy strain upon transport.

The Chairman of the Birmingham Licensing Justices publicly stated last year that the statistics of drunkenness were no longer a reliable index of national sobriety, and it could not be doubted that the reduction in the strength of the police force was a factor that must be taken into account.—Yours faithfully,

H. CECIL HEATH,

General Secretary, United Kingdom Alliance
London, S.W. 1

AMERICAN SURVEY

Limitless Promise

Governor Dewey's speeches have grown more liberal as he advances towards the West Coast. This is not merely the result of the lush Californian air. The West Coast is a key section, so far as the election is concerned; and its political climate is less conservative than that of rock-bound Maine, partly because of the great influx of war-workers. In his four speeches at Seattle, Portland, Los Angeles and San Francisco, Governor Dewey has revealed a determination to out-do the New Deal. At Seattle he made a vigorous effort to capture the Labour vote, painting the unions as the victims of New Deal politics and the wage-earner as "affronted by the reduction of his basic rights to the level of political rewards." He argued that the New Deal was exclusively responsible for most of the war-time strikes, through its policy of delay, overlapping jurisdictions and "planned confusion," and promised that under a Republican Administration Labour would get its rewards as a result of collective bargaining, instead of political loyalty. He endorsed most of the New Deal's social legislation, including the social security programme; promised an "expanding economy" through the co-operation of a liberated industry with a free labour force; and declared that there must be jobs for all, even if it necessitated limited Government intervention. Governor Dewey made a particularly good impression by his attack upon the inefficiency of Administration machinery for dealing with labour disputes, and even some pro-Administration newspapers have admitted the shrewdness of his hits. Unkind critics have suggested that Governor Dewey is "running for the Presidency on the platform of the New Deal." But it is surely to Governor Dewey's credit that he realises that the days of "the devil take the hindmost" are gone. Earlier in the year Mr Willkie tried, unsuccessfully, to bludgeon the Republican Old Guard into admitting that times change and the party must keep pace. Governor Dewey has engineered the conversion. How enduring it will prove is another matter. For the moment it is made palatable by the doctrine of the "limitless promise" of America, to which there will be an especial response in the new and ambitious industrial empire of the West Coast.

Black Record

Governor Dewey, unlike Mr Willkie, has made no attempt to foist sackcloth and ashes upon the Republican Party. But in his bland assumption that Republicans have always been New Dealers at heart he left himself open to the most crushing and telling rejoinders from President Roosevelt, who made his first campaign speech this week,

as soon as Mr Dewey's plan of attack had become clear. The President was at the very top of his political form. "Pointing with pride," the usual prerogative of the party in power, took second place to pointing with scorn at the Republican record on international affairs, on preparedness for the war, and on domestic problems. He took an evident delight in warning Governor Dewey that it was as unwise for a Republican to stir up memories of the depression as to mention rope in the house of a man who had been hanged; he poured ridicule upon Republican sincerity in endorsing the National Labour Relations Act, the Social Security Act and other New Deal social legislation. He did not spare the Republican record in war and in peace, recalling the "botching" of the last peace, the refusal of many Republicans to believe in the possibility of the United States becoming the victim of aggression, the Republican votes against Lend-Lease. He did not spare Governor Dewey's ill-advised advocacy of General MacArthur; and here he spoke with the authority of the Commander-in-Chief. There was, however, one notable exception to the diatribe, and that was the olive branch held out to Republicans who are sincere believers in international collaboration. There is no lull in the wooing of Mr Willkie's followers. The President has shown no disposition to be restrained by Governor Dewey's willingness to treat foreign policy as a non-controversial issue; and the aggressive nature of his speech will strain this fragile agreement. Even if it does not collapse, the immediate consequence of this first round must be to harden Governor Dewey's resolve to use whatever missiles come to hand. The coming election promises to be in the most vigorous American tradition.

Germania Delenda Est

A compromise appears to have been reached at Dumbarton Oaks on the problem of action to be taken if one of the Great Powers is guilty of aggression; and an agreement on the draft proposals has been reached, though not with such speed as to justify Senator Wheeler's charges that the conference was being rushed through to prevent sober second thoughts in the United States. It is assumed, indeed, that the new organisation may be called upon to meet aggression only from Germany and Japan or other Fascist governments. Senator Wheeler has also declared that knowledge of the peace terms would lead Americans to reject membership in the organisation to secure their enforcement. Unfortunately, the published details of the "hard peace" plan attributed to Secretary Morgenthau go far to support this view. Senator Ball last week made a powerful plea in the Senate for immediate American participation and for granting the President the right to

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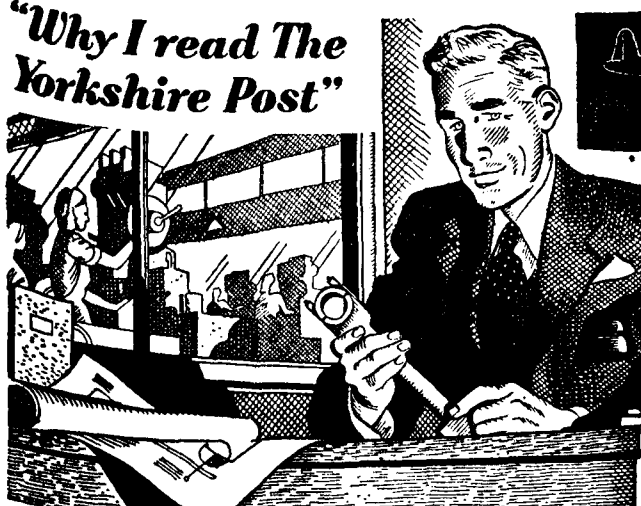
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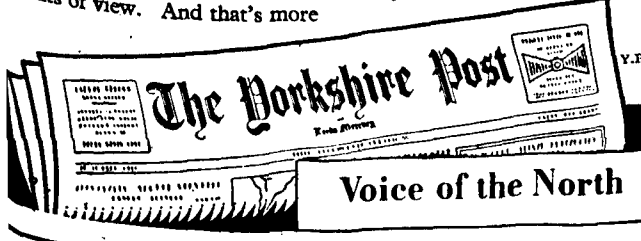
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The Yorkshire Post
Voice of the North



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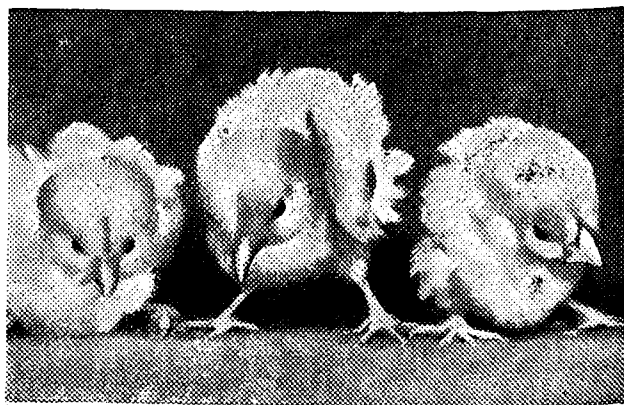
Truffle-and-Nougat, Hazel Cluster, Liquid Cherry, Orange Cream, Strawberry Cup . . . heigh-ho. The girls loved 'em; and the boys took no poor view of them, either.

And now, you say, here it comes—"Come Peace, come Black Magic." But nothing of the sort. There will be a lot of pre-war goods back in the shops before Black Magic; for though we shall move fast, we shall take no short cuts—no half measures, no skimping.

Don't expect to buy Black Magic on Armistice Day; but when you do buy it, it will be as good as ever. We believe it will be better, but that will be for you to say.

Black Magic

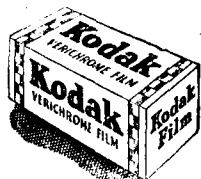
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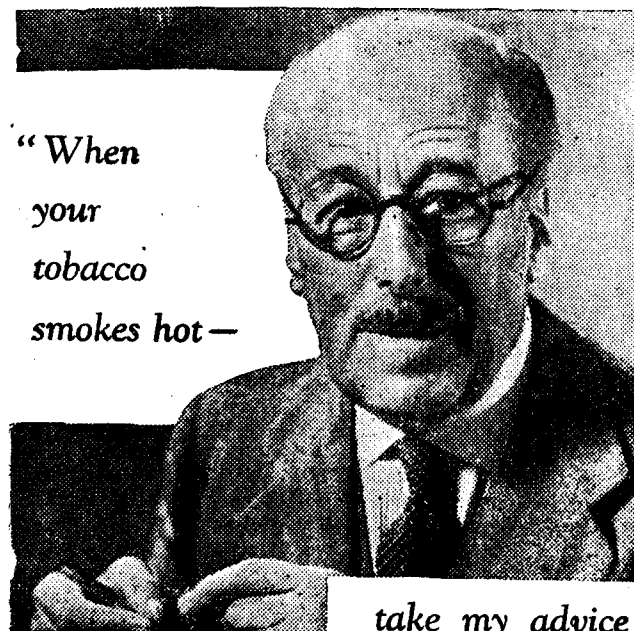
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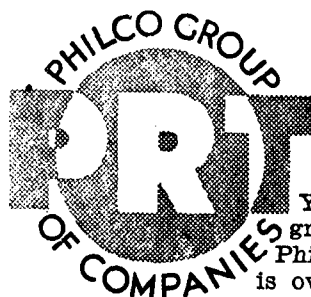
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send American forces abroad without first securing the assent of the Senate. In combating Senator Wheeler's counsel of delay, Mr Ball admitted that the peace terms might be, indeed probably would be, unsatisfactory to many Americans; but he urged that a world security organisation offered the best means for the peaceful correction of mistakes. But if the intention is to reduce Germany to an agricultural economy, sober-minded men everywhere may well despair of the prospects for peace. This is no matter of detail. The scheme, according to the American Press, provides for the closing down of all German mines; for the removal of some German industrial machinery to the devastated countries and the destruction of the rest; refusal of any kind of assistance to post-war Germany; the cession of the Saar to France and parts of Eastern Germany to Poland, and the division of large estates into small farms. It is said that this plan has the President's approval, but not that of Messrs Hull and Stimson, and that the split in the Cabinet was caused by President Roosevelt's demand for the drawing up of harsher terms than those originally proposed. The decision may not have been taken, but that these are no idle rumours is proved by Mr Walter Lippmann's efforts in the past few days to explain why such an attempt must fail. In Mr Lippmann's words:

The Germans would become a sullen, festering mass of desperate human beings with whom no one could deal. It is perhaps understandable that in the United States there should not be a keen appreciation of the part German industry must play in the reconstruction of the European economy. But except on the score of distance and consequent irresponsibility, it is hard to see how this plan can appear to be anything but a guarantee of perpetual chaos. If this is the scheme which the President carried to Quebec, Senator Wheeler has unintentionally spoken for all men.

Arms for Peace

The Army, in the person of General Marshall, has already urged upon Americans the necessity of universal military training. At the convention of the American Legion this week General Arnold, of the Army Air Forces, and Secretary of the Navy Forrestal, supported this proposal and outlined the special problems of preparedness at sea and in the air. The Services are profoundly aware, in General Arnold's words, that

in this war, by the grace of God and the courage of our Allies, we were able to get the time to create new units and train them properly before sending them into battle.

By striking while the iron is hot it is hoped to secure agreement on adequate defence precautions after the war. General Arnold emphasised that an adequate air force depended not on mere numbers of planes but on the use of research to keep the United States at the head of new developments; on a progressive aviation industry capable of great expansion; on an elastic ground and air training scheme; and on the availability of far-flung air bases. Mr Forrestal spoke with equal feeling of false economy in cutting down the Navy and of the need for sustained naval research. The Legion convention responded by resolutions calling for the maintenance of the Navy at a strength sufficient to overcome any possible combination of hostile fleets; no scrapping of first-line ships; and universal military training. The Legion, however, is a unique audience, and it was being polled at a moment when the lesson of this war is at its peak. Presumably that most professional branch of the American Forces, the Navy, never again will suffer the indignities of the period between the wars. In the disposal of Government-owned war plants the Forces are to have priority of choice as to those which are to be retained as part of the permanent defence machinery of the country. The acquisition of bases, as urged by Senator Connally at the convention, is likely to have an even more enthusiastic response. But not even the most earnest representations of all the Services will make much headway against the public aversion to conscription in time of peace.

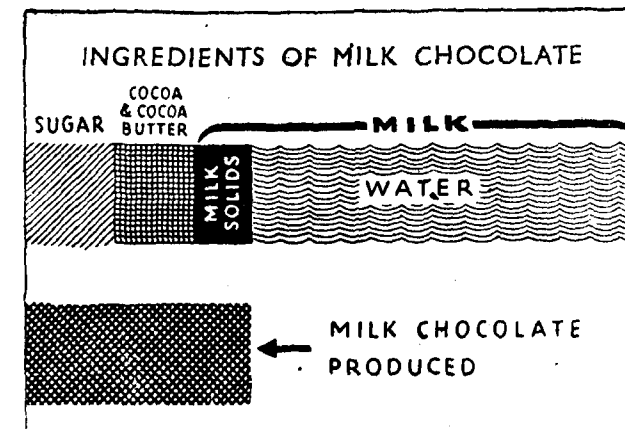
Freedom from News

Both the Senate and the House have approved a resolution favouring the international guarantee of the world-wide right of interchange of news by news gathering and news distributing agencies, whether individual or asso-

ciate, by any means, without discrimination as to sources, distribution, rates or charges.

and it has been enthusiastically and not unnaturally endorsed by the newspapers. The desirability of a free flow of news, as an essential factor in increasing world understanding, is hardly a debatable proposition; and in most countries the abolition of censorship is one of the most eagerly anticipated fruits of peace. The resolution, however, bears the marks of a more contentious origin. It would be difficult to suspect from the American press that the great American agencies suffer any heavy handicaps in providing their readers with as much news as they can comfortably assimilate, and the American press prides itself on being the freest in the world. It should be remembered, however, that the five Senators who last year undertook a world-wide tour of investigation expressed the gravest anxiety over British control of international cable facilities. It was declared monstrous that charges between British points were lower than those to the United States, and that in order to take advantage of these lower rates American correspondents must route their messages through British or Dominion centres, with the possibility of delay and of double censorship. There is an impression in the United States, which is quite wrong, that charges vary with the nationality of the sender. The fact is that British rates are lower because British cables are subsidised, while American are not; and that it is the importance of speedy and cheap communication to the Empire which has led to British predominance in cable facilities. It is fantastic to suspect in this situation a sinister communications monopoly. The resolution passed by Congress may mean nothing more than a non-controversial endorsement of a free press. It is more likely to be interpreted as a demand that the United States take a more aggressive share in developing international communications. This is a proposition to which some thought has been devoted, and it has only been put in cold storage during the war. If it is not pressed further it will be because the end of hostilities will restore international telephone facilities, in which American control exceeds the British, to the predominating position it held before the war.

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THE BUSINESS WORLD

Industrial Price-fixing

THE decision of the Board of Trade to reject the Cotton Board Committee's proposals for a regime of self-government in the cotton trade, with legally enforceable price-fixing powers and with jurisdiction over rayon, cotton's young competitor, has clarified the Government's attitude towards an important industry. But it is also of wider significance as an indication of the Government's approach to the formulation of post-war industrial policy in general. True, the cotton industry is not typical of British industry, or, rather, it falls into the category of trades that have suffered misfortune through a contraction of markets because of a fall in world trade or high costs or both. In this sense it is perhaps a pity that the cotton trade, rather than, say, the motor industry, has come up as the first test case.

Mr Dalton's resistance to the combined pressure of employers and trade unions for statutory and autonomous price-fixing powers merits a word of encouragement. His arguments, as given in a statement to the Press, deserve to be put on record.

There are grave dangers in such minimum price arrangements, which may easily lead to restriction rather than expansion of output, and to the perpetuation of insufficient and old-fashioned methods at the expense of more efficient and up-to-date firms. Moreover, for some time to come, the British cotton industry should be able to sell without difficulty, and at good prices, all it can produce. In the home market, the practical problem will be to enforce, not minimum but maximum prices, so as to prevent inflation. Likewise, in overseas markets, the need will be not for minimum prices, but for a certain discretion on the part of exporters. Our prices must not be so high as to lose in future years the goodwill of our overseas customers.

The President of the Board of Trade did not confine himself to a refusal of the industry's demands. He urged it "forthwith" to concentrate its energies upon "putting its house in order," and to work out its own salvation after the war with the assistance of the Cotton Industry (Reorganisation) Act, 1939. He asked the industry to press ahead with a programme of reforms designed to raise its productivity and to restore its prosperity. The industry should group itself into larger units, and instal the best equipment that can be had; bulk orders and continuous running should be secured by overhauling the merchandising section, and by double-shift working; the wages system should be modernised and simplified. These are the channels into which the industry's efforts should be diverted.

*

Mr Dalton was as well advised to stress the dangers of autonomous price-fixing powers as he was to emphasise the primary need for an increase in productivity by way of

technical reorganisation. Past experience has shown that price-fixing is a dangerous drug. It destroys the health of vigorous industries, and it is no substitute for technical rationalisation in industries that have run into difficulties.

This does not mean that minimum prices should be excluded altogether from the list of permissible devices. They may be beneficial in curing industries suffering from capital consumption. But these cases are exceptional, and in every case the need should be proved before price-fixing powers are conferred; and, like drugs, they must be carefully prescribed and administered.

Minimum prices, in fact, should only be granted on three conditions. The price-fixing agency should not be the industry itself, but the Government or some independent body responsible to it. Secondly, it is not sufficient to ask such an agency to conform to some vague formula, such as to ensure that the prices are reasonable or yield a fair return to efficient producers—such phrases, in practice, are meaningless. The price-fixers can only perform their task adequately if they are given definite instructions—a specific formula—about the method by which, and the level at which, prices are to be fixed. A reasonable example of such a formula would be to determine minimum prices on the basis of the total costs of the lower quartile (that is, the total costs of the firm whose costs stand one-quarter of the way up from the lowest to the highest)—or, alternatively, the minimum might be fixed at the prime costs of the average producer. It is, after all, minimum prices that are in question, and they should be fixed low; but to fix them by reference to the costs of the cheapest producer might defeat the purpose by driving too many firms out of business; to align them with the costs of the most expensive producer puts a premium on inefficiency; to base them on average total costs (i.e., including overheads and return on capital) might still amount to an endowment of the complacent. The alternative bases here suggested would either give the producer of average efficiency a guarantee of his out-of-pocket expenses, but no guarantee of a return on his capital, or else would give the producer of more than average efficiency a fair yield on his capital. As bases for minimum prices, it would be difficult to justify anything more generous. Whether or not these are exactly the right principles, with the development of modern costing, there should be no difficulty in formulating and carrying out precise instructions about price determination.

Thirdly, minimum prices as such are no guarantee of reorganisation. They merely create the conditions of reorganisation in that they provide a measure of security, and enable efficient producers to make a profit. In principle, they should only be granted to an industry when it has formulated a satisfactory plan for technical rationalisation, and, even then, safeguards are needed to ensure that this plan is, in fact, translated into practice with commendable speed.

Experience during the inter-war period has amply demonstrated the futility of seeking the reorganisation of industries in difficulties by giving them autonomous price-fixing powers without adequate safeguards. Coal and steel are two well-known examples.

The Coal Mines Act, 1930, gave the industry power to regulate production and prices. There were safeguards, of course. The Board of Trade had to give its approval to the schemes; national and district committees were to investigate complaints; the Coal Mines Reorganisation Commission was to induce reorganisation by way of amalgamations. But the result was a rise in prices and little reorganisation. The home consumer had to pay more, and the overseas consumer turned to other sources of supply. As a means of preventing the loss of exports the Government negotiated a series of bilateral trade agreements, and it initiated discussions for the formation of an export cartel—that is, British coal, for the first time in its history, was selling in overseas markets on political pressure rather than on price.

In steel, experience has been very similar. The industry promised cheap steel by way of technical reorganisation on

condition that it was given monopoly powers on the home market. On the recommendation of the Import Duties Advisory Committee—the supposed watchdog of the Import Duties Act—the industry's request was granted in 1932. But reorganisation was not started in earnest until two or three years later, and then was a policy of mending and patching rather than one of drastic technical overhaul. As in coal, prices rose substantially in the 1930's—partly, of course, because of the rise in coal prices, but by no means entirely. And in steel, as in coal, British output found itself increasingly unable to compete, in the absence of cartels and protective duties, with foreign producers.

The policy of granting industries price-fixing powers without adequate safeguards has, in fact, proved to be thoroughly vicious. In coal and steel, the measure of security provided by fixed prices has probably acted as a deterrent rather than as an incentive to the achievement of higher productivity by way of technical reorganisation. Their story might have been very different, if the granting of price-fixing powers had been conditional on the formulation and progressive fulfilment of a definite programme of technical rationalisation, if prices had been administered by an independent agency, and if this agency had been given instructions about their determination rigorous enough to prevent complacency.

The cotton industry, however, is in an exceptional position, and it may be that an exceptional case can be made out for minimum prices as one of the instruments of reorganisation. If the case is beyond reasonable doubt, there is no reason why the industry should not have recourse to this remedy, provided it is willing to conform to the conditions essential to successful application.

But the cotton industry is most unlikely to table such a request, for it has already been given somewhat more by

the Act of 1939—held in suspense—than it would be entitled to have under the suggested conditions of price-fixing. By this Act, price schemes are to be administered by boards elected by the members of the sections of the industry to which they apply; true, the Cotton Industry Board must satisfy itself that the proposed minimum prices are determined in accordance with the instructions of the Act, but only three of the fifteen members of the Board will be independent persons. The Board has definite instructions about price determination; it has to select a group of undertakings which "appear" to it to be the most efficient in each section, and it has to compute the ceiling of minimum prices by reference to the group's average prime costs and specified depreciation charges plus an allowance for a specified profit; but these instructions are far from rigorous. Moreover, the granting of price-fixing powers is not made conditional upon the fulfilment of a definite plan of reorganisation.

In view of the generous provisions of the Act of 1939, Mr Dalton had every justification for refusing further concessions. But then he had asked the industry to submit proposals; it would be against human nature for an industry to resist the temptation to ask for more. But the Minister has also every right to press the industry to prepare and carry out a drastic overhaul as speedily as possible. In cotton, as in every industry, the slogans must be Productivity, Efficiency, Rationalisation, Lowered Costs. These are the really important matters to which public policy should be unremittently directed. Price-fixing and market sharing—the favourite devices of the trade associations—are secondary questions which should not be brought into consideration until after the main issues have been tackled. As trimmings to a structure that is otherwise sound, they may occasionally be permitted, under proper safeguards. But as the main content of an industrial policy, they would be disastrous. Mr Dalton has waited far too long to make that clear. He should now proceed to make sure that his new policy is understood to apply to every industry in the country.

The Pottery Industry

THE need for flexibility and adaptability in the post-war structure of industry has been recognised by the Government. This means that the encouragement of minor industries will be a primary task of reconstruction. Wise direction and nourishment of these industries is likely to produce quick and satisfactory results, for in many cases they have reached a stage of development suitable for the introduction of new methods of production and organisation. It is once again a matter of "Give us the tools. . ."

The minor industries are capable of playing a very important part in the recovery and expansion of British exports; and this is particularly true of the pottery industry—an industry about which the public is remarkably ill-informed. That area of North Staffordshire known variously as the Potteries, the Five Towns (Arnold Bennett's sobriquet) and sometimes (though quite wrongly) as the Black Country, is a peculiarly isolated geographic region producing about 85 per cent of British pottery products. In normal times the value of the industry's output is some £18 million per annum, of which about one-quarter represents export trade. During the war the industry has experienced the varying fortunes of a semi-luxury trade: it has been encouraged and fostered, concentrated, and limited by turn. In the early part of the war the industry was given special assistance—largely because the raw materials (90 per cent of them) are obtained within the British Isles and because its finished products contain a high value relative to bulk weight and shipping space. In 1941 the value of the export trade in pottery reached £5,868,585—the highest figure since 1925. Authorities in the industry estimate that the volume of overseas trade could be doubled if the long overdue rationalisation of production and marketing were undertaken promptly.

It is clear that the demand for pottery will be very great in the immediate post-war years—not only for domestic tableware but for the products of the other three chief sections of the industry, glazed tiles, sanitary ware and electrical porcelain. The fortunes of each are closely connected with developments in housing. China is a fragile substance and has suffered heavy casualties under enemy bombardment. Moreover, there will be great eagerness to put away the drab "utility" pieces of wartime, so suggestive of short commons and plain fare, in favour of the more decorative and colourful

industry catering for domestic equipment will the demand for replacements and renewals be greater.

Abroad, the pottery industry is favoured with exceptional opportunities. Before the war competition with German, Japanese and Czechoslovakian producers was acute. Where trade was lost it was usually lost to the Japanese. In the home market Japanese wares were unimportant, though they had captured some part of the chain-store business. In the Dominions, however, Japanese pottery was ousting British very rapidly. In the decade before the war imports of Japanese china (as distinct from earthenware) increased by 50 per cent in Canada, 70 per cent in Australia and 45 per cent in South Africa. By 1940 the Japanese claimed to be the world's leading producers of domestic pottery and were making a strong bid for leadership in the production of sanitary ware, electrical porcelain and tiles. Their success was due to a highly efficient and systematic production of medium-quality goods, low labour costs and an energetic and ruthless marketing policy. In 1939 the position in the United States market was as follows:

Imports of pottery from	\$
Czechoslovakia	49,586
Denmark	57,085
France	370,386
Germany	549,334
Italy	416,591
United Kingdom	1,849,182
China	152,524
Japan	3,111,716



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It is useless to speculate on the condition of the Japanese and German pottery industries after the war, but on grounds of goodwill alone it is safe to predict that British wares will be favoured with higher initial opportunities. How will the industry behave in a sellers' market? Will it be content to gather the windfalls or will it reach for the fruits that will keep? The danger facing the industry is that vitally necessary technical adjustment will be delayed in view of the certainty of short-period prosperity.

This technical readjustment began at a snail's pace after the Great War and has proceeded, fitfully, at the same rate. The industry is hampered very severely by the results of its haphazard growth from the eighteenth century era of consolidation under Josiah Wedgwood. In 1939 the earthenware and china sections of the industry were represented in Stoke-on-Trent by some 300 factories employing about 60,000 workers. The size of the manufacturing unit is extremely small—far too small, physically, to permit the general introduction of the most important and far-reaching technical development, the continuous tunnel oven. Where factories have been enlarged, the expansion has been piecemeal, with the result that methodical production is rendered impossible by obsolete lay-out. There are, of course, striking exceptions to this general picture of inefficiency. The new Wedgwood factory at Barlaston, with its electric tunnel ovens, scientific flow-production lay-out, excellent transport facilities and garden-village amenities, might well serve as a prototype for post-war developments. It is significant that in those sections of the industry that are unaffected and unhampered by tradition—notably glazed tiles and electrical porcelain—the production unit is larger and much more efficient than in the china and earthenware sections.

At first sight, the success of the few large producers—the "big five" earthenware manufacturers and the "big four" china manufacturers—might suggest that the troubles of the industry could be solved by concentrating production into identical units of optimum size. But this solution would overlook the fact that pottery markets are highly differentiated and cannot adequately be served by a narrow range of standardised products. In the market for cheap household crockery a policy of standardisation (by which is meant a severe limitation of designs and shapes, with resultant economies in production) would undoubtedly assist the manufacturers to satisfy abnormal post-war demand and to reduce costs and prices to meet the severe competition that will follow. In the markets for high-grade tableware in earthenware and china and for decorative and luxury ceramics, demand is more individual and discriminating and sets definite limits to the degree of mechanical production that can profitably be adopted. The bone china section of the industry, for example, is characterised by an extreme multiplicity of designs and expensive hand-painting methods of decoration.

Radical alterations in outlook and technique are necessary if the industry is to be made fit for its post-war tasks. First, there must be a voluntary restriction by the manufacturers of the range of their activities. In the past many manu-

facturers have been little more than large-scale studio potters—bespoke potters almost. They have prided themselves on their ability to produce anything and everything in the ceramic world—everything, that is, produced by their numerous rivals. The results, judged aesthetically or from the costing angle, have been deplorable. There are far too many enthusiastic but misguided Jacks of all trades in the industry. The fact that market conditions deprive some manufacturers of the economies of mass-production is no argument for the retention of methods of production more suitable for domestic crafts.

Second, and more important, is the urgent need for rationalising the production of "open stock" or standard pottery. This cannot be achieved without increasing the size and plant of productive units—and this costs money. It is very doubtful whether the industry as it stands—most of the units are family concerns—could find the funds necessary for this large task of reconstruction. The pottery industry has never, so far, shown spectacular profits and the most thorough "ploughing back" has failed, in most cases, to provide capital resources on the scale necessary for effective modernisation. One way out of the dilemma—indeed, the only way short of Government intervention—would be for the industry to appeal for support to the investing public. The prospectus would read very well: an ancient industry, rich in traditions and great names; assured supplies of raw materials and fuel; a balanced labour force with the inherent skill of centuries; a strong and constant domestic market; great possibilities overseas. At this moment in its history the industry would surely find willing backers. They would contribute, perhaps, not only capital but a tonic injection of enterprise and outside experience. The Potteries suffers badly from industrial inbreeding.

Concentration on the lines adopted with some success during the war would be quite ineffective under conditions of peace. The wartime scheme has, in fact, reduced the proportion of capital equipment per unit of labour throughout the industry. It has proved satisfactory only because the standards of "utility" production have been low enough to make possible the employment of second-rate labour and largely obsolete plant.

Strong criticism of the industry has been offered here; and it has appeared stronger because very little has been said of the efforts that have been and are being made to rehabilitate and redevelop the industry. But the good intentions of the many and the good example of the few, even when supported by an excellent centre for technical research, an impressive scheme of industrial education and sound internal industrial relations, are not enough at this time of opportunity.

If the scale of operations can be graduated towards technical efficiency, there will be a need for parallel improvements in design and marketing. In the pottery industry good design is of paramount importance. Durability and technical performance are quite definitely of secondary importance as selling factors. While all pottery should be useful, the success or failure of any particular line depends on its aesthetic appeal. The industry, like every British industry, needs first-class designers. This fact, no less important than the need for productive efficiency, is beginning to receive official recognition. Last week the Federation of British Industries submitted a memorandum to the Board of Trade recommending that a National Design Council should be set up. Some such body, provided that its propaganda could reach and reform the individual manufacturer, would contribute greatly to the recovery of British trade.

But even pottery that exhibits every good quality requires energetic and systematic marketing—and this the small-scale potter, operating independently, is unable to afford. Co-operative marketing, on the lines of the scheme put forward by Hambro's Bank—a scheme that would provide the potters with a selling organisation both intensive and extensive—would seem the way out of the difficulty.

Conversations are now taking place between the Government and representatives of the industry, and it is to be hoped that the liaison contrived under the exigencies of war will be maintained and strengthened. If the pottery industry can overcome the shortcomings of its sturdy but somewhat parochial independence, and can obtain wise guidance and encouragement from the Government, its future is assuredly bright.

Business Notes

Social Security and Insurance

Revolutionary as is the content of the Government White Papers on Social and Industrial Injury Insurance, it is impossible to trace any reaction on share prices outside the sphere of companies engaged in industrial life business. The lack of any general reaction would not have been surprising, even had markets been less idle than they are, for it was generally assumed that something very like the Beveridge proposals, insofar as they affect industry and the taxpayer, would be put forward and their effect had been fully discounted. For this reason also it is rather surprising that the recent weakness in the insurance shares most affected should have been followed by a further sharp marking down. Marking down is the correct expression, for the fall reflects an attempt by jobbers to avoid having to take up stock rather than any substantial selling pressure. Two proposals in the first White Paper affect the future of industrial assurance: the abolition of approved societies as administrators of sickness insurance and the introduction of a universal death grant. Both proposals are in keeping with the Government's pronouncements during the Parliamentary debates on the Beveridge scheme and are therefore not unexpected, although their effect on the industrial assurance industry will be far-reaching. The abolition of approved societies will tend to raise the cost of conducting industrial assurance, partly because it will take away a part of the collectors' incomes which the offices may find it necessary to make good in other ways and partly also by involving the spread of certain fixed expenses—such as salaries of indoor staff, office rents, etc.—over a smaller volume of transactions. A similar effect is also likely to follow the introduction of the death grant owing to the cancellation of some of the voluntary funeral benefit policies at present in force. Just how far this process will go must depend on the result of the separate examination to be conducted on the subject of insurance for indirect expenses connected with funerals. The probable adverse effect of the Government's proposals on industrial assurance expense ratios, already high, renders imperative the concentration of the industry into a small number of large but efficient units if it is to survive as an instrument of private enterprise. Given an effective rationalisation, however, the industry still possesses an enormous field for development in the provision of genuine life and endowment assurance, the prospects for which, in a nation becoming steadily more security-conscious, must be excellent. Social Security should have a beneficial effect on lapse ratios, and therefore help to remove one of the major criticisms of the past conduct of the industry.

Exit Employers' Liability

The White Paper on Industrial Injury Insurance removes employers' liability from the insurance companies altogether, except insofar as certain employers may wish to provide benefits in excess of the basic figures of the Government scheme. This is a further loss which will be felt by the general body of insurance companies doing accident business. The proportion of total accident business covered by this type is, however, only some 8 per cent, so that the effect on cost ratios will be much less severe than in the case of the industrial life business. If, as seems probable, it is reasonable to assume a secular upward trend in insurance business, due both to falling value of money and growing familiarity with the benefits of insurance, there is little need to envisage an absolute fall in earnings, even possibly of the industrial life companies, over an extended period. The shares of these concerns have never fully recovered from the weakness associated with the war and accentuated by the publication of the Beveridge Report. It is, of course, true that all insurance shares show a fall on pre-war figures. Thus the average for 1936 of *The Actuaries' Investment Index* for these securities was well over 130, whereas at the end of August it was under 120. A very rough assessment of the fall in shares of the industrial life companies alone from the mean prices of 1936 to date suggests a figure of 40 per cent.

Steel Strikes out for Markets

The steel industry is showing an encouraging interest in the speedy resumption of export business—stimulated, no doubt, by the reduction in war orders and the consequent appearance of surplus capacity. It wishes to be freed from the leading strings which prevent this country from exporting materials similar to those supplied by the United States under lend-lease. Lord Riverdale, a Sheffield industrialist, recently pointed out that the United States and Canada have become free to export the steel and tools in which that town is particularly interested. If the stage has now been reached when American lend-lease steel is no longer required, and when the value of the materials the British industry can spare for export exceeds the value of such special materials as are still needed from the United States, then there is every justification for asking for its removal from the list of lend-lease supplies. Indeed, if Britain, which more than most other countries must concentrate on the speedy resumption of exports, is not to be severely handicapped as a late starter, all the items on the lend-lease schedule that can be exported in quantities greater than those derived from the United States should be speedily deleted. This does not mean that lend-lease has now served its purpose. Far from it; on balance, the value of such supplies must for some time exceed that of possible British exports, presumably even if due allowance is made for lend-lease in reverse. But it is surely not unreasonable to ask for a procedure whereby priority is given in removals from the lend-lease list to the products which Britain can export. Steel appears to be one of these.

A Case for Inquiry

The motor industry has renewed its assault upon the heavily protected and ably defended "Steel House"—the headquarters of the British Iron and Steel Federation. It wants cheap steel to make cheap cars as a means of enlarging its sales at home and abroad. Some of the industry's spokesmen complain that its competitors overseas have in the past obtained their steel at a substantially lower price. On September 1st, Mr. George W. Lucas, President of the Motor Agents' Association, flatly asked in a public address in Manchester why the price of British steel is 50 per cent higher than world prices. His statement and his question cannot be allowed to remain unanswered. If it is true that the British motor industry is charged anything like half as much again as, say, the American motor industry for its purchases of steel materials, it will be at a serious disadvantage after the war. Since this is by no means the first time that complaints have been voiced about British domestic steel prices, the time has come when the argument should be settled by an official inquiry as a matter of urgency closely affecting the public interest. It should not be too difficult to establish the facts by ascertaining the prices paid for various steel products by British and American motor manufacturers. In its own interest, Steel House will no doubt give its whole-hearted welcome and approval to such an inquiry. If it should disclose more than minor differences, their causes should be ascertained forthwith—that is, to what extent they are due to higher raw material costs (of coal, for example), and higher conversion costs, either through out-of-date steel practice or through insufficient standardisation and the small size of orders. The results of the inquiry should be published without

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delay. It is impossible for the layman to judge the issue between the steel and motor trades; and the issue is far too serious to leave it to mutual accusations of inefficiency in private and in public. Whatever the defects of the motor industry—Mr Lucas readily confessed to the “beam in the eye” of his own industry—they could not excuse defects in steel. The motor industry is a problem in its own right.

Cotton: What Next?

The rejection by Mr Dalton last week of the Cotton Board Committee's plan for a regime of industrial self-government does not appear to have caused alarm and despondency in the cotton industry. Perhaps the industry did not really expect the Government to go beyond the terms of the Cotton Industry (Reorganisation) Act, 1939, which already provides for a strong central organisation, with powers to fix minimum prices, subject to certain safeguards. The five-point programme for technical reorganisation outlined by the President of the Board of Trade has not had an unfavourable reception as a statement of aims. As Sir Raymond Streat, chairman of the war-time Cotton Board, said on September 27th:

I am certain there will be markets for the goods produced by our Lancashire industry provided we modernise our equipment and our practices.

The question now is whether the industry is willing to press ahead in translating it into practice, even if this may mean drastic changes in organisation and practice. The need for change, true, is widely recognised, but there is anything but unanimity about the degree of reorganisation that will be needed to bring the industry into line with the best modern practice in production and marketing. No doubt the mission that has recently made a study of the industry in the United States will be able to furnish valuable guidance; its report should therefore be published without delay. The setting for a drastic overhaul will not be unfavourable during the next two or three years; the industry is likely to have an assured market at profitable prices. And, given the necessary imagination, drive and initiative in overhauling the industry, it should be in a much stronger position at the end of the sellers' market than it was before the war.

Exchange Rates for Germany

The allied military High Command has fixed rates of 10 marks to the dollar and 40 marks to the pound for use in the conquered parts of Germany—the actual currency taken into Germany by the Allied armies is to be military authority reichsmark notes printed in Britain. The sterling rate compares with a pre-war official quotation of 11 marks to the pound. That rate was admittedly artificial, and was not a valid measure of the relative purchasing power of the two currencies. A truer guide was provided by the rate of the travel mark, which before the war stood at about 16½ marks to the pound. There has admittedly been greater inflation of the note circulation in Germany than in Great Britain. Whereas the Reichsbank circulation has about trebled since the outbreak of the war, that of the Bank of England has little more than doubled. Part of this disparity is, however, explained by the larger area which the German note circulation has had to serve. The evidence of price movements is little more than a testimony to the rigour and efficiency of price controls and rationing in both countries, but as a measure of inflation it cannot be altogether ignored, especially as the level of wages has tended to keep pace with official cost of living indices. By last March the German indices of wholesale prices and the cost of living, both based on the average for the first half of 1939, were 110 and 111 respectively. For Great Britain the comparable figures were 169 and 130. On this evidence the domestic purchasing power of the mark has fallen less than that of the pound during the war. An item of evidence pulling in the other direction is that the value of ordinary shares—always an anti-infla-

tionary hedge—has risen faster in Germany than here, the relative indices for the end of 1943, again based on the first half of 1939, being 157 and 115. Taking all the evidence into account, it is difficult to avoid the conclusion that the mark has been as deliberately undervalued by the military authorities as was the lira when it was given an exchange rate of 400 lire to the pound.

The exchange policy of the Allied High Command has now been tested by sufficient evidence to crystallise into recognisable form: overvalue the currency of your allies and undervalue that of your enemies. It is not a policy invented by the Allies; the Germans applied it long ago, with the difference that they did not even overvalue the currencies of their allies and satellites. The Germans are, therefore, about to get a taste of their own medicine. At anything like the new official mark prices German goods will be cheap to the invading Allied armies. The effect on the German economy of the rates fixed by the Allies will depend, of course, on the size of the expenditure of their armies, including Russia; but Russia has not yet disclosed the conditions in which its armed forces are to be supplied with currency in Germany. As the statistics show, the degree of inflation present in Germany today is a function much more of price and consumption controls than of the state of the currency. The inflationary potential, however, is substantial. It exists in the form of a greatly expanded note circulation, bank deposits and short-term Government debt. That potential has now been added to in no uncertain manner by a deliberate undervaluation of the currency in the exchange market. If the system of price control and of rationing loses its efficiency as the machine is overtaken by the Allied advance in Germany, the inflationary potential may assume threatening shape. Whether such a development would be of any real advantage to Germany or to the Allies is debatable.

French Dollar Needs

Commercial and financial relations between France and the United States are already beginning to move out of the spheres of relief, rehabilitation and lend-lease. Orders for some \$200 million of locomotives, freight and passenger cars and other railway equipment have been placed in the United States by a French purchasing commission and will be paid for in cash. The greater part of these goods is scheduled for delivery in 1945. The problem of financing these orders has had to be considered. French assets in the United States are blocked by Treasury Order and will remain immobilised at least until formal recognition of a French Government has taken place. Private banks are for the present unable to come to the assistance of the French Government because France is still technically a defaulter on her 1914-18 war debt and its Government is, therefore, deprived by the Johnson Act of all access to the US capital market. The orders for railway equipment have been placed with private firms which have, understandably, called for some financial guarantee of ultimate payment. The impasse thus created has been rounded by a US Government guarantee of the liabilities assumed by the French Government. The US Treasury has underwritten the orders placed by the French mission and has secured itself against this contingent liability out of the ample French funds blocked in the United States or, as in the case of the Martinique gold, under United States control.

Blocked Funds in USA

No official indications have been given of the amount of foreign assets in the United States temporarily immobilised by the blocking regulations. Some suggestion of their size and composition is, however, provided by the detailed statistics of international capital transactions of the United States which appeared in the *Federal Reserve Bulletin* up to December 31, 1941. The latest available statement of these transactions shows, among other things, the total amount of short-term assets accumulated by foreign countries and the dollar securities, domestic and foreign, acquired by foreign countries since the beginning of 1935. For this last item, the information is incomplete, since it excludes securities acquired prior to 1935. The magnitude of these foreign assets has, of course, been considerably changed since 1941, partly as a result of cash transactions by certain

belligerents, notably the United Kingdom and partly as a result of the considerable volume of transactions authorised by the US Treasury for such neutral countries as Switzerland and Sweden. The figures are as follows:

Dec. 31, 1941.	In million dollars.		
	Outstanding short term assets.	Securities acquired since 1935 Foreign.	Domestic.
U.K.	400.8	127.6	— 70.1
France	448.6	51.6	74.9
Netherlands	174.9	31.5	236.7
Switzerland	339.9	44.3	236.7
Belgium	117.3	*	*
Norway	65.2	*	*
Sweden	210.7	*	*
Germany	6.6	36.5	— 0.2

* Not specified.

In addition to these holdings, the immobilised assets include considerable amounts of earmarked gold of which no official details have been published.

Petsamo Nickel

While there is so far no specific statement on the point, it is fairly safe to assume that the cession to Russia of the Petsamo area, under the Soviet-Finnish Armistice Agreement, includes the Petsamo nickel fields. At the outbreak of the war, these fields were in course of development under a 40-year concession, granted in 1934 to the Mond Nickel Company. It is believed that production was about to commence in 1939 and that money spent in Finland amounted to some 7½ million US dollars. There is no likelihood that the existing concessionaires will be allowed to resume working the property and the question of compensation will necessarily arise. There should be no great difficulty in arranging full compensation for money actually spent, but whether any payment will be made in respect of loss of future profits is more doubtful. What is more important to International Nickel, of which Mond Nickel is the British branch, is the future of nickel prices. It is not known how far Russia has developed its own nickel resources during

the war, but up to April 30, 1944, lend-lease deliveries of the metal to Russia amounted to 10,500 tons or some 10 per cent of the annual pre-war world output. Peacetime demand within the Soviet may well fall and it is possible that, in the not too distant future, Russia may, with the assistance of the Petsamo deposits, become an exporter of the metal. If that were so, it is no reflection on the efficiency of International Nickel to say that the present policy of price fixing might be jeopardised. So long, however, as that company continues to base its policy on a maximisation of demand and of getting down costs of production it has probably little to fear.

Commodity Control

Two international commodity control agreements—those for sugar and coffee—have been extended for one year, the first from September 1st, and the second from October 1, 1944. The purposes of the renewal of the international sugar agreement are to provide central machinery for the adjustment of international sugar supplies in the period following immediately the end of hostilities, and to gain time for the conclusion of a wider scheme to tackle the long-term problems of the industry. The agreement was first concluded in 1937—it was based on a recommendation of the World Economic Conference of 1933—and comprised the world's sugar exporting and importing countries. Its original purpose was to regulate supplies in the “free world market for sugar,” and to prevent a further contraction of that market. On the outbreak of war the work of the International Sugar Council, the executive body of the scheme, came to an end, but a special sub-committee subsequently worked out a sugar zoning scheme on a world-wide basis through which minimum demands of the various parts of the world are to be met from the nearest source of production until the restoration of normal conditions. When the original five years' agreement terminated in August, 1942, it was provisionally extended for two years. Its further extension indicates that the main Allied Governments, all of whom were signatories of the original agreement, are anxious to retain the scheme as an instrument for future co-operation.

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The Coffee Agreement

The extension of the Pan-American coffee agreement until the end of September, 1945, is of greater immediate importance than that of the sugar agreement. The first of these agreements was concluded after the defeat of France in 1940. It was to reduce the adverse influences of the loss of the European market on coffee producers in Latin America, supplying some nine-tenths of the world's coffee. The scheme fixed special coffee import quotas for both the United States and the rest of the world, but, as the European mainland, which before the war absorbed two-fifths of world supplies, was the only large market outside the United States, the latter quotas have so far had only theoretical interest. The next twelve months will very probably witness the re-integration of Europe into the world coffee market. Owing to the heavy imports of the United States since the revocation of the country's coffee rationing system last year, and the poor Brazilian crop—the result of adverse climatic conditions—in 1943, world surpluses of coffee have shown a decline; there have lately been predictions in coffee trading circles, especially in the United States, that a coffee shortage may arise with the resumption of shipments to Europe. These forecasts have been contradicted by the Brazilian National Coffee Department, but it is obvious that with United States imports at the present yearly rate of some 5,000,000 bags—two-fifths larger than before the war—and the necessity of accumulating a normal trade reserve in Europe, international coffee supplies will require careful allocation if an unorganised and dangerous buying competition is to be avoided. In these conditions the extension of the Pan-American Coffee agreement is to be welcomed.

Rubber Study Group

British, American and Dutch Government officials who recently met in London to open exploratory conversations on rubber have found an ingenious way of postponing awkward political decisions; they have formed a rubber study group which will meet in friendly discussion, keep their Governments informed, but will refrain from making recommendations. It may be that it is still too early to reach final decisions on the future relationship between natural and synthetic rubber; and for a few years, at any rate, there may well be a market for all the rubber that can be produced. But decisions of principle—and they must be largely political decisions—cannot be postponed indefinitely; the initiative, inevitably, must come from the United States which, before the war, was the world's leading consumer of imported natural rubber and has now become the main producer and consumer of synthetic rubber.

A Central Design Council?

No single aspect of industrial efficiency is more important than that of design; and none has been more neglected in the past. Satisfactory standards of industrial design cannot be achieved without the close co-operation of technicians, artists and marketing specialists, for good design must reconcile the limitations of productive methods, the peculiarities and vagaries of local demand and the canons of functional and aesthetic art. Before the war British industry lost ground in many markets through deficiencies in the design of its products; and even where the deficiencies were recognised, corrective measures were pitifully inadequate. By contrast, the proposals now put forward by the Federation of British Industries must be considered very enlightened. In a memorandum submitted to the Board of Trade, it is recommended that the Government should establish a Central Design Council to act as a centre for information, advice and propaganda and to co-ordinate the activities of departmental bodies (Industrial Design Centres) charged with the task of improving design standards in separate industries. The functions of the proposed Council would be to organise permanent and travelling exhibitions of British manufactured goods of high quality; to advise on the furnishing, equipping and decoration of Government offices and buildings; and to co-operate with the Ministry of Education and other bodies in the promotion of art training and art appreciation. The Industrial Design Centres would undertake propaganda on behalf of particular industries, encourage and assist individual manufacturers to employ good designers and organise co-operative schemes of market and design research. These proposals are probably in line with the Government's intentions.

Higher Lever Profits

The preliminary statement of earnings of Lever Brothers and Unilever for 1943 show an improvement in results which makes the profit of the parent £6,593,239, compared with £6,028,834 for the previous year and £5,835,589 for 1941. These figures are all after tax. There is an even larger percentage rise in the net profits of the whole group to £8,079,742, from £6,913,003 and £6,299,663 respectively. In view of the fact that a year ago the Chairman, Mr Geoffrey Heyworth, expressed the opinion that gross profits were likely to fall, but that the net figure would probably be little changed, these results must be considered very satisfactory. All information available points to the conclusion that the consolidated profits figure is the more reliable guide to the fortunes of the group and that it, not the profit of the parent, should form the basis of calculations of earnings on the equity capital. On this basis, and assuming that all allocations from the latest figure are in the nature of free reserves, the cover for the ordinary dividend, maintained at 5 per cent, would appear to have risen from some 33 per cent to almost 50 per cent. This figure must be accepted with some reserve until the full accounts are available in the middle of next month. Some disappointment has been expressed in market circles because the dividend was not increased. It is true that the time is approaching when the liberation of Europe will permit a survey to be made of the position of the "NV" company. When that is done, it may prove possible to release some or all of the funds set aside by the British company to cover ordinary dividends for the period of occupation and the preference dividend for 1940 of "NV." It is, however, not certain that, should the earnings of that company suffice to meet all dividends at the rates paid by the British company, any immediate increase in dividends out of the funds released would be considered desirable. The market price of the £1 units of ordinary stock was little changed on the announcement at 43s. 3d., at which the yield is only £2 6s. 10d. per cent less tax.

Warning from Saskatchewan

If the new Premier of the Province of Saskatchewan is correctly reported, British bondholders of the Province and its municipalities will be well advised to prepare for yet another tussle with Canadian defaulters. It appears that the intention is to amend legislation

so that the decision of the Local Government Board shall be binding upon the bondholders and other creditors as well as upon the municipalities.

At present, the Premier is reported to have said, the municipalities

are bound to comply with the orders of the Board, but bondholders may vote themselves out of the operation of the order. This is not very clear, but it appears to mean that the Provincial Government is preparing to treat lenders, with whom they have entered into long-term contracts, as though they were subordinates over whom they had jurisdiction. If that is the case, London will presumably not, in the altered circumstances of today, wait for a period of over a year, as it did at the time of the Montreal default, to let its view be known. Already the price range for the three Saskatchewan issues and the single loan of the City of Saskatoon has been widened to ten points by dropping the bid quotation seven. The amount of money involved is some £3,500,000 in the case of the former and less than £500,000 for the latter borrower. The three stocks of the former carry interest at 4 or 4½ per cent, and are all repayable within a decade. The loan of the latter bears 5 per cent and is repayable 1941-61. All stood around or above par, the last having changed hands at 105½ ex dividend at the end of last week. Whatever may be the position of the very large sums borrowed in Canada and the USA, there can be no doubt but that the British bondholder has a watertight contract.

More Treasury Bills?

If the precedents of 1942 and 1943 are to be followed the weekly issue of Treasury bills by tender should be increased next week and remain at a figure higher than £110 million for four to six weeks. In the last two years the intention of this seasonal increase was to steer into the hands of the banks a larger volume of January and

(Continued on page 459)

COMPANY MEETINGS

SECOND ALLIANCE TRUST COMPANY, LIMITED

IMPROVED REVENUE

DIVIDEND OF 21 PER CENT MAINTAINED

The annual ordinary general meeting of the Second Alliance Trust Company, Limited, was held at 64, Reform Street, Dundee, on the 29th instant.

The following is the statement of Mr James Prain, LL.D. (the chairman), which was circulated with the report and accounts:—

The accounts for the past year when compared with those of the previous period show no changes of importance. Gross revenue from investments, which is somewhat greater than before, is in accordance with our expectations, and we propose to repeat last year's distribution of 21 per cent. on the ordinary stock, absorbing £44,100. This will leave a surplus for the year of £18,389, of which £15,000 is carried to contingent reserve fund and £3,389 is added to the amount to be carried forward.

Although it was possible a year ago to estimate with some confidence the maintenance of revenue at around the same level for the following twelve months, to-day a review of the outlook must take cognisance of the important change which has taken place as a result of the rapid improvement in the military situation. It would seem fairly certain that we are about to enter a period—if we have not already done so—when the demands by the state on industry for war material will tend to diminish. The relatively small fluctuations in profits and dividends which we have become accustomed to expect in the reports of industrial companies generally are the result of a steady demand for war material on the one hand and the levelling action of excess profits tax on the other. Any diminution in the volume of this demand which has had so stabilising an effect must introduce those uncertainties which are associated with a period of transition. I see no reason to expect, however, that our revenue for the current year will be other than satisfactory, but I would draw attention to the fact that we are rapidly approaching a time when we must adjust ourselves to altered conditions and reconsider our policies in the light of them.

THE INVESTMENTS

Turning to the annual report, you will observe the statement that the directors

(Continued from page 458)

early February maturities, which provide a useful means of balancing the effect on bank cash of the heavy tax payments normally concentrated in that period. The need for such strengthening of the banks' holdings of early 1945 maturities appears to be as great as ever. Last month the clearing banks held only £210,555,000 of bills, compared with £231,553,000 in August, 1943. This fall has occurred over a period during which the outstanding volume of Treasury bills issued through the tender has risen by £260 million. The contrast between these movements is largely explained by the accumulation of abnormal sterling balances in London. Some of this has been utilised by the purchase of Treasury bills from the market or by direct tenders on the part of the overseas banks in question. Part has been lent to the discount market against the security of Treasury bills. The discount market is running much larger bill cases than a year ago. Only part of the increase is measured by the increase of £50 million in the clearing banks' money at call and short notice between August, 1943, and August, 1944. Part of the increase in the market's bill holding is also being financed with non-clearing bank money. This "outside" competition for Treasury bills, whether it takes the form of outright discounting of bills or of increased money market loans secured by bills, has been more than sufficient to take up the increase in the issue of Treasury bills through the tender. This fact suggests that a further permanent increase in the tender issue of Treasury bills should follow the seasonal increase now due.

are satisfied that the value of the company's investments at July 31st was substantially in excess of the book figure. A further general improvement took place in Stock Exchange values during the year. Although not so marked as in the previous year, the movement was important and its effect, we believe, if applied to the company's list of investments, would be to show a further considerable appreciation during the year. This upward movement has brought the general average of industrial share values to a point comparable with the high points reached in 1936 and 1928. Although that does not preclude the possibility of values remaining at this level or of even moving to higher peaks—for conditions to-day are very different—we would not be justified in attaching much importance to this improvement or in drawing the conclusion that the prospects of our business are greatly affected thereby one way or another.

When we come to the end of this long war there will be in all countries a state of acute shortage of manufactured goods of all kinds. That taken by itself would suggest that after the difficulties of the transition stage, to which I have referred, have been overcome there will follow an era of full industrial activity to meet this potential demand. In the absence of information of the Government's intentions regarding taxation, however, one cannot assume that this era will of necessity be one of increasing returns for the investor.

EXPERT TRADE OUTLOOK

The importance of our export trade is now recognised if we are to maintain our standard of living and incur further larger expenditures on social security schemes. I am glad to see also a wider—if somewhat belated—appreciation of the necessity for an expansion in our exports sufficient to fill the gap caused by the loss of that part of this country's foreign investments which was sold in the early years of the war to finance the purchase of war material. In this connection I feel strongly that something could be done and should be done to increase the revenue from those foreign investments still remaining. I support those who have urged the adoption of firm official action to safeguard these investments. There have been too many cases recently of discrimination in foreign countries, particularly the Argentine, against those who have investments there, and in the case of foreign governments, notably Brazil, an attitude of bad faith towards their creditors. The investor individually has no remedy, but the Government could bring pressure to bear, and it is in the national interest that it should do so.

GOLD EXPLORATION AND FINANCE COMPANY OF AUSTRALIA, LIMITED

The tenth ordinary general meeting of this company was held, on the 26th instant, in London.

Following are extracts from the statement by Mr P. E. Marmion:—Having regard to war-time difficulties the year's results must be considered satisfactory.

The debit balance on profit and loss account has been almost eliminated. The amount of cash and Government securities, totalling £317,000 after reserving in full for our estimated liability to taxation, represents about 35 per cent. of the issued capital. Gold Mines of Kalgoorlie and Central Norseman will have a considerable lag of development work to make up when miners become available. Subject to this, they have proved themselves capable of yielding satisfactory profits. Victoria Gold Dredging has paid in dividends a total of 45s. 6d. (A) per share, and, whilst not expected to be as profitable as hitherto, still has some 8,000,000 cubic yards of payable ground to be dredged. Awaiting development we have two small properties in Western Australia, while in Victoria we have a substantial interest in the Jim Crow dredging proposition. The report was unanimously adopted.

GOLD MINES OF KALGOORLIE, LIMITED

The tenth ordinary general meeting of this Company was held, on the 26th instant, in London.

Following are extracts from Mr P. E. Marmion's statement:—The result for the year reflect the full effect of the withdrawal of labour from the gold-mining industry for Australia's war effort. There was a large reduction in the tonnage mined and treated. The ore handled by the mill amounted to only 79,709 tons, compared with 141,351 and 159,462 tons respectively in the two preceding years.

The operating profit was £18,271, and it is proposed to pay a dividend of 6d. per stock unit.

Ore reserves at March 21, 1944, were 17,000 tons lower than a year previously, the estimate of proved and probable ore being 536,670 tons. The average grade improved by 0.5 dwt. to 5.7 dwt. per ton. There has been a very promising development on No. 9 level in the Brownhill lease.

There has been an improvement in the tonnage treated in recent months and it is hoped that the increased rate will be maintained.

The report was unanimously adopted.

Company Result

Furness, Withy, and Company (Shipping):

	1942	1943	1944
Trading profits.....	£ 438,508	£ 466,668	£ 466,668
Dividends from shipping subsidies (gross).....	229,837	229,837	229,837
Dividends from investments and other subsidiaries (gross).....	232,844	253,213	253,213
Total profits.....	603,387†	901,189	949,718
Taxation.....	353,881	409,050	409,050
Depreciation.....	300,000	250,000	300,000
Fleet replacement account.....	100,000	37,500	9,551
Preference dividends.....	37,500	37,500	37,500
Ordinary stock:—			
Earned.....	265,884	259,808	193,617
Paid.....	180,000	180,000	180,000
Earned %.....	8.9	8.7	6.5
Paid %.....	6	6	6
Insurance reserve.....	100,000	100,000	100,000
Carry forward.....	172,097	151,906	165,523

Net fixed assets†.....	2,085,311	1,924,818	1,585,741
Net inter-company items.....	4,867,374	4,699,807	4,450,617
Net liquid assets.....	2,544,687	2,992,554	3,804,165
Gross liquid assets*.....	5,314,263	5,871,232	6,685,881
Fleet replacement account.....	325,274	365,273	575,000
Credit in Govt. tonnage replacement account.....	100,000	158,750	158,750

* Including general investments, which include Government securities, of £1,786,613 in 1942, £1,736,736 in 1943, and £2,824,696 in 1944. † Net of taxation.

‡ Before deducting fleet replacement account.

The £1 units of ordinary stock, standing at 24s. ex dividend, yield 5 per cent. It will be noted that trading profits for 1943-44 are higher by £28,000 and that, although the profits of shipping subsidiaries have not increased, total profit is up by £48,500, which is more than swallowed by increased taxation.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Sept. 21...	4,562	6,022	109.5	134.6	3.16	3.84
" 22...	4,364	5,679	109.6	134.5	3.15	3.83
" 25...	5,848	7,240	109.7	134.7	3.15	3.83
" 26...	4,369	5,429	109.6	134.6	3.15	3.83
" 27...	4,016	5,706	109.6	134.6	3.15	3.83

† July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		Sept. 6, 1944	Sept. 13, 1944	Sept. 20, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	102.1	101.4	103.1
32 Rails	88.9 (a)	106.8	97.8	97.1	99.0
40 Utilities	85.0	92.8 (c)	91.4	90.9	91.4
419 Stocks	93.6 (a)	105.7	100.3	99.6	101.1
Av. yield %†	4.84 (b)	4.43	4.77	4.79	4.71

† Common Stocks. (a) Feb. 9. (b) May 3. (c) August 30.

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Sept. 14...	121.8	728,000	Sept. 18...	123.7	345,000
" 15...	122.8	642,000	" 19...	124.8	715,000
" 16...	123.4	275,000*	" 20...	124.9	696,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending September 30, 1944	Nominal Capital	Con- versions	New Money
By Permission to Deal	50,000	...	50,000
Particulars of Government issues appear on page 461.			
Year†	Including Conversions	Excluding Conversions	
1944	1,151,591,277	1,134,209,753	
1943	1,326,038,552	1,306,410,479	

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944	1,131,807,098	2,147,721	254,934	1,129,046,615	2,332,789	2,830,349
1943	1,303,185,959	2,585,843	638,617	1,295,246,886	2,127,701	9,035,892

* Conversions excluded. † Includes Government issues to Sept. 20, 1944, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—The discount market has this week been preparing for the task of taking up and paying for a larger weekly allotment of Treasury bills than has ever fallen to its lot. The bills tendered for last week included the end-of-year maturities and the market is normally allowed a free run for these by the authorities. The allotment on the syndicate's application, amounting to slightly over £110,000,000, amounted to 54 per cent. The bulk of these bills were being taken up in the latter part of the week, and the credit position had not felt the impact of the operation by mid-week. Although some of the banks have been making up for their September returns, the supply

of credit has been adequate. The reason is that the Government, deprived of a considerable part of Treasury payments in the earlier part of the week, has probably had to borrow heavily on Ways and Means advances from the Bank of England. These operations are suggested in the rise of £37,105,000 in Government securities shown by the last Bank return. With the customary end-month increase in other securities, amounting on this occasion to £10,121,000, bankers' deposits show a rise of £45,431,000 on the week and touched the comparatively high level of £221,489,000 on Wednesday. This figure will have been considerably reduced by the close of the week when the whole of the Treasury bill payments will have come in.

MONEY RATES, LONDON.—The following rates remained unchanged between September 21st and September 28th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between September 21st and September 28th (Figures in brackets are par of exchange).

United States. \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. **Canada** \$ (4.86) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25.22) 17-30-40. **French Empire.** Francs 197-200½. **Syria.** P. 8-81-85. **Sweden.** Krona (18.15) 16-85-95. **Dutch West Indies.** Florin (12.11) 7-58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$4-02-04; mail transfers 4-02-04½. **Brazil.** 83-64½ cr. (buying); mail transfers 83-56½. **Uruguay.** 7-6597 p. (buying). **Fixed Rates for Payment at Bank of England for Clearing Offices.** **Spain** Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire. **Market Rates.**—The following rates remained unchanged between September 21st and September 28th.

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-2. **China.** National \$3-3½. **Iran.** Rl. 128-138.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-21 pesos.

NEW YORK EXCHANGE RATES

New York on	Sept. 20	Sept. 21	Sept. 22	Sept. 23	Sept. 25	Sept. 26	Sept. 27
Cables:—							
London	Cent 402½	Cent 402½	Cent 402½	Cent 402½	Cent 402½	Cent 402½	Cent 402½
Montreal	89-625	89-625	89-750	89-750	89-750	89-680	89-750
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-85*	24-85*	24-85*	24-90*	24-90*	24-90*	24-90*
Rio de Janeiro	5-15	5-15	5-15	5-15	5-15	5-15	5-15
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78. † Free Rate. \$ Bid.

INDUSTRY AND TRADE

"The Economist" Sensitive Index.—There was no change in the index during the week ended September 27th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

Blackout Into Sheets.—The Board of Trade has arranged for materials used to manufacture blackout curtain materials to be used instead in the making of sheets. In making this announcement last Tuesday, the President declared that the production of towels is sufficient to meet demand under rationing, but that he hoped soon to be able to reduce the coupon value of towels, or to free them from the ration.

Dehydrated Potatoes.—A limited quantity of dehydrated potatoes, the supply of which has hitherto been reserved for the use of the Services, is now available for purchase from the Ministry of Food by catering establishments and institutions in order to enable them to test this new type of food. These dehydrated potatoes have been produced in factories in the United Kingdom. They are in strip form, and only require to be reconstituted before being cooked like ordinary potatoes. Dehydrated potatoes are particularly valuable for catering during a time of labour shortage. They come out of the tin ready for reconstitution and cooking. There is no washing, peeling, eyeing or trimming; there is no waste, and no dirt is brought into the kitchen. The product is packed in tins containing 12 lb. of dehydrated potatoes, which is roughly equivalent to 84 lb. of raw potatoes (field weight). The price is 1s. 10d. per pound, delivered.

AMERICAN WHOLESALE PRICES

	Sept. 12, 1944	Sept. 26, 1944		Sept. 12, 1944	Sept. 26, 1944		Sept. 12, 1944	Sept. 26, 1944
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			MISCELLANEOUS (per lb.)—			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, Dec.	152½	160	Cocoa, N.Y., Accra	8-81	8-81	Rubber, N.Y., smkd. sheet	↑	↑
Winnipeg	↑	↑	Coffee, N.Y., cash—					
Maize, Chicago	↑	112	Rio, N. 7	9½	9½	Sugar, N.Y., Cuban Cents., 96		
Oats, Chicago, Dec.	57½	61½	Santos, No. 4	16½	16½	deg. spot	3-74½	3-74½
Rye, Chicago, Dec.	96½	103	Cotton, N.Y., Am. mid., spot	22-18	22-35			
Barley, Winnipeg	↑	↑	" Am. mid., Oct.	21-63	21-93	Sugar, N.Y., 96 deg., No. 4, f.o.b.		
METALS (per lb.)—			Cotton Oil, N.Y., Oct.	14-25	14-00	Cuba	↑	↑
Copper, Connecticut	12-00	12-00	Lard, Chicago	↑	↑	Moody's Index of staple com-		
Tin, N.Y., Straits, spot	52-00	52-00	Petroleum, Mid-cont. crude, per	117	117	modities, Dec. 31, 1931=100..	250-4	252-4
Lead, N.Y., spot	6-50	6-50	barrel					
Spelter, East St. Louis, spot	8-25	8-25						
			↑ Trading suspended.			↑ Nominal		

† Trading suspended.

† Nominal.

GOVERNMENT RETURNS

For the week ended Sept. 23, 1944, total ordinary revenue was £41,582,000, against ordinary expenditure of £103,072,000 and issues to sinking funds of £330,000. Thus, including sinking fund allocations £7,104,165, the deficit accrued since April 1st is £1,548,141,000 against £1,546,211,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Sept. 25, 1943	April 1 to Sept. 23, 1944	Week ended Sept. 25, 1943	Week ended Sept. 23, 1944
ORDINARY REVENUE					
Income Tax	130,000	347,413	391,127	15,263	11,196
Sur-tax	80,000	12,164	10,380	739	520
Estate, etc., Duties	100,000	48,031	52,912	1,974	1,350
Stamps	19,000	8,320	6,968	1,500	1,110
N.D.C.	13,067	15,476	1,020	810	
E.P.T.	500,000	223,226	229,735	8,690	8,381
Other Ind. Rev.	1,000	228	130	20	10
Total Ind. Rev.	200,000	652,449	706,728	29,206	23,377
Customs	594,900	258,710	271,928	9,769	9,677
Excise	472,900	213,500	226,000	6,000	6,400
Total Customs & Excise	1,067,800	472,210	497,928	15,769	16,077
Motor Duties	27,000	3,711	3,909	...	...
P.O. (Net Receipts)	4,850	1,260	1,290	...	...
Wireless Licences	800	450	450	...	...
Crown Lands	7,350	1,993	2,410	...	9
Sundry Loans	24,000	38,891	41,186	1,179	2,120
Miscell. Receipts	310,180	117,096	125,391	46,154	41,582
Total Ord. Rev.	112,370	51,700	54,900	1,600	1,750
SELF-BALANCING P.O. & Brdcastg.	321,4170	122,2664	130,8801	47,754	43,332
Total					

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Sept. 25, 1943	April 1 to Sept. 23, 1944	Week ended Sept. 25, 1943	Week ended Sept. 23, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	183,900	212,617	969	1,272
Payments to N. Ireland	9,000	3,344	3,594	332	...
Other Cons. Fund Services	7,000	3,394	3,355	119	...
Total	436,000	190,638	219,566	1,420	1,272
Supply Services	550,1399	251,9701	257,5372	91,437	101,800
Total	593,7399	271,0339	279,4938	92,857	103,072
SELF-BALANCING P.O. & Brdcastg.	112,370	51,700	54,900	1,600	1,750
Total	604,9769	276,2039	284,9838	94,457	104,822

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £231,717 to £2,876,708, the other operations for the week (no longer shown separately) raised the gross National Debt by £63,138,699 to £21,128 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
War Damage Act	887
	1,087

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Ten-der	Tap			
1943					
Sept. 25	1170-0		Not available		
1944					
June 24	1360-0		437-8 29-5 1351-0	5354-2	
July 1	1400-0		Not available		
" 15	1420-0		" "		
" 22	1430-0		" "		
" 29	1430-0	2138-9	483-9 1-2 1418-0	5472-0	
Aug. 5	1430-0		Not available		
" 12	1430-0		" "		
" 19	1430-0		" "		
" 26	1430-0	2199-0	390-9 ... 1478-5	5498-4	
Sept. 2	1430-0		Not available		
" 9	1430-0		" "		
" 16	1430-0		" "		
" 23	1430-0		" "		

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1943				s. d.	
Sept. 24	90-0	188-8	90-0	19 10-97	37
1944					
June 23	110-0	199-5	110-0	19 11-93	35
" 30	110-0	203-6	110-0	20 0-57	41
July 7	110-0	197-4	110-0	20 0-89	45
" 14	110-0	200-7	110-0	20 0-54	41
" 21	110-0	204-2	110-0	20 0-26	36
" 28	110-0	214-2	110-0	20 0-46	33
Aug. 4	110-0	217-1	110-0	20 0-11	30
" 11	110-0	208-9	110-0	20 0-51	36
" 18	110-0	200-9	110-0	20 0-83	42
" 25	110-0	202-9	110-0	20 2-84	34
Sept. 1	110-0	222-5	110-0	20 2-85	35
" 8	110-0	217-7	110-0	20 2-41	30
" 15	110-0	220-4	110-0	20 1-17	31
" 22	110-0	207-2	110-0	19 11-60	54

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	Sept. 23, 1943	Sept. 30, 1943	Sept. 7, 1944	Sept. 14, 1944
12 U.S.F.R. BANKS	23	23	24	21
Gold certifs. on hand and due from Treasury	19,915	18,285	18,246	18,234
Total reserves	20,379	18,999	18,981	18,975
Total cash reserves	333	261	264	264
Total U.S. Govt. sec.	9,204	16,030	16,407	16,540
Total loans and sec.	9,237	16,145	16,533	16,722
Total resources	31,857	36,897	37,711	38,022
LIABILITIES				
F.R. notes in circ.	15,138	19,865	19,943	20,001
Excess m. bank res.	1,890	800	1,000	900
Mr. bank res. dep.	12,487	13,221	13,526	13,445
Govt. deposits	549	354	370	699
Total deposits	14,697	15,343	15,661	15,902
Total liabilities	31,857	36,897	37,711	38,022
Reserve ratio	68.3%	54.0%	53.3%	52.9%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,205	20,906	20,885	20,885
Treasury & bank currency	4,094	4,114	4,112	4,114
LIABILITIES				
Money in circulation	18,714	23,432	23,495	23,558
Treasury cash and dep.	2,815	2,734	2,754	3,089

CENTRAL BANK OF IRELAND
Million £'s

	Sept. 18, 1943	Sept. 2, 1944	Sept. 9, 1944	Sept. 16, 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. sec.	20.25	24.59	24.59	24.60
Sterling balances	1.65	1.20	1.39	1.62
LIABILITIES				
Notes in circulation	24.83	28.91	29.13	29.37

BANK OF CANADA
Million Can. \$'s

	Aug. 25, 1943	Aug. 9, 1944	Aug. 16, 1944	Aug. 23, 1944
ASSETS				
Reserve: Gold	41.3	31.98	35.78	37.32
Other	1141.8	1411.09	1412.55	1430.45
LIABILITIES				
Note circulation	789.5	950.65	953.65	954.06
Deposits: Dom. Govt.	62.8	45.04	66.40	65.71
Chartered banks	303.4	404.65	395.60	404.66

NATIONAL BANK OF EGYPT
Million £E

	July 31, 1943	May 31, 1944	June 30, 1944	July 31, 1944
ASSETS				
Gold	6.24	6.24	6.24	6.24
Brit. Govt. sec.	81.26	95.06	97.06	100.06
Egyptian Govt. sec.	1.50	1.50	1.50	1.50
Cash	3.82	4.96	4.65	4.65
Investments	102.05	138.19	138.13	140.52
Bills and advances	3.19	2.20	2.23	1.83
LIABILITIES				
Notes issued	89.00	102.80	104.80	106.30
Deposits: Govt.	43.68	62.75	63.82	62.89
Other depts. and accts.	72.99	103.24	106.71	110.22

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

	Aug. 2, 1943	July 17, 1944	July 24, 1944	July 31, 1944
ASSETS				
Gold and stg. exch.	29.18	33.05	33.52	33.65
Advances to State	34.13	42.02	41.31	41.38
Investments	10.31	11.74	11.74	11.74
LIABILITIES				
Bank notes	32.89	37.40	37.64	37.69
Demand liab.: State	13.15	11.45	19.81	10.75
Banks and others	27.14	37.04	37.31	37.52
Reserve to sight liab.	39.3%	38.5%	39.1%	39.1%

SOUTH AFRICAN RESERVE BANK
Million £'s

	Aug. 6, 1943	July 21, 1944	July 28, 1944	Aug. 4, 1944
ASSETS				
Gold coin and bullion	74.16	92.66	92.18	93.14
Bills discounted	12.95	18.99	21.11	20.04
Invest. and other assets	89.92	88.05	89.61	89.03
LIABILITIES				
Notes in circulation	45.89	51.51	53.61	53.93
Deposits: Government	5.19	4.23	3.69	3.03
Bankers	116.32	137.74	140.86	141.35
Others	4.70	7.41	4.25	5.74
Reserve ratio	43.1%	46.2%	46.0%	45.5%

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Aug. 9, 1943	July 24, 1944	July 31, 1944	Aug. 7, 1944
ASSETS				
Gold and English ster.	37.64	49.29	50.54	50.54
Other coin, bullion, etc.	10.51	15.42	16.23	17.14
Call money, London	49.51	118.65	123.18	119.96
Secrts. and Treas. bills	211.39	234.16	237.42	231.92
Discounts and advances	23.81	29.45	30.37	31.29
LIABILITIES				
Notes issued	144.76	191.99	194.99	195.49
Deposits, etc.	175.94	197.84	207.33	199.18

RESERVE BANK OF INDIA
Million rupees

	Sept. 17, 1943	Aug. 25, 1944	Sept. 1, 1944	Sept. 15, 1944
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	145	153	149	141
Balances abroad	997	2,488	2,587	2,755
Sterling securities	6,418	8,283	8,313	8,313
Ind. Govt. rup. sec.	734	578	578	578
Investments	77	115	115	116
LIABILITIES				
Notes in circ.: India	7,604	9,270	9,283	9,371
Burma	270	1,571	1,574	1,635
Deposits: Govt.	270	1,571	1,574	1,635
Banks	680	1,024	1,008	1,056
Reserve ratio	88.7%	92.3%	92.4%	92.4%

COMPANY RESULTS (September 6, 1944, to September 25, 1944)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriate					Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves	+ or - Carry Forward	Total Profit	Net Profit	Ord. Div.
£													
Breweries, &c.		£	£	£	£	£	£	%	£	£	£	£	%
Guinness (Arthur), Son & Co.	June 30	1,564,969	73,694	1,295,272	2,140,755	60,000	1,087,500	29	100,000	+ 47,772	1,564,298	1,290,903	29
Longmorn-Glenlivet Distilleries	July 31	13,016	...	7,516	24,885	750	6,000	40	...	+ 766	11,018	6,518	40
South African Breweries	Mar. 31	1,432,601	...	339,078	434,731	36,250	272,649	15†	...	+ 30,179	1,436,867	273,563	15†
Coal, Iron and Steel													
Barrow Barnsley Main Collieries	June 30	87,424	30,000	44,200	56,764	26,921	...	...	...	+ 17,279	41,203	7,577	Nil
Mauners Main Collieries	June 30	176,017	39,795	82,256	113,358	5,500	30,000	7†	45,000	+ 1,756	142,115	84,248	5†
New Monckton Collieries	June 30	17,703	...	13,772	15,126	...	...	...	...	+ 13,772	Dr. 7,535	Dr. 10,535	Nil
Pearson & Knowles Coal and Iron	June 30	46,552	...	Nil	...	...	...	...	...	...	55,779	Nil	...
Sheepbridge Coal and Iron	June 30	212,444	40,271	139,148	259,244	13,390	104,400	8†	20,000	+ 1,358	212,909	139,566	8†
Staveley Coal and Iron	June 30	1,029,437	203,044	299,405	438,034	...	236,975	7†	50,000	+ 12,430	967,917	273,211	6†
Stephenson, Clarke & Associated Cos.	Mar. 31	702,437	130,004	207,508	360,146	40,500	93,750	12†	50,000	+ 23,258	678,720	205,518	12†
Thorncliffe Coal Distillation	June 30	Dr. 36,190	...	Dr. 36,190	Dr. 14,900	...	...	...	...	- 36,190	21,830	21,830	25†
Financial, Land, &c.													
Australian Estates Co.	Dec. 31	408,878	...	61,408	80,672	17,500	22,500	5	...	+ 21,408	326,664	37,271	4
Ceylon Estates Investment	Mar. 31	5,797	...	1,346	3,267	...	1,242	10	...	+ 104	5,079	1,141	10
City of London Brewery & Inv. Trust	June 30	223,527	...	111,041	180,336	44,884	66,150	2†	...	+ 7	205,898	101,514	2†
Monument Property Trust	Mar. 31	144,019	...	Dr. 735	16	...	...	...	...	+ 735	137,204	Dr. 4,435	Nil
Selected Land and Property	Mar. 31	6,051	...	2,468	5,448	...	2,062	5	...	+ 406	6,004	2,440	Nil
Tati Co.	Feb. 29	19,243	1,733	5,531	30,848	...	2,629	2†	20,000	+ 17,098	18,277	4,791	2†
Trojan (Holdings) Limited	Aug. 14	14,508	...	13,495	14,586	500	12,751	10	...	+ 244	13,518	12,281	10
Trust and Mortgage of Iowa	Feb. 29	10,881	...	Dr. 32,082	Dr. 39,707	...	...	...	...	- 32,082	16,001	Dr. 7,704	Nil
United Gas Industries	Mar. 31	166,004	...	80,611	93,607	19,222	61,412	14 & 100	...	+ 23	160,228	87,713	15 & 125
Oil													
Attock Oil Co.	Dec. 31	602,427	200,000	140,499	273,887	...	135,000	7†	...	+ 5,499	748,349	180,405	7†
Rubber													
Bernam-Perak Rubber Plantations	June 30	227	...	Dr. 957	2,315	...	...	...	...	- 957	217	2,019	Nil
Glen Bervie Rubber	Jan. 31	594	...	Dr. 100	Dr. 4,569	...	...	...	...	- 100	116	Dr. 1,105	Nil
Glen Muir Estates	July 31	810	...	5,097	12,125	...	...	...	5,000	+ 97	628	34	Nil
Hevea (Johore) Rubber	June 30	482	...	Dr. 514	4,474	...	...	...	...	+ 514	502	Dr. 647	Nil
Kalidjorek Rubber	Mar. 31	1,042	...	1,042	2,694	400	...	...	...	+ 642	Dr. 1,781	6,832	6†
Kepitigalla Rubber Estates	Mar. 31	25,398	...	7,278	10,141	...	7,809	6†	...	+ 531	24,574	9,360	4
Klabang Rubber	Dec. 31	1,306	...	124	25,303	...	...	...	...	+ 124	1,231	Dr. 9,360	Nil
Muar River Rubber and Tea	Dec. 31	20,464	1,450	6,426	9,394	...	6,400	4	...	+ 26	20,777	1,049	4
Padang Jawa Rubber	Dec. 31	867	...	84	6,262	...	...	...	...	+ 84	1,049	114	Nil
Pelmadulla Rubber Co.	Mar. 31	117	...	Dr. 643	834	...	...	...	...	+ 643	122	Dr. 1,291	Nil
Pingang Rubber Co.	Dec. 31	72,518	4,025	20,844	34,355	...	20,763	15	...	+ 81	83,624	20,818	15
Prang Besar Rubber	Mar. 31	950	...	Dr. 3,741	6,811	...	...	...	...	+ 3,741	598	Dr. 4,440	Nil
Singapore Para Rubber Estates	Mar. 31	1,090	...	6,518	...	...	...	...	...	+ 155	1,040	167	Nil
Way-Halim (Sumatra) Estates	Mar. 31	134	...	Dr. 308	2,202	...	...	...	...	+ 308	148	Dr. 537	Nil
Shipping													
Furness, Withy & Co.	April 30	949,718	309,551	231,117	383,023	37,500	180,000	6	...	+ 13,617	901,189	197,308	6
India General Steam Navigation	Dec. 31	386,684	101,703	47,712	72,568	14,642	32,779	5	...	+ 291	420,351	50,415	5
Shops and Stores													
Great Universal Stores	Mar. 31	450,331	12,349	142,322	156,044	28,000	110,000	11†	...	+ 4,322	495,322	132,574	10†
May (Joseph) & Sons (Leeds)	June 30	41,233	1,300	16,556	33,215	7,500	7,500	7†	1,000	+ 356	32,855	12,797	5
Norvic Shoe Co.	June 30	230,917	...	77,854	140,717	48,000	16,000	20	...	+ 13,854	173,821	71,149	20
Owen & Robinson	May 31	11,194	...	4,579	7,627	2,100	1,050	6	...	+ 1,429	22,493	4,243	6
Tea													
Ankole Tea and Rubber	April 30	335	...	Dr. 290	10,974	...	...	...	...	- 290	253	Dr. 65	Nil
Assam Company	Dec. 31	177,305	...	35,536	61,319	...	33,750	5	...	+ 1,786	256,707	58,377	...
Badulipar Tea	Dec. 31	37,648	...	8,219	16,658	2,062	6,290	8	...	+ 133	96,263	7,297	...
Bogawantalawa District Tea	Mar. 31	114,072	...	11,991	13,931	4,455	6,480	8	...	+ 1,056	113,810	10,648	...
British Darjeeling Tea Co.	Dec. 31	12,283	800	7,360	9,356	...	6,480	9	...	+ 880	16,808	1,726	...
Chomsey Tea Estates	Mar. 31	6,092	557	4,440	2,931	600	960	8	...	+ 120	4,984	3,570	...
Longai Valley Tea	Dec. 31	14,929	...	4,486	8,315	1,866	2,376	4	...	+ 244	28,928	3,211	1
Looksan Tea Co.	Dec. 31	18,710	...	3,339	5,617	437	1,823	10	1,000	+ 79	25,163	6,491	...
Pathini Tea Co.	Dec. 31	35,570	...	7,355	7,712	1,209	5,800	15	...	+ 346	45,323	6,058	...
Pungajau Tea	Dec. 31	14,278	...	2,812	9,844	697	3,544	10	...	+ 1,429	34,240	4,399	1
Zaloni Tea Estates	Dec. 31	6,836	...	2,600	3,688	...	1,387	5	...	+ 1,213	17,171	1,583	...
Textiles													
Calico Printers' Association	June 30	437,353	...	303,862	346,754	301,610	...	...	...	+ 2,252	267,277	134,027	...
Fulton (William) & Sons	June 30	50,378	8,000	4,457	8,202	2,150	...	5	2,000	- 1,843	46,457	7,271	...
Harben's Limited	April 30	139,118	22,000	Dr. 3,090	25,190	5,625	...	...	...	- 8,715	177,820	25,943	...
Tramway and Omnibus													
Lisbon Electric Tramways	Dec. 31	205,946	...	108,738	138,258	12,766	47,552	5	55,000	- 6,580	206,967	113,948	...
Trusts													
Capital and National Trust	July 31	52,832	...	13,983	36,674	7,875	2,100	2	...	+ 4,008	47,507	10,893	...
Palmerston Investment Trust	June 30	6,520	...	2,168	4,170	...	1,360	2	500	+ 308	10,203	5,885	...
Second Alliance Trust Co.	July 31	237,455	...	81,392	94,869	18,903	44,100	21	15,000	+ 3,389	235,700	81,160	...
Second Scottish Western Investment	July 1	94,551	...	10,845	46,837	15,625	...	...	...	- 4,780	88,623	16,282	...
Other Companies													
Anglo-Thai Corporation	Mar. 31	46,022	...	28,965	93,843	4,550	20,000	10	...	+ 4,415	48,834	27,278	...
Blackeborough (J.) & Sons	June 30	157,083	...	20,219	32,797	2,690	11,700	20	5,000	+ 829	163,721	26,922	...
Brightside Foundry and Engineering	June 30	127,303	15,000	61,059	1,050	30,625	35	20,000	...	+ 9,184	163,100	75,246	...
British Homophone Co.	June 30	19,221	...	7,587	23,859	2,028	4,979	7	...	+ 580	17,133	9,918	...
Budgett (H. H. & G.)	Feb. 28	92,127	...	17,045	39,977	13,500	...	...	...	+ 3,545	112,682	14,247	...
Coen, Weenen & Co.	June 30	65,857	...	59,607	111,416	45,000	...	...	...	+ 5,607	69,678	63,428	...
Coscor (M.) & Son	June 30	46,356	7,279	17,512	22,445	2,200	8,000	20	5,000	+ 2,318	41,744	14,217	...
Coscor (A. C.)	June 30	116,571	...	102,606	178,799	15,000	50,000	10†	4,404	+ 33,202	108,203	97,058	...
Cowburn & Scotts (Beverages)	Mar. 31	17,219	...	3,786	6,244	...	3,675	7	...	+ 111	11,520	3,705	...
Edinburgh Limited	May 31	69,359	909	2,514	8,779	1,121	833	6	1,000	+ 440	63,333	2,747	...
Esca (Joseph) & Sons	Dec. 31	1,040,472	70,628	644,747	836,128	227,500	375,000	25†	...	+ 42,247	1,210,224	553,322	...
Esca Record Co.	Mar. 31	117,751	6,528	91,230	107,863	4,608	32,084	100	50,000	+ 4,538	102,528	19,230	...
Genies Limited	May 31	142,188	...	30,637	49,480	12,296	8	15,000	...	+ 3,341	167,834	28,391	...
General Services Limited	June 30	336,423	6,917	132,635	34,913	7,250	113,850	25	...	+ 2,330	345,733	115,493	...
Handberg (J.) & Co.	June 30	31,583	13,123	15,635	61,667	2,625	7,414	6	...	+ 971	32,890	16,473	...
Harcast Limited	June 30	140,995	...	26,601	61,667	2,625	22,613	30	...	+ 3,868	162,395	3,880	...
Haves & Sons	June 30	140,995	...	10,290	12,430	5,124	1,298	2†	...	+ 15,646	83,875	8,477	...
Island Waggon Works	April 30	32,790	11,118	18,346	34,589	2,700	...	...	...	+ 3,849	18,133	2,592	...
Islanders	Mar. 31	87,631	2,295	6,526	13,197	8,571	41,080	10	5,000	+ 726	145,698	44,863	...
Phone Rentals	Dec. 31	20,821	...	46,806	79,622	...	50,000	10	...	+ 16,172	548,362	420,122	...
Shon Cold Storage Co.	May 31	146,805	125,000	426,172	686,439	360,000	...	...	...	+ 925	12,609	9,654	...
Shon Indigo and Chemical	June 30	554,412	...	9,831	26,570	5,625	3,281	6†	...	+ 3,019	42,099	19,042	...
Shon Brothers (Drop-Forgings)	June 30	41,977	...	19,196	35,791	2,199	7,000	7	...	+ 33,296	2,905	2,905	...
Shon Brothers	Mar. 31	35,577	1,984	2,899	2,899	15,984	11,000	8	...	+ 11,492	191,417	38,350	...
Shon (A. C.) Limited	Dec. 31	211,992	...	38,476	76,295	...	6,250	12†	...	+ 23	17,731	8,308	...
Shon Shearing Machine	Dec. 31	18,949	8,176	6,273	25,819	...	...	...	...	...	...	...	...
Totals (£000's):													
No. of Cos.		86	14,436	1,449	5,784	9,132	1,535	3,515	...	472	+ 272	14,065	5,367
January 1 to September 25, 1944...		...	328,588	25,383	134,723	228,399	29,535	83,154	...	15,981	+ 8,053	322,716	126,994

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Further particulars can be obtained from the undersigned.

September, 1944.

STANLEY DUMBELL, Registrar.

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Applications are invited for the appointment of Deputy Manager, Municipal Transport Department.

The salary for the appointment is £1,000 per annum, rising to £1,250 per annum by increments of £25 per annum. The war bonus on the commencing salary is at present £40 lis., subject to modification.

Applicants must not be over 45 years of age and must have had accountancy and administrative experience, not necessarily in a transport undertaking. The person appointed would be responsible to the General Manager of the Municipal Transport Department for all the administrative, accountancy and statistical work of the Department, and would take over the duties presently carried out by the Secretary and Treasurer.

The appointment is subject to the provisions of the Corporation Superannuation scheme, which is a Local Act Scheme, and the successful candidate will require to pass a medical examination.

Applications, stating age and full particulars of qualifications and experience, together with copies of not more than three recent testimonials, must be received by me in an envelope endorsed "Municipal Transport Department: Deputy Manager," not later than 18th November, 1944. Persons at present serving in H.M. Forces or engaged on war duties are invited to make application for this appointment.

WILLIAM KERR, Town Clerk.

City Chambers, Glasgow, 15th September, 1944.

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- (e) The Institute will contribute £70 per annum towards insurance and endowments taken out by officers, while they are in its employ;
- (f) The Board of Trustees will grant sick leave on full pay, for a period not exceeding 12 months, to its officers who fall ill during the course of their duties or due to the tropical climate and in addition the Board will cover each officer with a £10 yearly accident-illness insurance, which will be taken out in the name of the Board; any payments under this insurance will be allotted as the Board thinks fit.

Applicants are asked to state their age, place of birth, general training, research experience, and to give a list of their publications; they should submit as many testimonials, or names of references as they can; and should send a medical certificate stating that they are fit to do field-research in tropical areas.

Men and women will be considered on equal terms; married couples, both of whom are research workers, will count as two officers if appointed as such. Men and women serving in the national forces are asked to submit their applications, and allowance will be made for the fact that it may be some time before they can take up their posts. However, where possible, applicants are asked to state when they would be free to come to Livingstone, if arrangements can be made for them to travel.

To: The Director,

Rhodes-Livingstone Institute.

P.O. Box 195, LIVINGSTONE, Northern Rhodesia.

INTERNATIONAL STUDENT SERVICE

The British I.S.S. Committee invites applications for the post of Director, at a salary of approximately £700 per annum, for a minimum period of two years. Duties will include the organisation of a National Appeal for world student relief, together with educational work in the Universities. Applicants should forward five copies of their applications, accompanied by recent testimonials or references by October 14th to The Secretary, International Student Service, 11d, Regent Street, London, S.W.1.

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THE ECONOMIST

ESTABLISHED 1843

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

More Perfect Union

THE Governments of France and Belgium have returned to their countries. The Dutch will follow them soon, and now that these Allied neighbours are leaving London it is time to ask a question that could not perhaps be fully answered until their sovereignty was fully restored and they had re-established contact with their own peoples. The question is quite simply whether the bitter strategic lesson of 1940 and 1944 has been learnt, and whether the nations intend to develop a policy in accordance with that lesson. In 1940, and again in 1944, Western Europe has learnt that it has no hope of successful defence without Britain. Equally Britain knows that without the western fringe of Europe, it cannot ward off the threat of bombardment and invasion. Separate, they fall. Together, they can lay the foundations of security.

These are the simple facts from which arise the desire for closer and more permanent union between Great Britain, France, Belgium and Holland—to which might well be added Norway and Denmark. It is not only in this country that the idea has been discussed. General de Gaulle, some months ago, gave expression to a similar idea. The Dutch and Belgian Governments have concluded a currency agreement and are discussing, in

general terms, the project of a customs union. Both these are specifically designed to invite the collaboration both of France and of Britain, and a British-Belgian currency agreement has been announced this week.

This idea of a closer association on the West Coast of Europe has hitherto suffered from some of its expositors. General Smuts was one of the first to give it authoritative expression, and he did so in the clumsiest possible way. What should be a project of Mutual Aid, of Good Neighbourliness, was presented as a means for aggrandising the competitive power of Britain, and was coupled with the most offensive remarks about France. So presented, it offended American opinion, on whose ears all discussion of "power politics" still grates. It offended Russia, against whom alone the combination would be directed. Most decisively of all, it offended the potential members of the association, who were invited to see in it only a means of subordinating them to British policies and exploiting them for British ambitions. And internationalists all over the world were affronted by a proposal that seemed to smack of exclusive particularism.

It has taken a long time for even such an obviously sensible idea to recover from such sponsorship. Fundamentally, of course, there is nothing in the proposal of a

closer association in Western Europe to which anyone could reasonably object—save perhaps some future German aggressor. To American critics it can be said that the sort of association proposed is no more harmful to the outside world than the Pan-American Union—and that it would have a more real economic, cultural and strategic content. To Russian critics it can be said that the basic idea would, but for one thing, be identical with that which leads them to take an interest in Finland and the Baltic States, in Poland and Roumania—the one difference being that the Western Association would proceed only by the free consent of all parties. And to the Western Europeans themselves, whose desire for unity is qualified only by apprehensions about the restoration of their full sovereign status, it can be pointed out that there is no country on earth that has had more experience in respecting the equal status of smaller countries than the leader of the British Commonwealth of Nations.

Nor is there any reason why closer union in Western Europe should be considered to prejudice the chances of a more universal organisation. The practical possibilities along the universal line are being seen, at Dumbarton Oaks, to be very restricted. But even if that were not so, another association of free and peaceful nations should properly be regarded as a step in the right direction—as are the Pan-American Union and the British Commonwealth. Anything in the nature of an all-European union or federation is clearly not practical politics at the moment. In the East there is a Russian veto on any such projects; in the centre there will, for many years, be a German void. In the Mediterranean, Spanish ambiguity and Italy's probationary status are obstacles. There is nowhere but the Western fringe where a start can be made and where the techniques of merging sovereignty in a wider unity can be worked out.

At the moment, by a paradox, the chief step necessary to achieve closer relations is not less sovereignty, but more. The attitude of France is to a great extent the determining factor in any schemes for closer union. At the moment, the French are bewildered and upset by the fact that Britain will not afford full recognition to the Provisional Government of General de Gaulle. Until this step is taken, it will be quite impossible to stabilise the relations between the two countries, least of all to suggest closer relations, which can easily be twisted into meaning a subtle attack on French independence. It is an inflamed and sensitive point. The British Government will need all its powers of tact and friendship to make it obvious that the proposal of closer association is not a disguised attempt to strengthen Britain but a common interest of equal powers, all concerned with forwarding their own security. It was evident, however, from last week's debate that the Foreign Secretary believes progress can be made, since he gave the proposal his explicit blessing.

*

How can the project be best advanced? The only method of approach lies through particular objectives, not through formal surrenders of sovereignty. Mr Churchill's dramatic offer, in 1940, of complete union between Britain and France was one of the great gestures of history. But it is not by such means that progress can best be made now. Any proposal of a federation, or a union, would rouse the maximum opposition, outside the countries concerned as well as inside. A more helpful precedent is to be found in the close association achieved between Britain and France in the first months of the war, the outward form of which was a number of *ad hoc* bodies, each dealing jointly with a specific problem—finance, supplies, transport and so forth. With appropriate modifications, this is the best system to adopt now.

The first priority is naturally defence, since security is the impelling reason for a closer association. This war has shown how many different expedients in the way of pooling are possible, without an official abatement of sovereignty. The Combined Chiefs of Staff, who now link the American and British forces, might be reproduced in more permanent form to ensure the strategic

unity of Western Europe. The types of weapons used should be standardised and, if a further precedent is needed, it can be found in the Combined Production and Resources Board. Research into developing methods of defence could be carried out jointly, and it should be possible to see that the staff colleges and military academies of the four countries not only gave the same type of instruction but were in close touch with each other. In this manner, a common "staff mind" would be built up.

Strategy, of course, is meaningless without foreign policy. The complete co-ordination of foreign policies is perhaps too much to expect. The British spokesman at the new Geneva will not be able to "speak for" the countries of Western Europe in the sense of committing them by his words. But he can, and should, speak for them in the sense of consulting them before he takes his decision—France, of course, will always be directly represented. The British Government should cultivate the habit of consulting as regularly with Paris, Brussels, The Hague, Copenhagen and Oslo as it already does with Ottawa, Canberra, Wellington and Pretoria. And, in the one case as in the other, such consultation will almost always result in an agreed policy.

The scope for closer association in economic matters is as great as in political affairs. But the problem is more complicated. It should be possible to proceed from the clear to the less clear. Currency arrangements—at least for the transitional period—are among the most obvious objects of common policy, and it is in this direction that discussion has already proceeded furthest. The economic interdependence of these six countries is so great that they can hardly draw up Full Employment policies except in concert—and with Full Employment goes, of course, capital development and budgetary policy. Civil aviation is another matter in which there is an obvious community of interest—the greater in view of the fact that British, French, Dutch and Belgian colonies adjoin each other all over the world.

But when the proposal for closer association in the economic field is broadened out to cover the general mutual trade of the countries concerned, the matter becomes more complex. For Imperial Preference among the British nations there is—or at least is asserted to be—a special exception to the Most Favoured Nation rule. Whether any such exception would be granted to preferential arrangements among the countries of Western Europe is much more doubtful. The proposal would be likely to arouse strong opposition, in particular, from the United States. It would, therefore, seem to be a case of all or nothing—either a complete customs union or the *status quo*.

There is very little room for doubt that the creation of such a customs union—a unified market of 115 million people, not counting any of their colonial dependencies—would be an immense benefit to its members and to the world at large. But that does not mean that everyone would be in favour of it. From the British end, there would be opposition from the Dominions as well as from domestic producers. (How, for example, would the steel industry like the prospect of free imports from France, Belgium and Luxemburg, or the farmers that of unlimited Danish bacon?) And the other countries might well be as suspicious of a British proposal of customs union, as the British themselves would be of one coming from America. The possibilities will need to be very cautiously explored.

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Another obvious field for joint effort is the development of the Western European countries' colonial empires. In Africa and the Far East, political divisions do not always conform to geographical and physical differences, and economic development on a regional basis would give far better results. This is obviously the case in West and Equatorial Africa. There could of course be no question of diluting the political administration. Such a proposal would arouse fears for sovereignty and possibly suspicions of the "imperialist" intentions of Great Britain. It would also bewilder the local peoples and retard their develop-

ment towards self-government. Yet joint technical services should be possible at once in health, agriculture, engineering, and transport. Principles of administration could be approximated over a period of years to a long-term goal set for self-government, not piecemeal, colony by colony, but on a regional scale.

Such suggestions may sound revolutionary, but the Lancaster bomber and the assault craft and the duck and the doodle are all revolutionary. The environment of peaceful living in Europe has changed drastically in the last twenty years and unless the nations are prepared to alter their habits as drastically, they will go the way of all those who have failed to adapt themselves to their environment—they will not survive. Yet while these projects are revolutionary, they are also intensely delicate.

Real Estate

HOUSING and town planning and the complex of questions connected with them have been all but monopolising the attention of Parliament since its re-assembly. The Commons have passed the "Portal Houses" Bill and have been dealing in Committee this week with the "Blitzed Areas" Bill. The Lords have had an interesting and authoritative two-day debate on Lord Balfour's motion. All this is quite natural, for the housing and planning complex interests almost every section of the public. For the practical-minded, there is the urgent need for repairs to damaged houses and for new dwellings. For those with a longer vision, there is the knowledge that the next few years provide an unparalleled opportunity—perhaps the last one—for bringing some order and beauty into the squalor that the nineteenth century left behind and the twentieth has created.

There are three main inter-related problems. The first is housing—the provision of shelter for those who have none and, thereafter, the replacement of unsatisfactory houses. The second is planning—the proper use of the land. The third is location, usually regarded as the location of industry, but equally properly considered as the location of housing. Each of these has its attendant subjects, such as the organisation of the building industry or the re-training of labour. And each of them is criss-crossed by financial difficulties. But fundamentally they make a single complex and no one of them can be fully solved in isolation from the others. All three are but different aspects of the single great subject, how the country can make the best use of its land and buildings, its real estate.

The Government is moving on all three lines. There is a large-scale mobilisation for repair work in London. Housing and planning Bills are now before Parliament, and the sections of the recent White Paper on Full Employment that dealt with the location of industry were

At every step, outraged national feeling, crusted vested interest and inveterate suspicion lie in wait to check this experiment in organised Good Neighbourliness. It is therefore essential that it should be launched at once. The enthusiasm of common victory, the good will and gratitude of shared hardship still link Britain to her eastern neighbours. In Europe, too, the unscrambling of the New Order must leave a period during which a sort of economic vacuum will prevail, before new interests and new groupings have time to come together. Therefore now, when optimism is highest and opposition is most disorganised, is the time to make the proposals, try the plans and put the whole weight of British prestige and diplomacy behind the project of a "more perfect union" between Britain, France, Scandinavia and the Low Countries.

among that document's most promising passages. With this show of activity, it might seem churlish to cavil. Yet there is a great deal of criticism. In housing it takes the form of a demand for a separate Ministry of Housing—a sure sign that public opinion recognises the existence of a problem without knowing what the solution is. In planning there is a sustained barrage of criticism both from the perfectionists and from the "interests." The location policy is not yet under fire, but that may be only because its practical shape cannot yet be discerned.

It would be impossible to deny that the steps being taken by the Government are both piecemeal and provisional, and that, even in the sixth year of war, must presumably be accounted a defect. In housing there is a scheme for temporary houses, but not yet a building programme. In planning there is a Bill to help "blitzed" and "blighted" towns, and a White Paper on betterment and compensation, but no decision on what sort of planning is to be done by whom. In location there is only the abstract statement of some admirable generalities. This is the indictment of the critics, and it is an impressive one. They clamour for comprehensive and co-ordinated policies. But what they do not seem to realise is the magnitude and difficulty of the questions that have to be answered before whole-hog policies can be adopted.

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In point of time, the need for houses is by far the most urgent. Unless it is adequately met, proposals for improving the layout of towns will be regarded as a luxury and their claim to a share of the national resources strongly opposed. The immediate needs of the demobilised population must clearly be met, whatever the cost. Everyone must be housed somewhere. In practical terms, this

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So much is accepted common form. The big question mark relates to the size of the long-term programme of permanent housing. Should the building industry be swollen to an enormous size, in response to the urgency of the immediate demand, but at the cost of later unemployment? Or should a permanent industry of more moderate proportions be aimed at, with a much greater immediate emphasis on temporary housing? This depends on the probable level of demand for housing in the next thirty years, and that in turn depends on a major decision of Government policy. The ordinary wage-earner has never in history been able to afford the full economic cost of new houses—or at least of new houses that meet any reasonable standards. After the war he will be less able to do so than ever, since not only have building costs risen out of all proportion to incomes, but standards of housing are, with the best of intentions, being substantially raised. The great housing boom of the 1930s obscured this basic truth, which bedevils housing policy in other countries—even in rich America—as much as it does here. But the circumstances of the boom were exceptional, since it was nourished by the great rise in real incomes that followed from the drop in food prices in the Great Depression. And even so, the great bulk of the houses built in the 1930s were for the middle classes, who by 1939 were substantially rehoused. Precise prophecies are dangerous; but the overwhelming probability is that the continuance, after the first few years of urgent demand, of large-scale housing will only be possible if there are equally large-scale subsidies.

How much will it be reasonable for the state to find in housing subsidies, given the level of taxation and the many alternative claims for the money? This is the big question that is blocking the way to a comprehensive housing policy. And with the best will in the world, it cannot be answered lightly or quickly.

In the field of planning, the need for far-reaching decisions, and the difficulty of reaching them, is even clearer. It is impossible to get very far with planning without a solution of the compensation-and-betterment tangle. The Government has produced its proposals, but clearly anything so far-reaching and complicated must be fully discussed before it is enacted into legislation.

Another of the basic difficulties has come to the fore in the discussion of the "Blitzed Areas" Bill now before Parliament. The re-development of crowded cities along roomy and spacious lines involves a considerable outlay by local authorities upon the acquisition of land for public purposes; but it also involves a loss of a large proportion of their population—and consequently of their rateable value—to surrounding areas. The Planning Bill offers only grants to meet the cost of loan charges for redevelopment for a limited period. But to the cities concerned, the cost is permanent and the redevelopment schemes will themselves lower the cities' ability to pay. The Plymouth Plan, for example, proposes that the city should lose 40,000 of its pre-war population of 210,000, who would be rehoused over an area eight times the size of Plymouth itself. They would take £360,000 of rateable value with

them. How can ten-year grants towards loan charges meet a situation such as this?

The cities themselves suggest that their boundaries should be extended. This may meet the need in some cases, though it is difficult to believe that such large extensions could be put through quickly, whatever the law said. The wishes of the present inhabitants of the districts affected cannot be completely ignored. Nor could such a solution meet all cases—that of London, for example, where dispersal from the centre is planned over a vast area extending twenty miles and more beyond the boundaries of the County of London. More generous Exchequer grants may be another possible expedient; but they would clearly be an expedient only. It is difficult to avoid the conclusion that these practical planning problems—let alone the "comprehensive" plan to which the Government was at one time committed—cannot be solved without a fairly complete recasting of the whole system of local government. Planning must be regional rather than local; but it cannot be both regional and effective until there are not merely regional planning authorities but also regional bodies with financial powers sufficient for them to recover out of the gains of the country the taxable capacity lost by the towns. The practical politician could hardly be set a larger or more difficult task than that.

In location, too, the country is in the position of having committed itself to an end without having sufficiently examined the necessary means. The new policy is to take the work to the labour, rather than the labour to the work, and wholly admirable it is. But as a means of execution, the Government is apparently not yet prepared to go beyond the prohibition of new factories in some areas (pre-eminently London) and "inducement and persuasion" to industrialists to build their new factories in other areas, such as South Wales and Durham. It is very doubtful whether this will be enough to exercise a decisive influence over the location of new factories. They will, no doubt, be kept out of London. But they will go to Leicester and Nottingham and Bristol rather than to the black areas. If the policy is to be a reality, industry will have to be told, not only where it may not build, but where it shall. Is the country ready for that? And even such drastic compulsion may not be enough, for the annual increment of new factories is very small compared with the existing number. To take the work to the workers, it may be necessary to compel existing, established industries to move. When will the country be ready for that? Yet without it, the new location policy may turn out to limp very badly.

Here, then, are three very large questions of policy. Shall there be enormous housing subsidies? Shall the fabric of local government be taken apart and put together again? Shall compulsion be exercised over the location of future, and even of present, industries? Answers to all three are necessary if the housing and planning complex is to be comprehensively tackled. But all three are very difficult to answer. The Government will not have done its duty until it speaks its mind on all three. And the critics will not have established their claim to responsibility until they too have faced these major obstructions.

A Policy for Wealth—VII

Managers and Distributors

PREVIOUS articles in this series have discussed the major elements of a policy for speeding up the wealth-creating process in this country. The present, and penultimate, article is concerned with two further matters, unconnected with each other save for the fact that no survey of national productivity could be concluded without some mention of them. The first of these is the quality of industrial and commercial management. The second is

the efficiency of the distributive mechanism of the country. The following article will summarise the whole series.

The article that appeared last week raised, as one aspect of the subject of technical progress, the lack of adequate scientific qualifications among the managers of British industry. But the question of management is far wider than the possession of, or failure to possess, a scientific degree. The first job of the manager is to manage, and

though that cannot, in these days, be adequately performed without some technical qualifications, scientific knowledge is in itself no guarantee of efficiency in management. The wider question must be asked, Are British managements efficient?

This is another large question on which no generalisation is possible without a thousand exceptions and disproofs being immediately offered. Unquestionably, there are efficient managements in Great Britain, doubtless among the most efficient in the world. But he would be a hardy optimist who would contend that, on the average, the quality of management in productive industry in Great Britain is as good as it is in either of our two main rivals, the United States and Germany. Indeed, the proof can be found in the pervasive spread during the last two decades of the doctrines of protection and safety first, of organised restriction and subsidised stability. Efficient industrial enterprisers, who took a pride in their powers, would scorn such resorts of the inferior.

One reason for this state of affairs lies in the extent to which British business management is still dominated by the amateur. It is only in this country that the curious profession of the "director of companies" still exists. There are thousands of men in this country who make a handsome living by sitting on a large number of boards and directing the affairs of companies to no one of which they can give more than a small fraction of their time and attention. Some of them, of course, are mere guinea pigs. Even the more reputable and hard-working, though they can offer their companies a great deal of sound general advice, based on a wide knowledge of men and affairs, remain the merest amateurs in relation to each one of them. That a sprinkling of such men would be an asset to any board is beyond doubt. But that so many boards should consist entirely of such men cannot be other than a handicap to wise, energetic and far-sighted management. The description of company directors in the Liberal Yellow Book nearly twenty years ago is still all too true today:—

A director, once appointed, though nominally requiring re-election every few years, considers himself entitled to the office for life, unless he chooses to retire. . . . Sometimes there may be a chairman or a group within the board strong enough to drop a useless director. But, generally speaking, a director would consider himself greatly aggrieved if he were dropped merely because he was elderly, useless or without special qualifications for the work. It would even be considered bad form to propose such a thing. Since the duties are indefinite and the privileges agreeable, the way is open to various kinds of jobbery. The pay is often high in relation to the work done; though for directors who take their duties and responsibilities seriously, it may often be too low. Some individuals hold dozens of directorships. A director on resigning frequently expects to be succeeded by his son. A directorship is, therefore, too often considered as a pleasant semi-sinecure and a desirable vested interest, for the loss of which compensation is expected as a matter of course. Directorships are, in fact, the "pocket boroughs" of the present day.

This could hardly be written about either America or Germany. In both countries the structure of company organisation is somewhat different. In America, the institution of the President of a company, with his Vice-Presidents, some or all of whom are usually members of the board, enhances the status of the full-time expert managers and gives them a much larger voice in policies. In the majority of American corporations the outside directors are, and regard themselves as, consultants. Multiple directorships are far less common and multiple chairmanships very rare. In Germany, the distinction between the board of directors and the supervisory council has (or had) much the same effect.

Anything that would increase the expert element in the typical British board would be an improvement. Even in the most hidebound companies there are usually a few keener spirits in the ranks of the management. But if an ambitious man knows he cannot attain to the board, which is reserved for influential outsiders, he will go elsewhere. There should be a steady gradation, not a rigid barrier,

between the executive managers and the highest policy making organs. Only so can practical experience have an immediate impact on policy.

But structural changes by themselves would have little effect. The quality of personnel is all-important. Here the indictment is thrust back on the educational system of the country. British education is not at present producing good businessmen. Partly this is because business does not recognise education as a qualification, and partly because education does not recognise business management as a profession. In either case, it is a condemnation of both parties. This is not a plea for "Business Schools," though they have their value. It is a plea for recognition of the fact that the successful management of business requires the educated qualities—wide visions, discriminating judgment, intellectual self-confidence. And it is a plea that the production of wealth for the consumption of the community should be regarded as one of the worthiest professions in which educated minds can be employed.

This is clearly too wide a subject for more than mention in a single article at the end of a long series. It is, after all, only part of what should be one of the major national preoccupations, the Supply and Use of Brains. All that can be done here is to note the fact that without business management of the highest quality—be it in private or in public employment—no policy for wealth can go very far.

It is no part of the purpose of this series of articles to enter upon a discussion of the problems of individual industries. But there are three industries which cut across all forms of economic enterprise and which consequently lie very close to the centre of any policy for increasing the national efficiency. These are transport, fuel and power, and distribution. Transport has, within the last few weeks, formed the subject of a special series of articles in *The Economist* and it is not proposed to say anything further here. Fuel and power are the objects of the most familiar and constant concern, on which also everything has already been said many times. There remains distribution, in itself a fit subject for the most extensive treatment, but on which only a few general considerations can be noted here.

In the modern age, distribution, in all its various branches, is far and away the largest industry of the country. Any technical inefficiency in it must therefore have an appreciable reaction on the national income, both directly and through its effects on the efficiency of other industries. It is these latter with which we are here mainly concerned.

The merchant has always played a very large part in the structure of British industry and commerce. Possibly because of his essential services in the export trades, he has, in many industries, achieved an almost dominating position, as the entrepreneurs' entrepreneur. Structures that have worked well in the past should be tampered with only very cautiously. Nevertheless there is a case for saying that the merchanting organisation is acting as an obstruction to the technical rationalisation of a number of trades. The small scale of enterprise in the selling end imposes a small scale of operations, or at least an uneconomic variety of types of production, at the manufacturing end. This is most visible in the textile industries, but it can be seen in many others. Variety of types, with the high costs it imposes, often exists not because the ultimate consumer demands it, but because the merchant requires it to sustain his identity. Each industry, of course, has its own problems, and generalisation would be unwise. But at least it can be contended that, in any scheme of technical rationalisation, with the object of greater efficiency, distributing methods should not be left out of account.

Another and specific source of waste in distribution is to be found in advertising. Not all advertising, of course, can be dismissed as wasteful, and since the total expenditure on all forms of advertising in peacetime is only some 2 per cent of the national income, the dimensions of the problem cannot be large. Advertising may even have

a beneficial effect if it helps to build up a larger market for specific lines of goods which can be more cheaply produced in large quantities. But some types of advertising are clearly pure waste, such as the rival hoardings that shout the merits of different beers, or the advertising campaign which merely enables a branded commodity to sell for more than the identical goods without a brand. It is difficult to see how the good and the bad types of advertising can easily be distinguished, and still more difficult to see what could be done by public policy to penalise the one without the other. But the subject clearly cannot be omitted from any survey of economic efficiency.

NOTES OF THE WEEK

Events and Hopes

When Mr Churchill gave his last survey of the war, before Parliament rose for the summer recess, the American First Army had just broken through into Brittany, and the apparent stalemate in Normandy was over. It was a time when events, swift though they were, did not move fast enough for thoughts and hopes—minds jumped ahead to the liberation of France while the Allied armies still held only the north-west corner. Then, suddenly, events not only caught up with thoughts, but outpaced them. Three weeks after Mr Churchill spoke, Paris was freed; the liberation of France was completed with the advance of the French and American armies from the Mediterranean; with breathtaking swiftness another capital fell to the Allies, and Belgium was freed; within three weeks of the fall of Paris the Americans had crossed the German frontier. It is small wonder that when the Battle of London was declared over and air-raid precautions relaxed, thoughts should once more take the lead and expect a speedy end to the war. They have been disappointed. The Germans are fighting back fiercely; their garrisons in the Channel ports held out with a tenacity only rivalled by the defenders of Tobruk; the British Second Army is still held in Holland. Nor was there any encouragement to be obtained from Mr Churchill's somewhat pedestrian survey of the war last week. He gave some impressive facts about the strength of the Allied armies in north-west Europe—two to three million men,

equipped with the most perfect modern weapons and every imaginable contrivance of modern war.

and casualties have been relatively light—after 120 days' fighting, 90,000 British killed, wounded or missing and 145,000 Americans. But he gave a warning that the war might be prolonged well into 1945. Yet though hopes have been subdued in the last few weeks, and people are adapting themselves to the idea of a sixth winter of war, there is still a chance that events may recapture the speed with which they marched six weeks ago. There was no hint of drama in Mr Churchill's speech, which may well have been his last survey before the German war ends, and, indeed, he suggested that the end would not come with dramatic suddenness, but would rest on a declaration by the Allies while mopping up of Nazi guerillas continued. But events, whether they move slowly or quickly, are inexorable, and the drama is there whether the final curtain comes down in six months or in six weeks.

The Second Fall of Warsaw

On Monday, October 2nd, the last shots were fired by the Polish insurgents in Warsaw. So ended the most tragic fight of this war. It started on August 1st, when the thunder of Russian guns shook the walls of the Polish capital. The Russians were approaching Warsaw, and, as Marshal Stalin told M. Mikolajczyk, they expected to capture it by August 6th. Accusations that the rising was "premature" are therefore false. The real tragedy of the rising was that it had not been prepared in co-ordination with the Soviet Command. Only the Soviet military authorities would have been able to fit the insurrection into the general pattern of the campaign in Poland, and, while giving effective assistance to the insurgents, to draw the maximum strategic benefit from the battle. That this co-ordination was lacking was certainly not the fault of any particular Polish commander. It was the direct result of the suspended relations between the Polish and Soviet Governments. The political

The main conclusion to be reached by anyone who, with this purpose in mind, reviews the problem of distribution is that we know so little about it. There is no department of the national life of comparable importance on which there is so little information that can be relied upon as a guide to public policy. It is good news that the Board of Trade is at last bestirring itself to organise an authoritative voyage of exploration. There may be shocks as painful—and as salutary—to be derived from a comparison of distribution methods in this and other countries as are sustained by anyone who inquires into the relative efficiency of productive industry.

situation produced a military tragedy. Even so, the rising might have succeeded had the Russians not suffered a severe setback at the gates of Warsaw in the first days of August. Their reverse resulted in a Polish Armhem, which was the more tragic because it lasted not ten but sixty-three days, because it entailed unspeakable sufferings for more than a million civilians, and in the words of the communiqué from Hitler's headquarters, "it led to the total destruction of the capital." In August and September the main Russian force to the east of Warsaw was unable to link up with the Poles, who virtually acted as its vanguard in Warsaw. Only by air could any assistance be despatched to the insurgents to enable them to hold out until the Russians were ready for the final assault. From the west the assistance was given relatively early. But it was hampered by bad weather and by long distances; and it could not be adequate. From the east no help was given until the middle of September, by which time the insurgents had already lost most of their vantage points inside the city. Meanwhile an inexplicable dispute arose between the Allies over the question of landing facilities. The Americans were ready to fly substantial help to Warsaw provided they could land on Soviet airfields to the east of the capital. Inexcusably, the Russians first refused, and then, very late in the day, rescinded the first decision. All these delays cannot but have worsened the chances of the insurgents who were in any case fighting against very heavy odds. Thus at every stage the political divergences between the Allies deepened the tragedy of the Poles. This is the grave warning which must be drawn from the second fall of Warsaw in the sixth year of war.

Polish Test

The Warsaw insurrection has clearly demonstrated the extent to which the Polish political parties in the Mikolajczyk Government genuinely represent their people. It has also shown how little political influence is exercised by the Soviet-sponsored National Committee. The insurgents of Warsaw have sealed their allegiance to their Government with their own blood. The rising was not confined to small military groups. Broad masses of the people were drawn into it. The Committee, on the other hand, was so surprised by the rising that at first it even denied that fighting was taking place in Warsaw. It is surely obvious that these facts have one lesson and one only for the Russians. If they really want a genuine agreement with the Polish people, they must reconsider their attitude towards the Polish Government. But will this conclusion be drawn? During the rising a crisis among the Poles in London led to the dismissal of General Sosnkowski, the former Commander-in-Chief, notorious for his opposition to reconciliation with Russia. The Polish President at last acquiesced in the General's departure. At the same time, he has not pressed his former demand that the extreme Nationalists should enter M. Mikolajczyk's Government. Thus, on the Polish side, a serious effort has been made to remove the genuine obstacles to a policy of agreement with Russia. Yet to the surprise of everybody, these conciliatory steps met an unworthy and obstructive reply. Various members of the Soviet-sponsored Committee of Liberation chose the occasion to launch a vituperative attack upon the Polish Government and upon the newly appointed Polish Commander-in-Chief, the commander of the rising in Warsaw, General Bor-Komorowski. The General was again branded as a "criminal"; and the Chairman of the Committee, M. Morawski, threatened

him with court martial. The leaders of the Committee have apparently taken no notice of the joint British and American statement in which both Allied Governments recognised General Bor's Army as a combatant force, protected by the Allies. Does the Soviet Government endorse these threats? If so, then the result may be that an Allied Power will violate those combatant rights which the enemy has been categorically warned to respect. There is only one conclusion to this melancholy history. Either the Russians will very rightly repudiate the despicable conduct of the Committee of Liberation, or their own record will be so compromised that a dangerous wedge may be driven into Allied unity. Germany is not yet finally defeated. The war may possibly drag on for another winter. Can any Allied Power be interested in risking a deep cleavage in the Allied camp in such critical days?

Civil Aviation

Two conferences on civil air transport are to be held in the next few weeks, a British Commonwealth meeting in Montreal on October 23rd and an international conference in the United States in November. The approach of these meetings is forcing decisions—or at least a decision—from the British Government. There are four main points at issue. The first is one of administration. Mr Churchill, replying to a parliamentary question, has already stated that Lord Beaverbrook is no longer responsible for civil aviation policy and that his committee has finished its work. It is now forecast that a Minister of Civil Aviation is to be appointed. This independent status will serve to mark the importance that attaches to the problem, and will therefore please the critics, as will the definite divorce from the Air Ministry. But if there is to be a comprehensive Ministry of Transport after the war, civil aviation should be regarded as coming within its sphere. The second question to be decided, so far as domestic policy is concerned, is the degree of free competition to be allowed in British civil air transport—is there to be a chosen instrument or not? There is much less reason to believe that the Government is approaching a decision on this very much controverted question. The last hint of its attitude was Lord Beaverbrook's suggestion, some months ago, that a monopoly of subsidy did not necessarily connote a monopoly of licences.

But the basic question is, of course, the supply of aircraft. The United States Government has guaranteed to Lord Beaverbrook that transport planes built in America will be made available to Britain with the slackening of military requirements. This follows from British concentration on the production of fighters and bombers and dependence on American factories to supply aircraft suitable for military transport. But it does not altogether solve the problem of British civil aviation. It is hardly likely that America would willingly release large numbers of the newest—and, consequently, more economic—types of civil aircraft produced in its factories to be used on British routes. The bulk of American transport planes sent over here will most probably be adapted military types, with a correspondingly high cost per ton-mile. They would help to bridge an awkward gap, but will not, by themselves, set British aviation firmly on its feet. The Government will probably, and rightly, be asked before long to release many more aircraft designers and technicians to concentrate on the long process of evolving transport aircraft suitable to the needs of peace. However generous the allocation of American planes to Britain, American factories will still have every advantage of experience and organisation. A delay of months in the reconversion of the British aircraft industry may well prove a permanent handicap not only to the development of transport services, but also to the export market for British aircraft. The final question for civil aviation after the war will concern the international agreement on routes outside the frontiers of each country. After the Anglo-American talks in April, it became clear that the ideal of full internationalism had been rejected. The exact nature of the alternative is still obscure, though it will probably take the form of national sovereignty over civil aviation, with the mutual grant of the Right of Innocent Passage, but with the right to put down or take up pay load depending, in every case, on specific agreement. If this is to be the highest common factor of international

agreement, the recent suggestions of the Australian Air Minister, Mr Drakeford, probably provide the best solution so far as British interests are concerned. He proposed a Commonwealth air transport service, to be run jointly by the United Kingdom, the Dominions and India, with provision for optional cooperation by other countries wishing to join. The advantages of such a plan should recommend it not only here, but also to other countries with dispersed colonial possessions—France, Belgium or the Netherlands, for instance. Whether or not such a sharing of cabotage rights would be resented by American opinion, with its not entirely disinterested insistence on "non-discrimination," will probably become clear when the international conference meets next month.

The Bretton Woods Debate

It appears to be the intention of the Government to hold a debate in the House of Commons on the Bretton Woods Agreement within the next few weeks. A debate, regarded purely as a discussion, might be all to the good. A debate is already raging in the press and elsewhere, which seems to be entirely conducted by the fanatics on both sides, and a Parliamentary discussion, if it attained the high level of the two preceding debates, would provide an opportunity for more responsible voices to be heard. But the difficulty about a Parliamentary debate is that it has to take place on a motion, and if the motion were one which committed this country either to acceptance or to rejection of the Agreement, it might well be disastrous. Public opinion in this country on the subject of Bretton Woods can be divided into three sections. There is one small section, not very heavily represented outside official circles, which likes the Agreement for its own sake. There is another small but very vocal section which will not have it at any price, regardless of the consequences of rejection. The great majority would seem to be in the position of being very doubtful about the wisdom or practicability of the schemes for the Fund and the Bank, but conscious of the fact that they are intended to form only part of a much wider scheme of international economic reconstruction. This being so, it is only common prudence to wait and see what the rest of the structure looks like, and whether it is worth paying what may be a heavy price for it. In particular, British action must necessarily wait upon American; Congress must speak before Parliament, for the simple reason that the great unknown in the whole situation is how far the United States is prepared to go in restoring a workable international system. Therefore, let there be a debate, but let it be upon the adjournment or on some non-committal motion. If the Government are so ill-advised as to ask for a decision, they may force more of the centre party than they imagine into opposition.

Answering the Bilateralists

The Chancellor of the Exchequer fired the opening gun, if not for Bretton Woods, at least for the line of thought that underlies it, in his Mansion House speech on Wednesday at the luncheon for the bankers and merchants of the City of London. Addressing himself to the criticism of those "who appear to think that the line of safety

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for us after the war is to reserve our full rights to enter into discriminatory commercial and currency agreements, not only as a temporary measure during the transitional period, but permanently," Sir John Anderson claimed that the Final Act of the Bretton Woods conference did not decisively reject such a course. Nevertheless he attacked the doctrine on wider considerations. In the first place, because it runs counter to the master agreement under which this country has received lend-lease aid from the United States and by which the United Kingdom "agreed to work for the elimination of all forms of discrimination in international commerce"—with the sole qualification of Imperial preference. "We are bound by this agreement," said Sir John, "and we are going to honour it." He also referred to our commercial agreement with the United States signed in 1938 by which we accepted a policy of non-discrimination in trade. But apart from these treaty obligations, the Chancellor found convincing practical reasons for avoiding, if we could, the road to bilateralism and trade discrimination. "If we discriminate, other people can discriminate. If we indulge in barter, other people can indulge in barter. It is a difficulty in all agreements and contracts, that one party cannot have it all his own way." All this is very true. But it does not really go to the heart of the problem or answer the question that is troubling many minds. If it were merely a question of a free choice between a multilateral world system and restrictive barter schemes, there would be no hesitation—just as little as if you asked people whether they preferred peace or war. But to say that a multilateral and universal system is desirable does not prove that it is possible. That, surely, is the point. After the last war, a very similar attempt was made to re-establish a non-discriminating, non-bartering, multilateral system. It did not work, and in its failure, did a great deal of harm. Will it work this time?

Is it the Gold Standard?

Meanwhile the popular discussion is not concerning itself with difficult words like multilateralism and discrimination. There the question is simply: Is it a return to the gold standard? The question was raised again in the House of Commons at the end of last week by Mr Craven Ellis, who asked the Chancellor why this country should change over from a "commodity standard" such as had operated since 1933, to the system proposed at Bretton Woods. This gave Sir John Anderson an opportunity for stating the official view on this aspect of the controversy:

Since 1933 the monetary policy of this country and all other parts of the British Commonwealth in the Sterling Area has been on the one hand to maintain sufficient flexibility in the rate of exchange between sterling and other currencies to avoid a deflationary restriction of credit for monetary reasons, and on the other hand to avoid unjustifiable and undesirable exchange fluctuations, and to preserve stability so far as this is consistent with the avoidance of deflation. The International Monetary Plan, as I understand it, seeks to extend very much the same principle over a wider area. . . . The Plan recognises gold as a standard of value as must be the case in any plan concerned with the regulation of relations between gold based currencies such as the dollar, and managed currencies such as our own, but that fact does not in any way justify the assertion that acceptance of the Plan would involve a return in this country to the gold standard. I endeavoured to make this point clear with respect to the plan in its earlier form in the debate on May 10th last, and I am satisfied that there is no change in this respect in the plan as it emerged from the Bretton Woods discussion.

The Chancellor is right; but he is also a little less than fully ingenuous. Certainly, the Bretton Woods scheme is not the gold standard on any definition of the term hitherto familiar. But it is also true that, of the several different possible varieties of international currency arrangements, both the Bretton Woods scheme and the gold standard are examples of the same genus, that which attempts to provide convertible and stable exchanges. The popular notion is not wholly devoid of truth. Whether the man in the street is right to be so scared of gold is, of course, an entirely different question.

Asylum for the Axis

When in 1943 the British and American governments asked the neutrals to guarantee that they would not give asylum to Axis war criminals, the general response was negative. They were not ready to suspend, at anybody's request, a right they held to be the concern of their own sovereignty. Since that time, however, the Allies' rapid victories in Western Europe and the Russian advance into

Poland have brought the end of the war in sight. The question is no longer academic. At the same time, the world, neutral and otherwise, now knows far more about the brutality and horror of the crimes committed by the Nazis and their satellites. To-day, the neutrals still wish to safeguard their right of asylum, but most of them have now decided that they will not permit Axis war criminals to take advantage of this right. On September 7th the Swedish Government announced that their frontiers were closed to Axis refugees, and since that time they have underlined their determination by refusing to allow Anthoni, the notorious Finnish police official, to remain in Sweden. Switzerland has closed its frontiers to Axis refugees. The Spanish Government has told the British Ambassador that in no circumstances will it permit the country to become a hiding-place for Axis criminals. Turkey has barred civilian and military refugees from Axis countries and has, for example, refused to permit the former Bulgarian Minister of the Interior, Gabrovski, to stay in Turkey. Even the Argentine government, whose intentions were most suspect, has announced through its ambassador to London that it will receive neither Axis refugees nor Axis capital funds. On the other hand, Eire has not yet made up its mind. And Portugal has so far not replied. Yet it is in Portugal that some of the most notorious Axis refugees are reported to have arrived.

Greek Unity

The news of the landing in Greece arrived only at the last moment before going to press, but it had already become apparent that the Greek Government was getting ready to return home. Two of its members have already arrived in liberated Greek territory; and General Spiiotopoulos has been appointed Governor of Athens and Attica. It is a good augury that on the eve of liberation complete agreement has been reached between the various Greek political parties and guerilla bands. M. Papandreou's Government, which now includes the representatives of the EAM, is carrying out the programme outlined in the Lebanon Charter. The main points were first the assurance that the Greek people will have full freedom to decide their own system of Government. The implication is that the King will not return to Greece until a plebiscite has decided the issue of monarchy or republic. Secondly, all guerilla bands were to be subordinate to the Greek Government; and EAM was to join the Government coalition. All parties in the Government are now satisfied that these conditions are being fulfilled. The King is to remain abroad with the special task of looking after the international interests of Greece. The leaders of the two rival guerilla bands, General Sarafis of ELAS and General Zervas of EDES have met in the Middle East and put an end to their inter-guerilla controversy. Finally, the leaders of the EAM have repeatedly expressed their full confidence in M. Papandreou, who has returned the compliment with great civility. The immediate aims of the Government are the establishment of order in liberated Greece without violence and revenge; the freeing of Greek territory from all and any forces of occupation, including the Bulgarian forces in Western Thrace and Macedonia; and the speedy organisation of relief for the solely tried people of Greece. Meanwhile, in the territories evacuated by the Germans, patriots are taking over the administration. As they come into the open, the prominent rôle of the EAM becomes more and more obvious, for in most places it is they who are naturally taking over control. Yet, on the whole, its members seem to be exercising their influence with moderation and to be ready to share power with the other followers of the Government. The quisling security battalions are said to be in a state of disintegration—a state of affairs that causes some displeasure to a few extremists on the Right; but they seem to be too weak to oppose effectively the *bloc* of the Centre and the Left. In effect, although Greece has undoubtedly moved strongly to the Left, there is some hope that internal upheavals and civil war will not be the legacy of liberation.

Bulgars in Thrace

The presence and the activities of the Bulgarian forces of occupation in Western Thrace and Macedonia still present something of a puzzle. Mr Eden has given the House of Commons the assurance that the three great Allied Powers are agreed in demanding the immediate withdrawal of all Bulgarian troops from Greek territory as

a preliminary condition for an armistice. M. Papandreou, the Greek Premier, has made a statement to the same effect. Yet the Bulgarian troops are still on Greek soil. Last week it was reported that their continued occupation had been accepted by the Greek EAM. Since then, the leaders of the EAM have categorically denied that report, and they have stated that no underground organisation has been authorised to parley with the Bulgars. Sofia, however, repeats the stories about an agreement. It may well be that in the confusion prevailing in Thrace and Macedonia, irresponsible groups are acting on their own account; the agreement with the Bulgars may well have been made by some such group. But whether or not an agreement was made locally, the order to retire has not yet been given from Sofia. Why this delay? Russian armies are on Bulgarian soil, and if the Russian high command is now ready to take over the Bulgarian troops, it will presumably lose no time in seeing that the pre-conditions of the armistice—unconditional withdrawal—are immediately carried out.

The Cost of Social Insurance

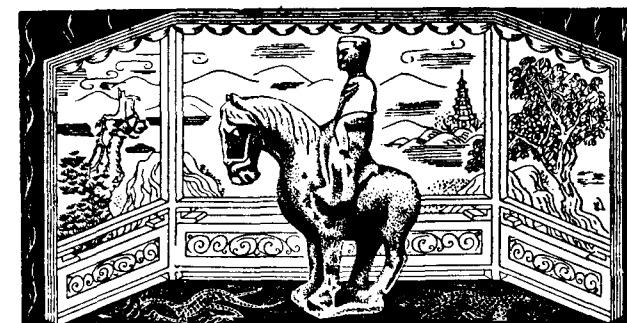
The Government's White Papers on Social Insurance have had a good reception so far, though critics on the Left, suspicious of the Government's motives, are accusing it of deliberately holding up the publication of the scheme until the last convenient moment before the election, while critics on the Right are concentrating on its cost and on the dangers of setting up a new bureaucracy. Already, representatives of approved societies have expressed "consternation" at the "anti-democratic" character of the Government's proposals. There is, it is true, an element of justification for all the criticisms, whether on the Left or the Right. It is, for instance, all-important that the administrators of social insurance should be humane—as Sir William Beveridge himself pointed out in his speech to the Social Security League last week-end. There must be plenty of men and women in the Forces who have acquired experience in handling individual problems with sympathy as Army welfare or education officers, who could well fit into the civilian scheme when they are demobilised. And there are many people with a training in social welfare, in the broad sense of being free from the taint of charity and the poor law, whose services could be enlisted. But the chief point of contention will undoubtedly arise over the cost of the scheme. The White Paper was much less explicit on this point than it might have been. It gave the impression that the Government scheme would cost less than the Beveridge scheme. But in fact it is likely to cost as much, or even more. The figures show a reduction of £47 million for 1945 below Sir William's estimate. But this is largely because the figure put in for the cost of the National Health Service in 1945 is £22 million less than the Beveridge figure. Both figures are "notional" guess work, since there will be no National Health Service in 1945, and nobody knows what it would cost if there were. In addition to this, the official estimate excludes the cost of the new industrial injury insurance scheme (elsewhere estimated at £20 million), and unspecified (which was misprinted last week as "the specified")* amounts for training benefit and children's services in kind. The total of £650 million is therefore obviously a minimum estimate. These formidable figures cannot be shrugged off. The burden they represent is bearable but heavy, and Parliament will be right in scrutinising every detail closely. But it will be wrong if it delays the implementation of the plan, which must involve a great deal of legislation. Acts of Parliament will be needed to set up the new Ministry, to bring in family allowances, to replace the present Workmen's Compensation system, to introduce a national health service, and to establish the social insurance scheme itself. No time should be lost in fixing the Parliamentary time-table.

The TUC's Programme

The Trade Union Congress's plan for postwar reconstruction will be one of the main items on the agenda of the forthcoming conference, and at this stage of events it is essential to know what the organised labour movement proposes. Many of the proposals will commend themselves to the general public, and there will be universal support for the unions' declared aims: the abolition of unemployment, the provision of good houses, shorter hours of labour, better

* There was another error in last week's article. The reference to "marriage grant" should have been to "maternity grant." There is no marriage grant in the official scheme.

working conditions, and progressive improvements in the general standard of living. There will also be general agreement with the statement that "the promotion of national development and national security are . . . a responsibility of the Government, which demand some measure of planning, regulation and control," and with the very sensible proposal for a Manpower Budget. But much in the report is *vieux jeu*. Nationalisation has for years been the central plank of trade union and socialist policy, without any very clear definition of what it means or what it would involve. This time, it is true, there are important differences in approach. Instead of a demand for immediate full-blooded nationalisation of all industries and services, the more practicable and realistic suggestion of "staggering" the process is made. The first industries to be taken over would be fuel and power, transport and iron and steel. While many other industries, such as cotton, should ultimately be nationalised, it is proposed that they should be subject to regulation in the meantime. The Government would also exercise control over land utilisation, the banks, investment policy, physical planning and foreign trade, while a National Investment Board would be set up to plan and direct the flow of capital into the desired channels. Another difference between the present and previous statements is that the unions favour the public corporation form of nationalisation rather than direct State control. This approach was indicated in the Labour Party's proposals for fuel and power and transport. But like the Labour Party, the unions still seem to be primarily concerned with the form and mechanism of control, and the report goes into great detail about the various industrial boards and advisory committees which would be set up to run industry. All this is, by now, very familiar and very boring. What are all these bodies to do? What policy are they to pursue? Are they to aim at greater efficiency, and, if so, by what means? Is there to be higher productivity or merely higher wages? Will the consumer be not only represented on a Council, but served any better than he is now? These are the questions that are never answered—except sometimes with a few generalisations that are as empty as they are round. But they are the vital questions, and until they are answered, all programmes for the "control of industry" will merely provoke a yawn.



Chinese horse typical of the T'ang period

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The Unions and Employment

The subject on which the TUC might be expected to have something to say is the contribution that organised labour can make to the newly-defined national objectives of Full Employment, Social Security and rising living standards. The report does not go very far. Two aims of the trade unions are defined as being, first, to establish the worker's right to work at the job he wants and at appropriate rates of wages and conditions, and, secondly, to increase the workers' influence over the policies and purpose of industry. Both are unexceptionable; but again they come under the head of Take rather than Put. Sir William Beveridge did tackle the TUC directly on one essential point where Labour co-operation is vital—that is, the mobility of labour—and the TUC's reply is printed in the report. It recognises that mobility of labour is essential to the maintenance of full employment, and admits that many unions impose negative restraints on the movement of labour, such as preventing non-members from following a trade, or preventing their own members doing work in other trades. It agrees that transfer and direction of labour have been justified in wartime, but would not agree to compulsory arbitration or direction of labour in normal conditions. In effect, it seeks a definite assurance, a *quid pro quo*, from the Government before it will commit itself to a policy which would lead to mobility of labour.

Provided the Government was able to give adequate guarantees that it was genuinely pursuing a policy of full employment, and was determined to take all necessary steps to control prices and otherwise prevent the exploitation of the situation by private interests, the trade unions would undertake to avoid wage policies and demarcation or other practices which might impede the achievement of full employment.

It is not very helpful to demand the end before agreeing to the necessary means.

The Industrial Coalition

The extent to which the trade unions have become a part of the machinery of wartime government is indicated by the General Council's report to the 1944 Trades Union Congress. There are joint advisory committees and councils, or trade union advisory committees, attached to nearly every Government department, and they deal not only with aspects of the war which affect their members, but with many wider issues involved in the transition from war to peace. The TUC has been consulted by the Government about production, labour supply, industrial health and welfare, food rationing, clothes rationing, prices, fire watching, nursing, rehabilitation, education and local government. In fact, the industrial coalition would seem to be as complete as the political coalition, and will probably outlive it. As is very natural and proper, the liaison has been most close with the Ministry of Labour, and Mr Bevin has hardly moved a step without first consulting his Joint Consultative Committee of employers and trade union representatives, which originally advised him on mobilisation. In some cases, the committee has had to approve measures which have proved to be unpopular, such as Defence Regulation IAA against strike instigators. Just how unpopular this Regulation is, is shown by the fact that several unions have put down resolutions on the conference agenda, calling for its withdrawal. In view of Mr Bevin's position, it is extremely surprising to find that the TUC was apparently not consulted about the Government's demobilisation plan. Indeed, the General Council wrote to the Prime Minister in March, calling his attention to this "violation of the principle of consultation." Another case where consultation has been theoretical rather than practical has been with the Ministry of Production. The General Council complains that the National Production Advisory Council has been brought into consultation on important matters of policy "only at the last possible moment," and that the suggestion was made, as if to add insult to injury, that the Advisory Council should meet quarterly instead of monthly. It will be very interesting to have the replies of both Mr Bevin and Mr Lyttelton to the criticisms of Sir Walter Citrine.

Balkan Turmoil

With the Red Army advancing across the Balkans, the political situation in each area tends to fall into an almost identical pattern. Everywhere in Roumania and Bulgaria (and there are signs that the same may happen in Hungary)

the people regard the approach of the Red Army as a signal to settle accounts with their compromised dictatorial rulers. Police regimes are collapsing overnight like card houses. The popular forces coalesce with any pro-Allied groups among the military leaders that have managed to survive the terror of Antonescu and the Bulgarian Regents. The new Roumanian government under General Senatescu includes, besides the representatives of Peasants, Socialists, Communists and Liberals, not less than fifteen army officers. The new Bulgarian Government is a coalition of the extreme Left with the ex-fascist Zveno group—the Military League headed by Georgiev and Velchev. (They were the chief architects of the authoritarian *coups d'état* in 1923 and 1934, and Velchev himself was responsible for the overthrow of the Radical peasant government under Stambolisky in 1923.) It is only natural that these extraordinary coalitions, brought about under the pressure of war and defeat, should show a very low degree of political coherence. In Roumania the Government of General Senatescu has already been shaken by an incipient crisis. A popular clamour arose for a more radical and speedy purge of the Roumanian administration, which still shelters many of the former adherents of Antonescu and of the Iron Guard. A demand to reduce the number of generals in the government has also been raised. In Bulgaria, the upheaval seems to have gone even deeper than in Roumania. Reports on the Bulgarian forces of occupation in Western Thrace and Macedonia vividly recall the picture of the Russian army in 1917. Soldiers' councils have been set up, officers have been degraded, red flags hoisted, and normal saluting has been abolished. M. Velchev has issued a stern order to the troops to return immediately to normal discipline, to abolish Soldiers' Councils and to hoist no more red flags. Now Sofia reports that the Bulgarian army has been placed under the supreme command of Marshal Tolbukhin. Apparently, the Soviet commander has no patience with Balkan repetitions of 1917, and he is chiefly interested in the extent to which his men can get some help from the armies of the former satellites; and this obviously depends upon fighting efficiency measured by normal military standards. The Bulgarian Left seems to be ready to accept this policy, but it may be questioned whether it would have agreed to it so easily if its author had been Colonel Velchev and not Marshal Tolbukhin.

Unemployment Benefits

The Social Security White Paper has been quickly followed by government proposals to increase unemployment benefits as an earnest of good intentions. Mr Bevin introduced the Unemployment Insurance (Increase of Benefits) Bill to the House last week, and it is expected that the debate on the second reading will be fitted into the Parliamentary programme as soon as possible. The new rates of benefit, which show increases from one to six shillings a week, are tabulated below:—

	Present Benefits	Increased Benefits	Increased Benefits Under Agricultural Scheme
Men	20s.	24s.	22s.
Single women	18s.	22s.	18s.
Married women	18s.	20s.	18s.
Do. (supporting husband)	18s.	22s.	18s.
Men 18-21 years	16s.	19s.	15s.
Women 18-21 years	14s.	17s.	10s. 6d.
Boys under 18 years	9s.	12s.	9s.
Girls under 18 years	7s. 6d.	10s.	
Adult dependant's allowance (including wife)	10s.	16s.	14s.
First two children	4s.	5s.	5s.
Subsequent children	3s.	4s.	4s.

These new rates are designed for the interim period before the social security plans are put into effect. In some cases, such as the adult dependants' allowances and the benefits for men over 21 and for married women, the new rates reach the full standard of the Social Security plans; in others, such as the allowances for third and subsequent children and the benefits for single women, the increased rates are half-way between the existing and the proposed rates under the comprehensive plan. In the latter case, as with the benefit for married women supporting their husbands, the existing inequality of benefits for men and women under similar conditions is still retained. The distinction between agricultural and other workers will also continue—although with corresponding increases in the

rates—until the inception of the Social Security scheme. Until that time, those who will receive increased benefits will do so without any increase in their contributions to the Unemployment Fund. The accumulated reserves of the fund now stand at £285 million. Unless the interim period is unduly long, or the rate of unemployment unduly high, this should provide a reserve substantial enough to meet the demands of the temporary unemployment of the transition period between war and peace.

Six Months' Finances

The chief item of interest in the revenue figures for the first half of the financial year is the effect of pay-as-you-earn on income tax collections. Income tax shows an increase of as much as £57,340,000 on the amount for the first six months of 1943-44. For the year as a whole, income tax was estimated to bring £116 million more than in 1943-44, and almost half this increase has been gained in six months, although, even with pay-as-you-earn, the greater part of the collection still takes place from January to March. The other revenue item to show a big increase is, ominously, customs and excise. In the full year they were estimated to show a decline of £5,000,000. In the first six months they have actually shown an increase of £33,466,000—a significant warning of the measures that will be necessary to prevent wholesale spending when the war with Germany ends. On the expenditure side, it is worth noting that expenditure on the war is still increasing, the amount spent on the supply services—£2,722,702,000—being £114 million higher than in the first six months of 1943-44. The following table gives the supply service expenditure, quarter by quarter, since 1942-43:

	(£ million)		
Quarter	1942-43	1943-44	1944-45
I.....	1,198	1,304 (+106)*	1,315 (+118)*
" II.....	1,229	1,305 (+76)*	1,408 (+103)*
" III.....	1,364	1,324 (-40)*	
" IV.....	1,505	1,474 (-29)*	

* Inc. + or dec. — over previous year.

It will be seen that in the last half of the financial year 1943-44, expenditure on the war seemed to have begun a steady decline, though the comparison with 1942-43 was vitiated to a certain extent by the extension of lend-lease terms to purchases from Canada. In the second quarter of this year, however, supply expenditure has jumped up again. Possibly, this may be partly due to the removal of more goods from the lend-lease list. A more ominous explanation, if the rise is taken together with the increase in customs and excise, is that there is more inflation.

Letters to the Editor

Industrial Price-fixing

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of September 30th you discuss policy for the cotton industry in the light of the Government's response, delivered by the President of the Board of Trade, on September 19th, to the Report of the Cotton Board Post-War Committee, which was presented last January. I feel I must point out that your article misinterprets the statement made by Mr. Dalton.

Your first error is in your opening words. You write:

The decision of the Board of Trade to reject the Cotton Board Committee's proposals for a regime of self-government in the cotton trade, with legally enforceable price-fixing powers. . . .

Mr. Dalton said:

Cotton control must continue for some considerable time. The Cotton Control through its standard prices achieves, more simply and directly, the price-fixing objects of the Act [of 1939]. The cotton industry is entitled to assume that this Act will come into operation as soon as the Cotton Control disappears. The industry may wish some modifications of the 1939 Act, or for some other measures by the Government. The present Government will be prepared to consider any such requests if the industry is able to submit proposals and evidence of effective action already taken. . . . This assurance having been given by the Government regarding "price man-

agement," we expect the industry to concentrate its energies forthwith on putting its house in order.

The foregoing is an abbreviation of Mr Dalton's statement, but it embodies correctly the operative parts. After the meeting, when interviewing the press, Mr Dalton said that the Government intended the present Cotton Board to continue in existence until the date of the introduction of the 1939 Act—which, of course, prescribes a statutory Cotton Board on very similar lines.

You will see that this by no means amounts to rejection of the Cotton Board Committee's proposals for self-government and fixed or minimum prices. On the contrary, it amounts to acceptance.

It is true Mr Dalton said more than I have quoted. He urged certain reforms which the Government consider vitally important. He drew attention in grave terms to the dangers of minimum prices. Personally, I very much favour an attitude on the part of the Government in which there is no hesitancy in giving guidance and advice to industry from the standpoint of the national interest, but I am surprised to find so careful a journal as *The Economist* noting the advice to the exclusion of the operative decisions. The arrangement of the text must have misled you.—Yours faithfully,

E. RAYMOND STREET,
Chairman, Cotton Board.
Manchester.

Exit Employers' Liability

TO THE EDITOR OF THE ECONOMIST

SIR,—Your editorial note on this subject in your issue of September 30th assumes a change more sweeping than appears justified by the actual government proposals or the merits of the case.

At present the injured workman has not only a statutory right to compensation, but also a common law right to damages. The former must surely go, but need the latter?

It arises when injury results from the employer's breach of a duty owed at common law to the workman: failure to provide proper tools, or to maintain a safe system of working, are instances of this form of liability which has become increasingly important since it was restated in 1938 by the House of Lords (in *Wilson v. English*), and since the defence of "common employment" was reduced in scope by the same decision, as well as by subsequent ones.

The workman's common law right entitles him to be put into his pre-accident position as far as money payments can do so. It is confined to special circumstances. It is essentially different in purpose and result from any social service benefit. He should not, in future, be forced to elect between the two, and social service benefits should be paid independently of his action at law. (Whether or not the quantum of common law liability should take account of what he has received by way of social service benefit is a secondary question.)

The workman's common law right is of substantial value to him and to those he leaves behind, especially if he belongs to the higher paid grades. To deprive him of it is not intrinsically necessary to the planned reform; in the cases where it applies its elimination might well cause hardship and injustice.

Unless, therefore, legislation expressly takes the right away there will remain a limited but important field of employer's liability which many will wish to cover by insurance.—Yours faithfully,

H. EDWARD GUMBEL.

Terms for Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—In the interesting correspondence which your able articles on Terms for Germany have elicited, I have not noticed the suggestion made by influential men in the United States and endorsed by competent friends of mine (whose views are not admitted to the London press or the BBC) that peace treaties should be negotiated with the various German States and free cities which constituted the old Bund. This would avoid dismemberment and the creation of a Police State run by foreigners, with the OGPU substituted for the Gestapo in Eastern Germany. It would also remove the objection to a dictated peace that the defeated nation is under no moral or legal obligation to observe it. There would be several other advantages to liberty and economy at home, on which I need not dilate.—Yours etc.,

FRANCIS W. HIRST.

AMERICAN SURVEY

Stock Taking in the Mountain States

(By a Correspondent in Colorado)

Denver, September

THE eight states comprising the Rocky Mountain region are acutely aware that the war economy has dispensed its favours with a very uneven hand. True, these states have reaped an increase in total income from the war effort—they were bound to share to some extent in an expansion which added \$20 billion of new facilities to the industrial plant of the United States, and raised the national gross product of goods and services from \$97 billion in 1940 to approximately \$180 billion in 1943. The total money income of the area, which was just under \$2 billion in 1939, rose to about \$3½ billion in 1943—an increase of roughly 75 per cent.

Yet, compared with the rest of the country, the Rocky Mountain region has actually fallen behind during the war period. Five of the eight states have suffered a decline in civilian population varying from six per cent in Colorado to fifteen per cent in Montana. Only the states of Arizona, Utah, and Nevada, located on the fringe of the Pacific Coast boom area, have enjoyed a temporary influx. The result for the area as a whole has been a net emigration of about 3 per cent of its 4,000,000 people during the past four years.

The place of the Rocky Mountain region in America's to-morrow commanded the sober attention of a recent conference called at Laramie by the Department of Agricul-

tural Economics of the University of Wyoming, which was attended by ranchers, businessmen of the market towns, and representatives of organised labour. The conference produced no intellectual miracles. True to the tradition of the area, the keenest interest was in the question whether present favourable prices of minerals, livestock, and the other extractive products of the region were to suffer a marked decline such as followed the cessation of hostilities after World War I. To the attending cattle breeders and wool growers, for example, the first line of attack remained that of trying to convince the members of the conference and their representatives in Congress that the market for meat products must be protected. That meant protection against the influx of livestock and animal products from Latin American and other competing countries. It also meant the assurance of support prices through federal legislation. The mining fraternity were inclined to point out their achievements in expanding the supply of war-essential metals, and renewed their plea for the stock-piling of large quantities of minerals as a security measure against future war.

Such demands for protection were highly understandable. They were expected to be voiced. But the discussion did not stop with presenting the traditional case for subsidies to Far Western cattlemen, wool growers, sugar beet producers and mine operators. The wall of protectionism and isolationism seemed to have some tiny breaches.

There was at least willingness to recognise the general truism that American agriculture can prosper only as the whole economy prospers: a respectful hearing was given to the labour representatives who pointed out that the ability of the farmers to market their crops will depend on the continuing purchasing power of the wage earners. Considering that the loss of farm labour to more lucrative jobs in war industries has been one of the chief complaints of the farm employer, this in itself was something of an accomplishment. To the dairyman, who had paid his milkers \$50 a month before Pearl Harbour, the \$14 a day offered to hired hands for driving trucks on war construction jobs was a serious menace to the farm-wage structure and cost-price relationships on farm products.

It was further seen that nothing like current production could be maintained without the aid of a foreign market as well as a high national standard of industrial production and urban consumption.

Somewhat timidly, the Government representatives presented the dilemma of price support: the post-war demand for agricultural products will fall below wartime levels, and prices will drop accordingly. If Government price support encourages the maintenance of production, the Government will have to buy up the excess. That, in turn, will call for disposal of the excess, either to low-income families (through such mechanism as the Stamp Plan) or to foreign countries. Unloading of supplies abroad raises all the vexing questions of international friction involved in dumping. If such commodities were sold at normal prices in the foreign market, import payments would have to be made by the countries purchasing them. That means accepting some measure of competition with domestic American production, and sharing in quota arrangements with other nations for commodities on the world market.

Protectionist Paradox

The paradox involved in demanding freedom of action for private enterprise and public protection to insulate one's own industry from competition—both in the same breath—became more and more patent as the sessions progressed. The authorised spokesmen for specific economic groups found it difficult to keep their respective pleas clear of con-

flicting suggestions. Thus, the demand for a drastic lowering of taxes was unsuccessfully paired with the concept of guaranteed price floors to producers. Maintenance of high production had to be reconciled with ability of consumers to purchase the supply at prices that would permit their wages to cover their purchases. Lip service to a prosperous, peaceful world economy and a stable international exchange did not couple well with the displacement, by American shipping, of foreign carrying trade which enables other countries to build up their dollar exchange through shipping services and exports.

These healthy doubts about the ability of any one region to block out the requirements of other areas from its thinking took a constructive turn in a search for new economic outlets. The pre-war economy of the Rocky Mountain region, it was felt, could not of itself sustain a growing or even a stationary population in the post-war world. Along with improvement in the efficiency of production of the established lines—wool growing, cattle raising, sugar beets, metal and coalmining—new areas of production must be explored.

On the agricultural side, the more effective use of the land (and the breeding of improved livestock which can thrive better on the arid plains) must be considered; on the side of the extractive industries the opportunities for exploitation of the shale oil, coal, and other deposits of the area must be appraised. Then there is the whole field of carrying primary products a step farther on their way to market: by establishing quick freezing and dehydration plants for agricultural products which cannot be locally marketed—particularly in connection with air transportation—and by converting other primary commodities of the area into processed goods on the spot.

The conference at Laramie at least partially recognised the fact that the post-war economy cannot fully satisfy the extremist, and that the Rocky Mountain region, in common with other sections of the nation, must be prepared for a drastic change in its economic outlook if it is to survive and grow.

American Notes

Slugging it Out

The Presidential campaign has gone into high gear. Governor Dewey, stung by President Roosevelt's speech to the Teamsters, last week abandoned his carefully planned campaign to refute the President point by point. In a speech at Oklahoma City, while insisting that he would not descend to the "mud-slinging" practised by the President, he declared the Roosevelt record "desperately bad." He chose to concentrate on three main points: the Administration's alleged intention of keeping men in the Services to avoid civilian unemployment; the responsibility of the Administration for the persistence of pre-war unemployment; and its responsibility for the lack of preparedness for war. In the first two points, Governor Dewey did little beyond repeating his charges and insisting that it was Administration hostility to the "job-producing machinery"—i.e., private industry—which was responsible for unemployment. The sting came with Governor Dewey's attack on the war-preparedness record of the Administration, an attack relying heavily on early quotations from Senator Truman, the President's running-mate. This will encourage Republican demands for investigation into Pearl Harbour. It is easy enough to show that America was ill-prepared for war. That is a little reckless—in view of the record—is to fasten responsibility for it exclusively upon Mr Roosevelt. The war evidently is now open for a first-rate slugging match, in which neither side will be unduly scrupulous. The public being offered a chance to join in, at one remove, by newspapers on both sides of the fence. PM offers prizes for "Dewies"—Dewey statements capable of easy refutation; while the Hearst papers offer similar rewards for anti-administration limericks, in which the slogan "clear it with ydney" (Sydney Hillman, the head of the CIO Political Action Committee) takes a prominent part. There are two more significant, if less colourful, developments in the campaign. One is the Republican Senator Ball's repudiation of Governor Dewey because of his "lack of strength on foreign policy," which may cut into Republican hopes in the Middle West, particularly in Senator Ball's own state of Minnesota, and will strengthen the Democratic appeal to the independent voter. The second is the Gallup poll's prophecy of a total vote of not more than 39,500,000, not including the soldier vote. This would be the smallest

poll since 1932, and would by general consent improve Republican chances of success. Most current opinions give President Roosevelt about 52 per cent of the total vote if the election were to be held now. This might easily fail to return the Democratic candidate, for a large proportion of the Democratic popular vote is concentrated in the solid southern states, instead of being spread over the more doubtful northern and western states.

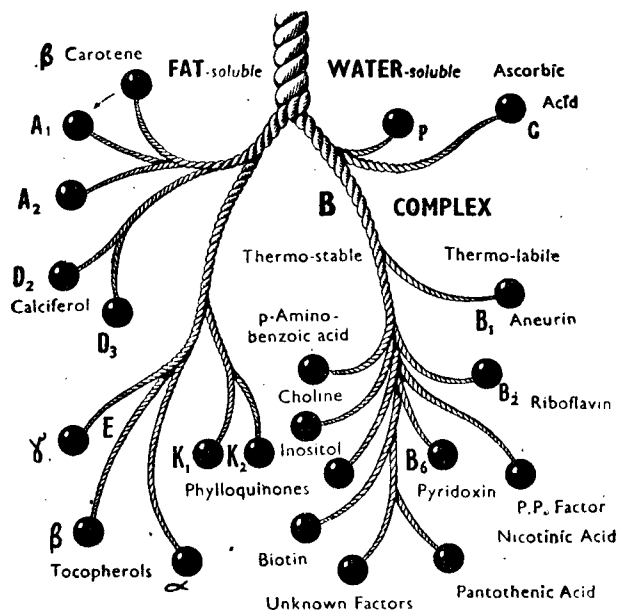
The Negro Vote

The decision of the *Pittsburgh Courier*, the largest newspaper for coloured readers, to support Governor Dewey is a significant, if not decisive, pointer. The *Courier* previously supported President Roosevelt. It is an announcement calculated to alarm the Democrats, already anxious over the possible loss of negro votes in critical northern states like Illinois, New York and Pennsylvania. This drift to the Republican camp is, in part, the result of improved economic conditions, which have weakened the tie of gratitude to the New Deal; and in part the result of the new wartime grievances in which discrimination, particularly in the Armed Services, plays a major part. It is alleged by the Negro press that in spite of some improvement, Jim Crowism still dominates the Services, that negroes are given menial jobs and kept from combat duty. The Republicans, in their platform, went out of their way to meet these grievances, with specific mention of a permanent Fair Employment Practices Committee, anti-lynching legislation, a constitutional amendment against the poll tax, and a congressional inquiry into discrimination against Negroes in the army. The Democrats, in the throes of appeasing what appeared at one stage to be a serious threat of Southern revolt, offered little but pious platitudes. It would hardly be surprising if the Negro leaders determined to throw their votes to the Republicans, not necessarily as an evidence of faith, but to remind the Democrats that the Negro vote must be earned. It is worth noting that Mr Willkie has taken up the cudgels for Negro rights in recent weeks. What is not entirely certain is the degree to which the ordinary Negro will desert the Democrats to follow his leaders into the Republican camp. It remains to be seen whether the Negro press is as influential as it is vocal.

Economic Policy

There is general agreement that in his eight-point directive to the Foreign Economic Administrator, Mr Crowley, President Roosevelt in effect shelved what is known as the Morgenthau plan for rooting out German industry. In his seventh point the President urged "accelerated study" of the steps to control Germany's power to make war, under the guidance of the State Department; and this is viewed as a victory for the State Department's authority and its plan for "selective elimination" of German industry and rigid control of the remainder. If the Morgenthau plan was released as a trial balloon, it has been thoroughly punctured. The general insistence on a hard peace has not blinded the majority of commentators to the impracticability of turning Germany into a nation of farmers. There has been less attention in the United States for the even more interesting implications of the rest of the President's letter, in which he outlined what might be called the reconversion of American trade policy to follow the defeat of Germany. Mr Roosevelt stressed the importance of a high level of international trade, not only for a durable peace, but for the prospects of full production and employment in the United States; and the consequent intimate concern of the United States in the speedy repair of war devastation. In part the pace of reconstruction depends upon the availability of raw materials; and the international position will be eased by the cuts in purchases abroad of materials for the American war programme, and by the reduction of preclusive buying to follow the German collapse. In directing the relaxation of export controls, as far as is compatible with the prosecution of the Japanese war, the President suggested that the speediest expansion would be obtained by returning foreign commerce to private hands. It is significant, however, that in urging the continuation of Lend-Lease until the defeat of Japan, Mr Roosevelt noted that the amount and nature of this aid

is closely tied up with the strategic plans for the Pacific war and the programmes for reconstruction and for reconversion of



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These hints of a link between American and British reconversion and of American aid for reconstruction abroad are reassuring; but there must be some doubt whether the use of Lend-Lease for ends not directly concerned with the war would be accepted in the United States. The rumour in Washington is that, if necessary, a substitute for Lend-Lease will be found in an expansion of the lending power of the Export-Import Bank. In this connection it is of interest to note the suggestion of Mr Harry Hopkins, the President's close adviser, that loans should be made to foreign countries to enable them to buy American goods; and that a condition of these loans should be that they are entirely spent in the United States. How these loans might be repaid is another matter.

Steel Wages

Labour's demand for an upward revision of wages is becoming more insistent. The President's Labour Advisory Committee, composed of representatives of the two labour federations, the AFL and the CIO, has publicly urged the scrapping of the "little steel formula." Other labour groups go further. The Convention of Marine and Shipbuilding Workers at Atlantic City demanded this week the withdrawal of CIO representatives from the War Labour Board as a protest against delay in proposing a new basis for wage revisions. A strike of maintenance workers in Detroit is threatened as an ultimatum to the War Labour Board to appoint a panel to study maintenance wage rates. Strikes are already in progress at two shipyards in New England and one in New Jersey. The central dispute, however, concerns wages in the steel industry, and a decision here will establish a new formula for industry at large. A hint of the Administration's hopes of resolving the problem of raising wages without increasing prices is contained in a recent report by the Office of Price Administration. This argues that the steel industry could absorb substantial wage increases without raising prices, when overtime pay is dispensed with. The report puts the increase that could be absorbed in this fashion at 8 cents an hour; and points out that down-grading of workers to lower-paid jobs would permit an additional 6 to 8 cents an hour increase. The catch in this argument, from labour's point of view, is that it would provide no increase in "take home" pay—that is, in total weekly earnings—and labour has been unanimous in insisting that the 15 per cent increase in wage rates under the "little steel" formula has not gone very far in compensating labour for the rise in the cost of living. This was a point of view borne out recently by a panel of the War Labour Board investigating the increase in the cost of living. On the other hand, the OPA solution would protect labour from any substantial loss as a result of the return to the 40-hour week; and this may be as much as the Administration is prepared to guarantee.

Aid to Veterans

Plans for special assistance to servicemen returning to civilian life are expanding with the prospect of partial demobilisation as soon as the war in Europe is over. It is worth remembering that many of these "veterans" are still in their early twenties, and the likelihood that some, at least, would prefer educational opportunities to jobs has already been recognised in the law known as the "G.I. Bill of Rights" passed early this summer, which provides for the payment of educational fees and living allowances, as well as unemployment allowances and federal guarantees of 50 per cent of loans for the purchase of homes, farms, or businesses. A further light on Servicemen's intentions was provided this week by a letter from President Roosevelt to the Secretary of Agriculture and the Administrator of Veterans' Affairs, in which he pointed out that more than a million members of the Forces intend to return to civilian life as farmers and ranchers. In this there are obvious difficulties which are to be the subject of a special study. The supply of economically sound farms is not unlimited; the prospect, indeed, is for contraction, rather than expansion of farming. In addition, some veterans will be debarred, by war disability, from most agricultural occupations; and many others may be unaware of likely difficulties, and in need of special training. It will be the job of the Veterans' Administrator and the Secretary of Agriculture to acquaint veterans with the prospects of successful farming, and in so far as it is possible, fit them into communities where they have a fair chance of making a livelihood. In industry, the War Production Board has promised special consideration to veterans establishing small businesses; this will cover priorities, material allocations and other assistance. Finally, preliminary agreements have been reached with the labour federations by which veterans who were former union members, will have their military service added to their plant seniority; and qualified veterans may become union members at rates no higher than those charged before January, 1940.

British Cables—A Correction

The statement in last week's Note on "Freedom from News," that "British rates are lower because British cables are subsidised," was misleadingly phrased, and has given rise to misapprehensions. British cable rates are not lower than American cable rates on competitive routes such as London to New York. The "British rates" that are lower are rates between British points—for example, the London-Montreal press rate is much lower than the London-New York rate. And the "subsidy" which makes this possible is not out of public funds, but out of other traffics. The sentence would have been clearer if it had read: "The rates between British points are lower because the British communications system chooses to subsidise them out of its other traffics." The argument of the Note is, of course, unaffected: that it is difficult to see how the Americans have any reasonable ground for objection.

THE WORLD OVERSEAS

Between Rhine and Oder

IT is not known whether the Allies are agreed on Germany's future frontiers. The map is to be redrawn, but precise indications of its shape are lacking. Yet there are numerous signs and portents on which to base a tentative estimate of the new configuration. If the main items in the various demands for territorial changes are unravelled and put into some order, it would appear that Germany's eastern border will follow the course of the river Goerlitzer-Neisse which enters German territory near Zittau in Saxony and joins the Oder north of Guben. From Guben the frontier would follow the Oder as far as Stettin. This new eastern frontier would measure roughly 220 miles, which is the shortest distance east of Berlin between the central European mountain ranges and the Baltic Sea. Considered purely in eighteenth century strategic terms, it is the best possible frontier in the east.

In the west the situation is more complicated. It may very well be, however, that the river Rhine will form the final western frontier. There are indications that the Rhine-Ruhr industrial area whose major part is east of the Rhine will be formed into a large industrial bridgehead under Allied or international sovereignty. The bridgehead would have to include the town of Hamm and Muenster in Westphalia as well as the small strip of territory to the west of the Dortmund-Ems Canal and the river Ems to its mouth at Emden. If this were done, the German frontier in the West would be about 510 miles long. This new Germany between the Rhine and the Oder-Neisse line would cover between 100,000 and 120,000 sq. miles and would have a population of roughly 45 million according to 1937-38 statistics. If the eight million people who live in the German provinces east of the Oder-Neisse were to be repatriated together with some 3½ million Sudeten Germans, the total population of the new Germany would number about 57 millions. In other words, Germany as it was before the incorporation of Austria in 1938 would lose roughly one-third of its territory—the major part of it in the east—but only 16 per cent of its population.

This is the bare outline of the suggested settlement. It is not possible even in approximate terms to define the economic condition of this territory after five years of war. Its entire industry is located and organised for purposes of war; the economy of the new Germany will have to be reorganised and re-sited for peace. But some idea of its natural resources and the location of its productive capacity can be obtained from the figures for 1937. At the end of that year, the totalitarian organisation of Germany's economy had been completed but there was still a large measure of peace time production. Plans for industrial self-sufficiency were started during 1937 and 1938.

At the end of 1937 German statisticians were asked to prove that Germany, as it was then, could be made self-sufficient in agriculture as well as in industry. At that time Germany produced from its own resources some 80 per cent of its food consumption and two-thirds of its industrial raw materials and semi-manufactured materials. On the



basis of the output figures for 1937, the loss of the provinces east of the Oder-Neisse (i.e., East Prussia, Silesia, parts of Pomerania and Brandenburg) would result in the loss of the following percentages of basic foodstuffs:

	Per cent		Per cent
Wheat	15	Potatoes	28
Rye	30	Sugarbeet	31
Barley	25		

These losses exceed the possible reduction in population by almost 100 per cent. This would mean that the already reduced food standards of 1937 would probably fall below the present civilian wartime rations in Germany.

On the other hand, the western provinces that would be ceded by Germany are provinces with an agricultural deficit. They produce on the average about 50 per cent of their normal food requirements. The Allied or international authorities taking over the western provinces would have to supply the deficit from overseas, if it were intended to maintain the industrial activities of the provinces.

Of the industrial resources of the country, the coal producing areas of the Ruhr and Silesia would be outside the new Germany. Out of a total production of coal, amounting to 184 million tons in 1937, Germany would retain the output of Saxony and Lower Saxony. In 1937 these two areas produced 5.7 million tons, or 3.1 per cent of the total coal output. Germany would, however, remain in possession of the Central German lignite deposits together with some of the East-Elbian districts. These produced 54 per cent of the total output of lignite, or a coal equivalent of roughly 25 million tons. Germany would be left with some 13 per cent of its output of solid fuel. This output would have to be doubled to meet the demand for household coal, for railways and for electric power stations. It is obvious that

every ton of coal for the steel and all other industries would have to be imported.

According to 1937 figures the new frontiers would contain 6.6 per cent of Germany's former pig-iron capacity, 16 per cent of its steel capacity and 20 per cent of its rolling mill capacity. The Nazis' self-sufficiency policy in iron ore led to the development of iron mining in Central Germany. Thus the new Germany would be left with an output of some 12 million tons of low grade iron ore. Disregarding costs, this output could easily be doubled; but there would be no coal for the blast furnaces which have been built in the new industrial area between Hanover and Magdeburg in the Peine and Salzgitter area. No method has yet been discovered of converting brown coal into suitable blast furnace fuel. The new Germany would, therefore, lack the basis for an iron and steel industry.

The vast aluminium plants which have been constructed in Germany have no indigenous supplies of raw materials. Bauxite would have to be imported. Among the non-ferrous metals there are very slender resources of copper and lead-zinc ores, but the potash mines would yield raw material for the production of magnesium.

The largest single supply of natural mineral resources is the potash mines of Central Germany. Their normal output would far exceed German requirements. Production would either have to be drastically curtailed or markets would have to be found outside Germany. The cession of territories in the East and the West would also mean the loss of at least one third of the total capacity of Germany's electric power stations, and more would have to be closed down because of the lack of coal. Thirty-six per cent of Germany's electricity is derived from coal, 39 per cent from brown coal.

This almost total loss of the most important raw materials of modern industry contrasts with the fact that the greater part of Germany's engineering capacity would remain within the new frontiers. The biggest centre is Berlin. Then come Hamburg, Leipzig and Frankfurt, Mannheim, Stuttgart, Nuremberg, Augsburg and Munich. Without imports of raw materials all this capacity would be useless. The result would be that the textile industry, the food processing industries and all the industries which are needed for supplying agriculture with implements and machinery could not continue production.

In addition the greater part of road transport would have to revert to horse-drawn vehicles. The output of natural oil in the Hanover region may be kept up at roughly one million tons for a short time. But this output would have to cover Germany's total demand even though it is not more than 10 per cent of the oil consumption of Great Britain before the war, and roughly one fifth of Germany's pre-war consumption. No synthetic oil could be manufactured, because of the lack of coal.

A road, rail and canal map of Germany shows that the entire system of communications would have to be reorganised. Important centres and junctions would fall into disuse and the network would be far in excess of the actual traffic that would be necessary under the new conditions. The war economy has changed the actual location of the manufacturing industries. At the moment they are dispersed

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over the whole of Germany. But they all depend upon the districts which produce the raw materials.

It is obvious that this new Germany could not exist as a self-sufficient unit. This unreal settlement would destroy most of its manufacturing capacity and would turn it into an agricultural country, burdened with an enormous industrial population.

It is difficult to see what the Allies' long-term intentions can be towards a Germany reduced to such a level of economic disintegration. Presumably they would not mean this rump state to be completely self-sufficient. Perhaps if such a Germany were allowed to trade freely with Europe and the world, it would just possibly survive. But there are two reasons for supposing that adequate trading facilities are not likely to be granted. First of all, none of the European Allies has so far given up its claim on reparations. Secondly, the parallel case of Austria after the last war suggests that under modern conditions of economic nationalism, the surrounding nations would not be ready to establish the kind of commercial relationships which would be necessary to give even a very moderate standard of living to the German people. Germany might then become what Vienna was in the interwar years—a place of mass unemployment, mass undernourishment and perpetual political tension. Can this really be called a recipe for peace?

Cacao Research

[FROM OUR ACCRA CORRESPONDENT]

September 6th

THERE are signs that one of the lessons from the West Indies is being learned. Trinidad's cacao plantations, from which has come a considerable proportion of the world's high grade cacao, have suffered seriously in recent years from "Witch Broom" disease. No attempt was made, until it was too late, to organise research to combat the depredations of pests and diseases. In the Gold Coast, which has the requisite rainfall and the right type of soil, cacao cultivation was rapidly taken up by the natives, who were quick to appreciate its possibilities as a source of money income, with the result that to-day the Gold Coast is the world's chief source of second quality cacao. The rate of increase of cultivation is seen in the following figures of cacao production (in metric tons):

	Gold Coast	Nigeria
1913	51,309	3,679
1919	178,973	26,121
1930	180,764	50,209
1939	280,000	116,000

The presence of *Sahlbergella*, a bug which attacks cacao, was discovered in the Gold Coast in 1909. In sufficient numbers, these will kill a cacao tree by injection of a toxic fluid while they are feeding off the tree. To this pest has been added "Swollen Shoot," a virus transmitted by insects into the cacao trees, which causes swelling in the shoots, decay of the leaves and finally the death of the tree. Similar pests and diseases have been found in the West Indies and Belgian Congo as well as in other parts of West Africa. One authority has put the loss of cocoa in the Gold Coast

due to *Sahlbergella* as high as 20 per cent of the season's crop.

The farmer's solution to the problem has been to cut new areas for cultivation out of the "bush," but the fact that some day there would be an end to the new areas which could be opened up, and that the Gold Coast farming community were gradually adapting their crop cultivation to a cash crop which might peter out in the next generation or so, raised important economic and social questions which forced the Gold Coast Government to take action. A Central Cocoa Research Station was opened at Tafo in 1938 to conduct research, particularly into the "Swollen Shoot" disease and the *Sahlbergella*.

A Western African Basis

The findings of the Nowell Commission on cocoa marketing and, during the war, the concentration of the essential commodities supply machinery in the Resident Minister's Office have put the problem of the future of cocoa into a West African context. Cacao research is being looked upon now rather as an important factor in the post-war development of West Africa than as the tiresome child of any one colony's agricultural department.

The problem has been to create an independent organisation with an adequate qualified staff, to do research work at a central institution, to co-operate with the agricultural departments in the four colonies and French West Africa in applying this research, and also to find a method of financing the scheme which would free it from dependence on fluctuating colonial revenues and thus provide the financial stability necessary. But it is now agreed that as long as there is cacao in West Africa there will be a need for research and, therefore, of a permanent research station. The West African Cacao Research Institute has now been set up at Tafo. A permanent technical staff of 15 to 20 scientists will be required and provision will have to be made for the seconding of specialists for special investigations. Much of the staff will have to come from outside West Africa and the African staff will have to be trained. Since cacao in West Africa is a peasant farmers' crop, it has no pool of experienced European or African personnel to draw upon on the production side.

But while the staff is being trained, there is urgent need for a survey of the cacao in both Nigeria and the Gold Coast to find out where exactly it is growing, in what direction the farmers are moving as the trees die, where the disease-stricken areas are and how virulent the disease is in those areas. For instance, it is known that the cacao crops have been diminishing over recent years, though the rate of planting is not thought to be diminishing. But it is not known yet if the rate of seedling planting is at present exceeding the tree mortality rate. This information is vital, for cacao takes six to ten years to mature and the rate of planting now is a vital factor in the yields for the years 1950-54. This work will have to be done by the Government departments on the spot, and only when this vital preliminary information has been collected can a research station function properly by advising how best to control disease under given conditions.

The financial question falls naturally into two compartments—survey and research—as outlined above. The cost of the surveys could be borne in the first instance by the governments of the colonies most concerned. That would be the simple solution to an urgent problem. The research side might be financed by a grant from the Colonial Development and Welfare Fund. But since the institute may become permanent and will, therefore, require a permanent income, it may well be that a different source of funds may be tapped. The profits of the West African Produce Control Board's marketing activities were in effect a levy on producer and consumer alike and what better method of using them could there be than to put them at the disposal of an enterprise from which producer and consumer alike would benefit?

A New Development

The establishment of this research institute is important as a major contribution to the control of cacao pests and diseases, but it is also significant as a development in colonial policy. It is an experiment in setting up an organisation with a specialised staff, free from the normal routine machinery of colonial government, with a regional basis and responsible through a regional authority, the Resident Minister's Office, to the Colonial Office.

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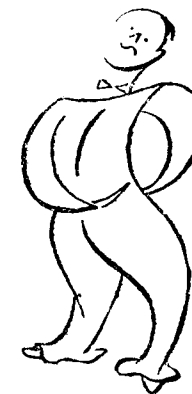
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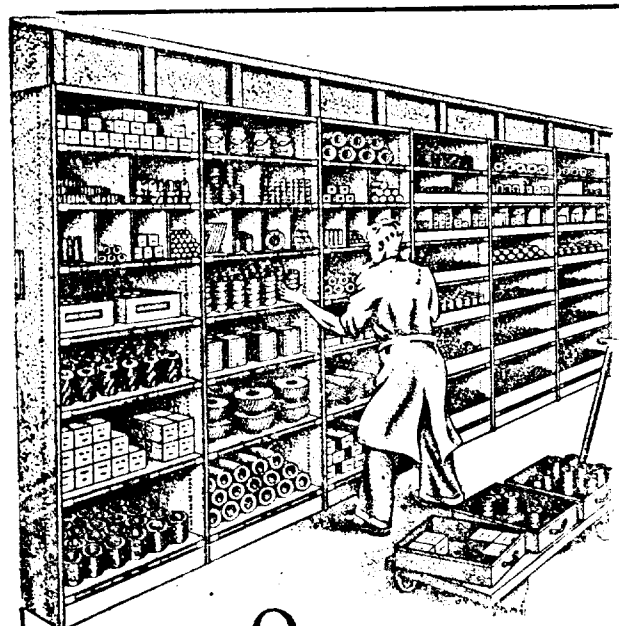
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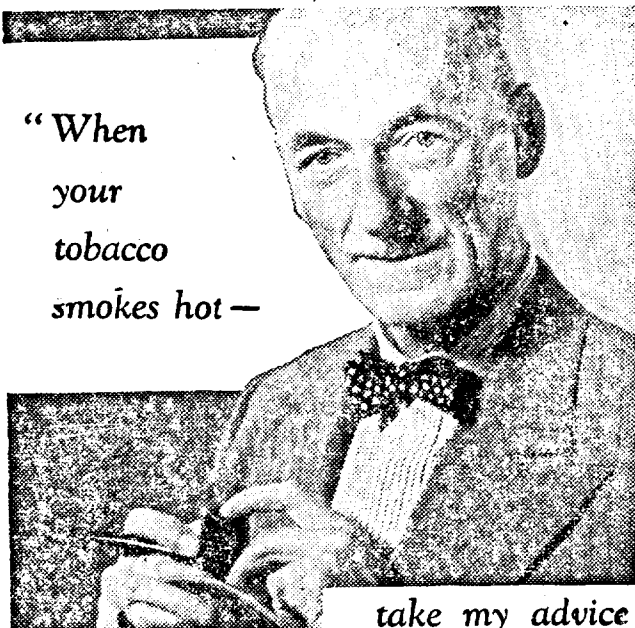
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THE BUSINESS WORLD

The Future of British Shipping

THE reconstitution of an efficient merchant shipping fleet should be one of the corner stones of national reconstruction. Lord Leathers, Minister of War Transport, did well to emphasise this principle in a speech in the House of Lords on Wednesday. Shipping is not merely an important source of wealth—contributing before the war about 1.3 per cent to the national income—and, in particular, a large source of foreign exchange. It is also an essential element in national defence—the "buckle that fastens" Britain to the Commonwealth of nations and the world.

In shipping, as in civil aviation, there will be a need for a new international convention as part of the general peace settlement. Such a convention would lay down international standards on technical matters, on safety and on conditions of work for seamen. At the instigation of the International Labour Office much progress has already been made with the formulation of a seamen's charter which is discussed on page 489. But, beyond that, an international shipping convention should provide a new framework within which the various fleets are to ply for trade.

In shipping, no less than in civil aviation, there is much to be said for internationalisation as an ideal policy. Thus, the international agreement on the pooling and control of shipping fleets of the United Nations which was published last week might serve as a starting-point. The agreement provides for the setting up of a United Maritime Council which will have the task of utilising the shipping of the various countries to the best advantage until the end of the war. There is to be a uniform system of freight charges for the same or similar services, and ships are to be allocated without regard to financial considerations. Further, the contracting Governments have agreed

not to release from control any ships under their authority or permit them to be employed in any non-essential cargo unless the total overall tonnage is in excess of the total overall requirements, and then only in accordance with a mutually acceptable formula which shall not discriminate against the commercial shipping interests of any nation and shall extend to all contracting Governments an equitable opportunity for their respective tonnages to engage in commercial trades.

This agreement is a sensible one; it will prevent unnecessary confusion and the inflation of freight rates; and, as Lord Leathers pointed out, it holds out hopes of post-war collaboration. But it is highly unlikely that internationalisation would be acceptable as a permanent policy; for all practical purposes the presumption is that there will be a return to competition.

But a return to the kind of competition that governed the shipping industry before the war, with its discriminatory practices and subsidies, would be most unsatisfactory. Even those who most strongly favour competition would insist that it be fair and equal competition. British ship-owners, in point of fact, are by no means so completely, or so unqualifiedly, wedded to competition as they used to be. This is shown by a report on shipping policy published this week by the General Council of British Shipping in which a plea is made for the organisation of shipping "on the basis of private enterprise and free competition," but "subject to reasonable agreement to keep freights on an economic level and the supply of tonnage adjusted to meet demand." As examples that might be followed the Council recommends schemes such as the Liner Conferences and the Tanker Pool which were in operation before the war. Its aim is to extend the principle of these arrangements to tramp shipping, which comprises the bulk of the world's tonnage and is peculiarly subject to ups and downs in freight rates and consequently to unremunerative working and the gradual consumption of capital. The Council's

suggestion might well form the basis of discussion; but safeguards would be required to ensure that price-fixing powers will not mean excessively high freights. Hitherto, the competitive tramp market has provided some check on any tendency of the liner conferences to abuse their powers; rate-fixing for tramps also would mean a complete and tight international cartel—run, presumably, by the shipowners and in their interest. There is no reason why such arrangements should be any less noxious in shipping than in any other trade. Moreover, at the end of the war the world's shipping fleets are likely to be seriously unbalanced in relation to peace requirements. There will be a surplus of wartime utility ships—"a prodigious" one according to Lord Leathers—and a shortage of others. So far as surplus tonnage is concerned, the Council suggests that this should be divided into two categories, a strategic or break-up reserve to be taken off the market as quickly as possible, and a commercial reserve of ships which would be regarded as marginal tonnage. This would, of course, increase the possibility of a rise in freight rates.

The operation of a rate-fixing scheme would of course involve international collaboration. But, as Lord Leathers recognised, there is no need to postpone the reconstruction of the British Merchant fleet pending agreement on a new international convention. The severe restrictions which have limited new construction to standardised wartime ships are to be relaxed to permit the gradual resumption of the construction of vessels for peace. A policy of reconstruction must have three aims. The British merchant fleet must again be large enough to serve the nation's needs; secondly, it must be a balanced fleet, comprising

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tramps, liners, cargo liners and specialised vessels in the right proportions; thirdly, the new fleet should be technically as efficient as possible and the new vessels should be constructed at the lowest possible cost.

It is impossible at this stage to know exactly what the total size of the fleet should be after the war; but Lord Leathers stated categorically that it should be at least as large as before the war, and as much larger as British efficiency could make it. Before the war the British fleet carried some two-fifths of the world's sea-borne trade; by coincidence, it also met, fairly exactly, one of the most reasonable criteria of necessary size—that is, it was large enough to carry the whole of the trade between British ports and half of the trade between British and foreign ports. As was suggested in an article in *The Economist* of July 24, 1943, a policy of restoring the pre-war position might be expressed on the basis of one of these two alternatives. But as the two magnitudes may diverge after the war, the best policy might be to adopt the second, that is to aim at a fleet large enough to carry all wholly British trade and half of British-foreign trade. This would avoid the necessity of making a claim (which would no doubt be contested) to a merchant fleet large enough to carry indefinitely a fixed proportion of the world's total seaborne trade.

The question of balance is equally important. A properly balanced fleet is not merely one that is balanced in relation to the demand for shipping space, but also one that yields a maximum return. Moreover, since in a competitive world Britain's position as a ship-owner will ultimately be dependent on its efficiency, it is of great importance that British ships should not be technically inferior to, or more expensive than, those of other nations. The equipment and practice of British shipyards must be brought into line with modern standards; this is also a pre-condition of a resumption of the important British export trade in ships.

The task of reconstructing the shipping fleet in accordance with these principles is a formidable one. It is probable that Britain will end the war with a fleet that is not merely unbalanced, but several million tons smaller than before the war. Reconstruction will be very costly. For example, the cost of construction of a 7,500 ton dead-weight single deck steamer of simple specifications has risen, according to *Fairplay*, from £13 6s. 8d. per ton in June, 1939, to about £22 at the end of 1943. At £20 per ton dead-weight, the cost of constructing something like five million tons dead-weight of shipping would amount to £100 millions. But the rehabilitation of the shipping fleet is not merely a matter of replacing tonnage lost during the war. Indeed, a substantial proportion of the tonnage still existing will also have to be replaced, either because it is worn out or because it no longer satisfies modern technical requirements. And costs may rise still further.

It is not surprising, therefore, that the General Council of British Shipping believes complete reconstruction to be beyond the resources of the industry. If so, the question arises how reconstruction is to be financed. Broadly, there are three possible solutions. First, the difference between the industry's financial resources and its requirements might be met by a state subsidy. In view of the importance of shipping, there is something to be said for this solution;

but the Government is likely to be very shy of any subsidy policy, partly because of the precedent it would set for other industries which are (or might think themselves to be) in a similar position. Nor does it really get round the difficulty to suggest that compensation for ships lost should be paid at replacement values rather than at insured values; this, no less than a subsidy, would be differential treatment for one industry and would not help with the replacement of surviving, but obsolete, ships. Secondly, there is the possibility that money might be made available by the Government, not as subsidies, but as cheap loans. Many of the same arguments apply here also, in addition to the consideration that the shipping industry could hardly bear a large amount of fixed debt to the Government ahead of its existing prior charges.

Moreover, to any scheme which essentially consists of putting the shipowners in sufficient funds to order new ships there is the objection that it does nothing to ensure that the total volume of orders is adequate, or that they are placed regularly enough to provide the means of existence for a healthy shipbuilding industry. If, in any event, the Government is going to have to find the funds, there is a very great deal to be said for it taking a larger hand in the business. A practical version of this third solution was suggested in the article already referred to. In brief, the proposal was that the Government itself should order the ships and continue to own them during the whole of their life, though hiring them out for long periods of several years at a time (possibly the whole life of the ship) to the shipping companies. By some such scheme as this, a number of objects would be secured. First, the shipbuilding industry could be assured a stable long-term programme of work, which would greatly assist in the reduction of costs. As Mr A. Murray Stephen pointed out on Tuesday during his presidential address to the Institution of Engineers and Shipbuilders in Scotland, the maintenance of stable employment would also be assisted by a planned programme of naval construction. Secondly, although there would naturally be the closest consultation with the prospective hirers about the design of ships—ships could, in fact, be designed to be employed by individual lines and built to their requirements—the Government could also make certain that the Merchant Navy was of the size and type that are needed in time of war. Thirdly, the question of providing additional financial resources for the industry would not arise. Fourthly, if the complete abolition of subsidies cannot be achieved, the adjustment of the hiring charges to the level of freight rates would provide a most convenient method of assisting British shipping. Fifthly, the actual operation of ships would be left in the proper place, namely, in the hands of private enterprise. And lastly, the ownership of vessels by the Government would make it possible to maintain, at all times, an unused reserve of efficient shipping—a vital requirement of national defence. A scheme such as this would not only thus solve a number of the industry's most pressing problems, it would also provide an excellent example of that working alliance between the principles of collective and private enterprise which all parties profess to be seeking.

The Government will no doubt consider such alternatives

as this to the proposals for more direct assistance that the shipping industry has, quite naturally, put forward. But whatever may be the best policy, the worst of all would clearly be to postpone decisions until the end of the war or until after a general election.

Fortunately, the speech of Lord Leathers suggests that the Government is alive to the need for, and to the problems involved in, the rehabilitation of the British merchant marine. It is anxious to collaborate with other nations in

the constitution of a new international framework for the shipping industry. Meanwhile, it is taking steps to ensure an early beginning with the work of restoring the British merchant fleet. It has asked the shipping and shipbuilding industries to draw up a programme of replacements; and the restrictions on the construction of peace-time vessels are to be gradually relaxed. This is good news; Britain cannot afford to be a late starter in one of its most essential industries.

Business Notes

Coal Black-out

Major Lloyd George has the unenviable function of having to cast a periodical gloom over the proceedings of the House of Commons. At question-time on Tuesday, he gave a renewed warning that if the present rate of coal output continues, there would be a risk of interference with the war effort as well as of serious hardship to domestic consumers. His review of the position since the wages agreement was concluded six months ago—the decline in output by 100,000 tons a week, and of output per man by 5 cwt. a week, and the increase in voluntary absenteeism of 25 per cent—has already appeared in the press. So have his reminders of the need for continued economies in consumption in order to meet requirements in Europe and at home. The public knows that the coal situation is serious, and if it does not, it is not for want of telling. The Minister called a special meeting of the miners' leaders on Thursday to discuss with them the gravity of the situation, and he is to meet the representatives of the Mining Association next week. But there are two things which the Government should do to throw more light on the situation. One is to resume the publication of the monthly production figures, and to state the estimated requirements of coal for export. There can surely now be no valid security reason against giving such information. Secondly, and more important, they should allow the report of the American mining mission to be published. So far only a brief, summarised and almost certainly expurgated version has appeared. If the report is being held up, as has been suggested, for fear of hurting the feelings of those concerned in the mining industry, such an action is against the public interest. If there are good reasons for withholding publication, they should be given. The American experts' suggestions for improving the efficiency of the industry are of too great an importance for their report to be confined to a narrow circle.

"Full Technical Efficiency"

On the same day that he gave this very depressing picture of the coal situation, Major Lloyd George announced the formation of a new committee* of mining engineers to advise him on how to bring the industry into "a state of full technical efficiency." The committee has been instructed to investigate the whole question of technical equipment and organisation of production, including mechanisation, conveyance and loading. Though the platitude "better late than never" can be applied in this case, it is fantastic that such a committee should be formed only now, after five years of war and four years of falling coal production. Its Chairman is Mr Charles C. Reid, formerly General Works Manager of the Fife Coal Company and now Production Director at the Ministry of Fuel. He represents the only "independent" element in the committee, which consists otherwise of colliery managing directors and managers. It is surprising that there should be no representative of the highly efficient Nottinghamshire collieries, such as the Bolsover Company, and it is a great pity that no outside mining experts should have been appointed. The exclusion

* The members of the committee are: Mr H. J. Crofts, joint managing director Chatterley-Whitfield Collieries, Ltd., Staffordshire (annual output 1,250,000 tons); Mr Douglas Hann, director, Powell Duffryn, Ltd. (12.5 million tons); Mr John Hunter, managing director, Doncaster Amalgamated Collieries (4½ million tons); Mr A. Kirkup, director, Lambton, Helton and Joicey Collieries, Ltd., Newcastle (5 million tons); Mr J. A. Nimmo, general manager, Workington branch United Steel Companies, Limited (2½ million tons); and Mr H. Watson-Smith, managing director, Hardwick Colliery Company, Limited (1 million tons). The secretary of the committee is Mr R. Crawford.

of any representatives of the miners from the committee is presumably to be explained by the desire to keep technical questions separate from politics. But in practice it looks as if the owners have been invited to say whether they are efficient.

Idle Markets

The volume of business in the stock market continues to decline, and there are, at last, some signs of a falling off of enquiry. While it is extremely difficult to disentangle the effects of the numerous factors influencing business, the falling off seems to have coincided with a decline in the belief that the war in Europe will be over in a matter of weeks rather than months. It also follows a considerable adjustment of values between the various groups of equity shares. It cannot be said, however, that this adjustment appears to follow any logical classification of equities according to their post-war prospects. It seems rather to have taken the form of tending to eliminate the rise of the few weeks before the setback started, which suggests that most of the selling comes from those who bought for capital appreciation. According to the figures of *The Actuaries' Investment Index* and *The Financial News*, of which particulars are shown on page 491, the general level of British industrial equities now stands between end-May and end-June for the former, and very early in June for the latter. The difference in date is what would be expected from the fact that the smaller index consists of market leaders which tends to move before the general run of shares. As the difficulties of the transition to peace become more apparent the view that the end of the war will see a fall in equity values is gaining more adherents. There is also a resurgence of the view that it is the shares in consumption goods industries which will benefit most during the post-war years, and that there may very well be opportunities before long to switch from low-yielding consumers' goods shares into high-yielding shares of concerns producing capital goods. Further, it is being argued that in the immediate post-war period the latter will have much greater problems of conversion than the former. That may be true, but it is important to bear in mind that it is the specificity of the plant, not of the final product, which is the determining factor. As to the larger argument, it seems that, in the transition period at least, there will be no lack of people who want capital goods. Whether the actual demand

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for these or for consumption goods will be greater will depend in no small degree upon Government policy at home and abroad. Clearly, one of the greatest demands of all will be for durable consumption goods, ranging from houses to motor cars and household equipment. But in those countries where devastation has been great, or where the desire to increase industrialisation is strong, or where the need for modernisation of existing equipment is strongly felt, some sacrifice of current consumer needs will be made to obtain the necessary physical capital for full reconstruction.

Meeting the External Debt

The Chancellor of the Exchequer, in his speech on Wednesday, made some remarks on Britain's external debt which gain in significance from the recent discussions with Empire representatives. He pointed out that though this country would emerge from the war with heavy overseas obligations it would also command high credit throughout the world. This credit, he suggested, was based on the character of the people, their courage, their determination and skill and above all, their productive efficiency. With these attributes, Britain's financial indebtedness could be translated into physical terms of production.

I tell you (said Sir John Anderson), and I speak under a sense of responsibility, that I believe we can see our way through. We can meet our obligations in a realistic way, that is by producing the goods that other countries will want. The process will take time but it depends, in the main, not upon skilful financial adjustments, but upon the willingness of our own people to recognise that, as they fought their way to freedom, so they can work their way to security and progressive improvement in all their material conditions. It depends also upon the recognition by our creditors that they have a common interest with us and must collaborate. They must be reasonable and not seek to treat war debts on the footing of ordinary commercial obligations. Practically the whole of our external obligations incurred during the war are to our allies and associates in the war. We have incurred a debt to them—but have they not also incurred some kind of debt to us which they too can pay by their confidence in us, which has stood a much sterner test, and by their practical cooperation with us?

Repair of Bomb Damage

Sir Malcolm Trustram Eve, who was appointed three weeks ago to deal with repairs to London houses damaged by flying bombs, made the first major move in his campaign last Tuesday. On that day, an Order (S.R. & O., 1944, No. 1112) came into force, reducing the limit of expenditure up to which building work—war damage or not—in the London Civil Defence Region may be carried out without licence, from £100 to £10. Applications to spend more than £100 will still be dealt with by the Ministry of Works; local authorities will authorise expenditure between £10 and £100, but work other than war damage work will not be permitted unless it is essential from, for example, a sanitary or structural point of view. The Order will have the effect of freeing a substantial number of building workers for the repair of bomb damage. It is hoped to draw as many London builders as possible into the pool of those with local authority or Ministry of Works contracts. Small builders will be organised into working parties. All will be paid on the War Damage Commission's scale of rates for war damage repairs undertaken for private customers—that is, the local authority rates have been raised; this change is retrospective to June 15th, the day when the flying bomb attacks began. A properly balanced labour force of some 100,000 men is required for some months. It is not yet known how far the new measures will fill the gap, and Sir Malcolm estimates that he "may want another 20,000 to 30,000 men." The major obstacle to employing firms from other parts of the country is said to be the lack of distribution. It is already contemplated to take the census urgency of the problem, this difficulty is surely one that can be surmounted. Winter is about to begin, and hundreds of thousands of Londoners are living in discomfort.

Census of Production

It is good news to know that the Board of Trade has begun to clear the ground for Britain's first census of distribution by soliciting the views of trade associations.

There is a widespread belief that efficiency ends with manufacture and inefficiency begins with distribution. As a generalisation, this statement is obviously untrue. Inefficiency and high costs are not confined to distribution. But what is true is that there are very few facts about the costs of distribution and yardsticks by which the public can measure its efficiency. The formation of an Institute for Scientific Distribution this week is to be welcomed if, as appears to be the intention, it will concern itself with the objective and continuous study of the problems of distribution. Fact-finding inquiries will be greatly assisted by a regular census of distribution. It is already contemplated to take the census of production each year after the war; formerly it was taken every five years. There is a strong case for taking a census of distribution at frequent intervals, perhaps every two years. Similarly, the interval between population censuses has been far too long in the past; it might well be reduced from ten to five years. But if the number of such statistical investigations is to be increased and if they are to be carried out at short intervals, the existing facilities at the disposal of the Government will have to be overhauled. It might be an advantage, for example, to follow American practice by creating an organisation analogous to the Bureau of the Census, that is by making a single organisation responsible for all censuses. The creation of a strong and permanent organisation would not merely simplify the procedure, but it should make for speed in the assembly and publication of statistics.

"Can Pac" Wages Award

After what seems considerable delay, a message from Montreal discloses the fact that the wages award of July last is estimated to cost the Canadian Pacific some \$15 million. Total working expenses for 1943 were some \$248 million. The award is retrospective to mid-September, 1943, but it cannot be assumed that its incidence is equal over the whole period. The whole of the cost, from its inception to the end of August, has been charged against the gross receipts of that month giving a net loss for that period of \$3,409,454 against a surplus on the same month of 1943 of \$3,843,887. It is impossible from these figures to determine the amount still remaining to be charged against the last four months of the current year. It is, however, presumably substantial and it will be rather surprising if most of those months do not show a decline on the net figures of 1943. Up to the end of August, the comfortable surplus of earlier months has been converted into a deficit of \$2,203,000. It seems a great pity that the amount of additional costs included in the August deduction is not disclosed, but even if it were it would still be difficult to assess the outlook for the holders of the equity. The net income from ancillary services and the cost of various charges varies greatly from year to year and is sufficiently large to affect very markedly the net profit of the whole undertaking. What is clear is that a very material increase in costs has been sanctioned. It may be possible to carry this higher cost with existing charges and traffic at a wartime level. Whether this will be possible after the war is a matter which justifies some doubts in the minds of the holders of the ordinary shares. The price of these, which has stood as high as 18 last year fell about $\frac{1}{2}$ point to 14 $\frac{1}{2}$ on the announcement. The 2 per cent dividend paid in respect of 1943, costing \$6,700,000, was covered by earnings of \$37,940,000.

Oil and Dollars

The Anglo-American oil conference held in Washington last August provided one important bone of contention. It concerned the "exchange" reservations with which the British delegates desired to hedge the fundamental provision of the agreement that international traffic in oil should be free from discrimination and unhampered by restrictions imposed by either Government or its nationals inconsistent with the purposes of the agreement. The British delegation objected that strict adherence to this principle might place an undue strain on British dollar resources in the difficult years of the immediate post-war era. The Americans resisted the introduction into the agreement of any clause tolerating discriminatory practices. This issue occupied the greater part of the conference, and at one time went very near to wrecking it. In the end a compromise was found and inserted as

an appendix to the agreement. The text of this reservation is as follows:

It was agreed by both delegations that the terms of the agreement provide for due consideration by the Commission of the foreign exchange position of each country.

The United Kingdom delegation stated that during the post-war transitional period referred to in the draft agreement for the International Monetary Fund, the United Kingdom might be obliged to take into account the exchange which it would lose or gain by the purchase or sale of petroleum in deciding the sources from which the petroleum it required should be drawn; that this situation would continue until sterling became freely convertible, and all restrictions on payments and transfers for current international transactions have been removed.

The United States delegation took note of this statement. They pointed out, however, that if the United Kingdom Government were to take unilateral action in this sense, the effect would be inconsistent with certain purposes of the agreement.

It was agreed, therefore, that before any such action was taken the matter should be placed before the International Petroleum Commission, which, after due regard to the principles of the agreement, should seek a solution acceptable to the two Governments; failing agreement on such a solution the Commission should consider the desirability of recommending to the two Governments a suspension of the agreement in whole or in part. It was agreed that should the Commission be unable to make any recommendation acceptable to the two Governments, the Government presenting the problem to the Commission would exercise its right to give notice to terminate the agreement . . . term of notice (for this purpose) should be shortened from six months to three months.

It will be noted that the Americans do not accept the reservation; they merely take note of it, and provide machinery for considering the application to depart from the basic purposes of the agreement. From the British point of view it is important to have tabled the reservation, and to have it incorporated as a footnote to the agreement. It is also significant that the International Monetary Fund draft should have been invoked as a plea for this reservation. The incident provides the first practical test of the application of its "transitional period" clauses, and the first indication of American reaction to such invocation of the monetary agreement.

US Mexican Oil Settlement

The reported ratification by the Mexican Senate of the settlement reached a year ago between the American and Mexican authorities over Mexico's expropriation of the assets of American companies in 1938 closes another chapter of an altogether disconcerting story. The Mexican Government not only expropriated American and British oil companies, but it has also consistently refused to pay adequate compensation. The American oil companies had valued their properties at between \$400 and \$500 million; the settlement provides for a compensation of \$24 million, together with interest at the rate of three per cent from the date of expropriation. The settlement, obviously, is a political one; for reasons of its own the American State Department not merely condoned the high-handed action of the Mexican Government but also accepted a mere token payment as compensation. Not unnaturally, the Royal-Dutch-Shell group refused to settle on a similar basis, and the Foreign Office has been faced with the unfortunate precedent established by the American State Department. In spite of the difficulties of enforcing restitution, or, at least, adequate compensation, there is no reason why the British Government should set its seal to a similar settlement.

Bulk Purchase

The Government has decided on purchasing in bulk, and for some years ahead, large quantities of foodstuffs. Details of the latest agreement—that between the Governments of the United Kingdom and Australia—were disclosed by the Minister of Food, Colonel Llewellyn, in the House of Commons on September 27th. The United Kingdom will buy the whole of Australia's exportable beef, mutton, lamb, butter and cheese for the next four years; it will also buy, until 1946, the whole of its surplus of eggs and pig meat. Final details about prices remain to be settled, but they are to be subject to review at the end of two years "on the grounds of substantial changes in conditions." As Colonel Llewellyn pointed out, these arrangements are being

made as part of the Government's policy of "safeguarding food supplies for the United Kingdom during the next few years." They do not mean that the Government intends to adopt the method of bulk purchase as a permanent policy or to apply it to all imports of foodstuffs and raw materials after the war. In wartime, the method of bulk purchase has a number of advantages. It is a means of making sure of supplies by guaranteeing a market to producers; it prevents an undue rise in prices in a period of scarcity; and it offers certain administrative advantages at a time when raw materials and foods have to be rationed to manufacturers and consumers. In peace, price must be the overriding consideration in the determination of policy—and the method of bulk purchase does not necessarily ensure lower prices than a free market. This does not mean that there be no room for bulk purchases after the war; equally there is no case for their universal adoption. They should be regarded as an alternative in the aim of securing imports at the lowest cost.

Wheat Supplies

The Ministry of Food has ordered a reduction in the rate of extraction of national flour from 85 to 82 $\frac{1}{2}$ per cent. The rate of extraction was raised over two years ago as a means of saving shipping space. In the meantime the United Kingdom has harvested two very good wheat crops, but between one-third and one-quarter of its wheat requirements have still to be imported, and the reduction in the flour extraction rate means more wheat imports. In terms of shipping space, however, these increased import requirements will not be heavy and they will not materially affect the international wheat supply position. Although the consumption of wheat in the 1943-44 season, due to the abnormal wheat demand for the production of industrial alcohol and for feeding purposes in the United States, has been exceedingly heavy, the combined carry-overs of the four main overseas wheat surplus countries (United States, Canada, Australia and Argentina) into this season, according to the US Department of Agriculture, amounted to 1,170 million bushels, compared with just over 625 million bushels at the outbreak of the European war in 1939. The latter figure, moreover, was high compared with normal standards and just before the war exercised a strong pressure on international wheat prices.

The large carry-over into this season, however, is not the only encouraging factor in the present international wheat position. Despite current reports of drought damage in the main wheat-producing areas of the Southern Hemisphere, this year's world wheat crop promises to be a large one. The combined United States and Canadian crops, according to the latest official estimates, may reach the record total of 1,563 million bushels, an increase of 433 million bushels on the year. In most other parts of the Northern Hemisphere the 1944 crop has also been large. Even from France, Italy and the Balkans, satisfactory crop conditions have been reported. On the demand side the United States War Food Administration has greatly reduced wheat allocations for industrial and feeding purposes and the country's combined allocations for all purposes (including lend-lease and relief shipments) this season has been limited to 1,114 million bushels, a quantity which is fully covered by this year's United States crop. It is true the next twelve months will witness the reintegration of Europe into the world market and UNRRA has tentatively estimated that some 3 million metric tons

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(just over 110 million bushels) of wheat will be needed for the European relief work of the first six months after the termination of hostilities. Nevertheless, unless the southern hemisphere crops, due to be harvested towards the end of 1944, turn out to be very poor, withdrawals from stocks during the next nine months should not be large. Moreover, the majority of the large overseas wheat-producing areas are planning to increase their wheat area for the 1945 crop; in the absence of a weather catastrophe both the short and long-term prospects for the world's wheat supplies appear encouraging.

Deflation in Belgium

The Belgian Government will this week-end launch a drastic currency reform, the details of which have been worked out by the Government during the years of exile in Britain. The main objectives of the plan are to contract the volume of currency and credit from the inflated levels reached under German occupation, to preserve the purchasing power and, therefore, the exchange value of the currency, and to trace and tax illegal profits made by collaboration or black market activities during the occupation. Details of the plan must naturally be withheld until it comes into operation, but reports from Brussels suggest that a new currency, which has been printed in England, will be exchanged for the present notes on a franc for franc basis, but only up to a certain figure. Anyone who tries to change more than this into new francs will only obtain a proportion of what he tenders. Exceptions will be made for employers needing large sums for wage payments and for other institutions which normally have to maintain large cash reserves. The same will apply to bank balances, the credits over a certain maximum figure being available only for investment in long term Government securities. The combined circulation of currency and credit in Belgium at the time of the German invasion was about 51 milliard francs. The total has now risen to about 185 milliard francs, and it is the intention to bring this figure well below the present level. The effect of this drastic deflation should be to bring down the cost of living to a level approximately in keeping with the rate of exchange of 176½ to the pound given to the currency and with the structure of wage and salary rates that still prevails in Belgium. The fact that so ambitious and drastic a currency reform is being put into operation within one month of the liberation of the capital is a hopeful commentary on the effectiveness with which the Belgian Government has secured its hold on the machine of administration in Belgium and on the political stability of the country. Similar plans had been prepared for France, but there is no indication of their being put into operation because tampering with the currency and bank balances might turn the peasants and small bourgeoisie against a Government which already has its hands full dealing with the political forces to the Left of these at present docile and quiescent sectors.

More Credits for Holland

The Dutch Government is losing no time in its preparations to mobilise external resources for financing relief and reconstruction work. Following the arrangements of a credit of \$100 million with a syndicate of American

banks, it has this week signed agreements for raising credits in Switzerland and Sweden. The amounts and terms of the transactions have not yet been published, but it is known that the credit in Switzerland has been arranged with a group of Swiss banks but that in Sweden has been negotiated with the Swedish Government. A stipulation of both agreements is that the proceeds must be expended by Holland in the lending countries. The Dutch authorities have already planned their programme of purchases in both markets. From Switzerland they will, in the main, buy machinery and electrical equipment. The purchases in Sweden will consist largely of timber, wood pulp, tools and agricultural machinery.

Fife County Conversion

The process of dealing with next year's municipal loan optional maturities is proceeding apace. Last week Doncaster and Newcastle-on-Tyne announced the repayment of £491,510 of stock on April 1, 1945, and of £858,940 on January 1st respectively without mention of any offer of conversion. At the beginning of this week the Fife County Council made a more interesting offer. In giving notice of repayment of £1,168,306 of 4½ per cent stock 1945-55, the Council gives holders the option of applying, up to February 1, 1945, for 3 per cent County Council Mortgages repayable May 15, 1960. This is the first sign of reaction by the municipalities to the encouragement offered them to convert marketable securities into over-the-counter mortgages. The amount of stock involved on this occasion is comparatively large, but the County Council has behind it the guarantee of the Treasury to provide any funds, in excess of the Council's own resources, required to pay off holders who do not accept conversion. It will be interesting to test the size of the demand for such unmarketable securities and full disclosure of the terms of issue and the amounts sold ought to be made public. It is very difficult to see why anyone should accept an unmarketable security unless it carries a higher return than a marketable one.

More Industrial Conversions

The advantages to those concerns which have been formed, or have raised new capital, sufficiently recently to benefit from the power to issue redeemable preference shares are becoming apparent. The past few days have brought offers to holders of such shares in two very different concerns; Palestine Potash and Broadcast Relay Services. In the case of the former the conversion is supplemented by the redemption of notes and the issue of new capital to finance that operation. The scheme of Broadcast Relay Services is a straightforward offer to convert 5½ per cent cumulative preference shares of £1, on a share for share basis into 5s. ordinary, those accepting to receive 4s. 6d. in cash for each share converted. In both instances it is probably the desire of the management to get rid of fixed interest capital rather than to borrow more cheaply, since the savings are not large. Full particulars of the Palestine Potash scheme will be issued early next month. In the case of Broadcast Relay, arrangements have been made for any new ordinary shares not taken in conversion to be covered at 16s. 6d., less a commission of 6d. a share. The issue price of 16s. 6d., plus the 4s. 6d. cash to be given to preference holders converting raises their receipt to 21s. per share of £1, which is the figure at which redemption is to be effected. The return on the ordinary shares at the price of issue is only some 2.12 per cent, tax free, on the 7 per cent tax free dividend, whereas the preference shares carry 5½ per cent. The operation should result in material benefit to present holders of the equity, if the expected expansion in retained earnings materialises. In addition to raising the potential earnings on the ordinary, the operations place the companies in a stronger position to raise money by prior charges should the outlook appear to warrant such a step when conditions are more settled.

Cordoba and Primitiva

There has been some slight improvement in the market for Argentine securities owing to two recent announcements. In the first place, the Cordoba Central Trust is sufficiently certain that the promise of the

Argentine Government to pay off the underlying securities will be implemented to put forward a plan for the use of the funds. The original trust deed was drawn with a view to gradual liquidation, but it did provide that the first debentures might be redeemed at par out of any moneys received, but after a lapse of six months. It may be doubted whether a wholesale redemption was ever contemplated, but holders of this security are now asked to accept prompt repayment at 100½ instead of waiting six months and receiving 100. If this is accepted they will be paid off on December 1st, while holders of the second debenture will receive 65 per cent on March 1st, 1945. As the first debenture carries only 3½ per cent it is not likely to be considered a hardship that it should be repaid sooner than was expected. Other assets should suffice to pay the second debentures the further 18 per cent which the market price suggests is expected. The second development is an offer from the Argentine Government to Primitiva Gas to pay as compensation about four and a half times the amount of their original offer. This development follows the news that the Federal Court has rejected the original figure as not representing a fair valuation of the properties to be acquired. It is understood that the case is in course of being taken to the Supreme Court. No statement has been made by the company and it is improbable that the revised offer will be considered any great contribution to an agreed settlement as it is still only a fraction of the full claim.

Seamen's Charter

The officers and merchant seamen of twelve countries have adopted an International Seafarers' Charter, with the object of regulating seamen's wages, hours and conditions on an international level. The Charter, which will probably be presented to the Maritime Commission of the International Labour Office before the end of the year, represents a bold attempt to apply the principles adopted at Philadelphia to one of the most important international industries. The Charter proposes the fixing of minimum wages at £18 a month for an able seaman, with related minima for other ratings, and, for officers, minimum rates of £22 10s. a month for third mate and fourth engineer, with appropriate rates for higher grades, rising to £40 10s. for chief engineer and £45 for master. It suggests a 40-hour week for port work and a maximum 8-hour day for men on board, with 12 days annual leave with pay. In order to ensure continuity of employment, it proposes the creation of manpower pools in each country—on the lines of the wartime arrangements—which would keep registers of men employed and men available for employment. While waiting to be signed on, a man would receive 80 per cent of his sea-going wages. Entry into the shipping industry would be controlled; no boy would be allowed to go to sea before the age of 16; and proper training and certification would be required, not only for seamanship, navigation and engineering, but also for catering and stewardship. The Charter lays stress on the need for improving the standard of crews' quarters and on establishing a minimum safety code, with provision for inspection. It is perfectly true, as the Charter points out, that seamen work under entirely different conditions from factory workers; they work for a variety of employers and spend their money in different countries, and there is certainly more scope for standardisation of their conditions than for those of industrial workers. It is also true that in some countries—notably the United States and Scandinavia—conditions are far in advance of those elsewhere. But though the Charter makes it clear that the seamen's aim is a minimum, and not an equalisation of standards, it is hardly practicable to apply the same yard-stick to Chinese and US seamen, with their widely differing standards of life, as far as wages are concerned. It is clearly desirable to establish minimum international requirements for conditions of work and living on board ship, as well as for safety provision, and to embody these in a new International Convention.

Rand Wages Agreement

A wages agreement was reached last week, in the South African goldmining industry, between the Chamber of Mines and the Mine Workers' Union, who represent about a third of the industry's 45,000 European employees. An initial £25,000,

and an annual £100,000 for five years, is to be put aside out of profits to finance housing and other welfare schemes, to be mutually agreed. This will cost employers the equivalent of about 2s. 8d. extra in wages per week per worker, which is very much less than the 30 per cent increase in wages originally demanded by the Mine Workers' Union. Moreover, the extra cost will, in fact, be charged to profits and not to working costs. Attempts are now being made to reach similar settlements with the other mining unions. If all the industry's workers accept similar terms, the charge on profits will represent a little over 2 per cent of the total amount paid in dividends in 1943. This would let the employers off lightly, but at the same time the workers should benefit considerably from the welfare schemes proposed. The amounts made available for housing will enable workers to put down initial payments for the purchase of homes of their own, which is, no doubt, psychologically attractive. The agreement includes a wage truce for five years, during which time neither employers nor employees may attempt to change wage rates unless conditions alter "very materially." But, before the agreement has even become effective, its provisions have been rejected unanimously by a meeting of the shaft stewards of the Central Rand group. If this is the reception given now to proposals for a truce, what is likely to be the attitude of employees if the cost of living rises—or of employers if other mining costs increase? In the Heraclitan world of wage disputes, the agreement has done its best to give stability to the industry. But even temporary success is still in the balance.

Catering Wages Commission

The Catering Wages Commission have presented their annual report, in which the progress made during their first year is described. The extent of their work and the energy they applied to it can be judged from the fact that they met no less than 47 times during the year. It is estimated that the catering industry is now the sixth largest industry in the country, but the lack of precise statistical information has been a serious handicap. The Commission, however, are taking steps, with the assistance of the Ministries of Labour and Food, to remedy this during the coming year. Methods of regulating wages and conditions of employment have been studied, and wages boards for industrial and staff canteens, and for teashops and unlicensed restaurants have already been recommended. The grouping of the diverse sections of the industry for wages board purposes is a question on which views diverged, both in the trade and in the Commission, who are at present in favour of the establishment of a small number of boards. For two sections of the trade—the catering activities of the Crown and theatres—the Commission have reported that appropriate machinery already exists. Subjects on which the Commission hope shortly to report include the postwar rehabilitation of the catering industry, postwar equipment requirements, the development of tourist traffic insofar as the industry is affected, facilities for workers' holidays, and the training of workers for the industry. It is interesting to note, in the light of the battle which accompanied the passing of the Catering Wages Act, that the organisations which opposed it so strongly have sensibly decided to co-operate with the Commission.

Plan for a Town

Although all local authorities are concerned about post-war development in their areas in housing, education, and so on, few of them appear to be going beyond their social functions. For this reason, the report *The Development of Barrow-in-Furness*, prepared by Councillor G. D. Hastwell, the Socialist mayor and Sir Jonah Walker-Smith, the Conservative MP for Barrow-in-Furness, presents a novel view of the functions of local authorities. Their premise is that the industrial conditions prevailing in the borough are "valuable and essential parts" of their "very existence." Without a healthy industry, with its concomitant of sufficient employment, it is realised that the civic activities of the town could not flourish. The report is practical in outlook, and will form a useful basis for the deliberations of a new standing committee of the Council, to be

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TAX IS NOT DEDUCTED AT THE SOURCE

**3% SAVINGS
BONDS**

1945—1975

Issued by the National Savings Committee, London

called the Development Committee, which Councillor Hastwell and Sir Jonah propose should be established. A long view is taken, and Barrow is expected to be the centre for a population of 200,000 in 50 years' time—the borough's present size is about 70,000. The authors of the report take an optimistic view of Barrow's future. The town depends for the major part of its employment on the shipbuilding firm of Messrs Vickers, who believe that their post-war prospects are good. In 1943, the average number they employed was 19,300, and the payroll amounted to £5,577,000. The revival and development of mining activities, the extension of the paper-making and flour-milling industries, the extension of other existing industries and the attraction of new ones, and the possibilities of an airport are among the propositions discussed. It is unusual these days to find in any post-war report a sentence such as the following:—

... we have refrained from any suggestion of State intervention and Government financial assistance.

The proposals are based on principles of self-determination, sound economy and long-term and progressive policy pursued with courage and confidence. There are, of course, limits to the degree to which Barrow's economic fortunes can be shaped by its local authorities or, indeed, by its inhabitants. But the independent outlook reflected by the proposals is most refreshing.

Odeon Theatres Expansion

The principal changes in the accounts of Odeon Theatres for the year ended June 30th last are mainly the result of the acquisition during that period of a further 27 theatres and of the incorporation in the consolidated statement of the Entertainments and General Investment Corporation, excluded from the first consolidated statement of a year ago for technical reasons. The principal effects are rises of some £3,819,000 to some £15,822,000 in theatres and equipment and of £2,380,000 in loan capital to £10,117,000 odd, due to borrowing for part finance of the purchase. There is also an adjustment of payments to shareholders outside the group and a rise from £125,516 to £635,495 in excess of purchase price of theatre investments over par value. As Mr Arthur Rank points out in his statement, this excess is moderate compared with the valuation of investments in subsidiaries which now stand at £2,828,904. The new theatres only contributed to the income of the group for just over half the year, 727 theatre-weeks against a yearly figure of 1,404, but there is a rise in total revenue of the group from £2,163,687 to £2,815,558. Loan interest increased by some £105,000, and total taxation from £1,448,993 to £1,974,860, but the parent company was able slightly to increase its dividend and appropriations. The accounts are analysed in some detail on page 490. The rise of £9,346 in the parent's profit before war damage is stated by Mr Rank to give, if anything, too favourable an impression of the gain to the proprietors out of a rise in attendances at the theatres of the group by 25 million to 180 million. Box office receipts rose from an undisclosed figure to some £16 million, of which 39 per cent, against 38 per cent for 1942-43, was absorbed by entertainments tax, while total direct

taxation took 50 per cent. In these circumstances, it is not surprising to find Mr Rank urging a reduction in entertainment tax when the war is over. This may seem desirable in view of the fact that the rate of this tax has been trebled since pre-war days, but it is doubtful whether the authorities will, or should, give this tax a high priority in the list of reductions. The first items of tax relief, when that is possible, must be such as to permit the replacement of those semi-essentials, the stocks of which have been almost exhausted during the war.

Shorter Notes

The President of the Board of Trade announced in the House of Commons on September 19th that any disabled ex-Serviceman who was formerly a retailer is to be granted a licence to open a shop in any area or line of business. The only proviso is that, if he proposes to set up in an area in which he did not trade before, a licence will only be granted if it does not prejudice the interests of other closed retailers on the Board of Trade register. The rules for the granting of licences to disabled ex-Servicemen who were not retailers before the war are the same, except that the licensing committees will consider, with Ministry of Labour advice, whether retail trade affords good prospects for each individual applicant. The British Legion has been invited to nominate a representative to serve on each of the licensing committees.

The claim of the National Union of Agricultural Workers for a weekly minimum wage of £4 10s. has been rejected by the Agricultural Wages Board. The minimum will remain at 65s. a week.

On October 3rd Captain Waterhouse, Parliamentary Secretary to the Board of Trade, informed the House of Commons that export statistics for 1943 and preceding years are to be published shortly; it is to be hoped that this will soon be followed by a resumption of the publication of monthly export and import returns.

The decision of the Government to set up a body to deal with industrial design is a welcome one. Few details are yet available, but Sir Thomas Barlow, Director of Civilian Clothing, in announcing the Government's intention last Monday, said that great importance was attached to it. The scope and powers of the new organisation will be wider than those of the present Council of Art in Industry, and it will endeavour to improve the design of articles in common use. It is probable that the proposals of the Federation of British Industries, which were discussed in these columns last week, will be closely followed.

Company Result

Odeon Theatres.

	June 27 1942	June 26 1943	June 24 1944
<i>Consolidated figures:—</i>			
Profits after depreciation.....	1,534,775	2,163,687	2,815,930
Deb. and loan interest.....	116,193	353,408	458,445
Fees.....	4,236	7,964	7,759
A.R.P. expenditure and war damage.....	60,464	55,450	10,263
Taxation.....	1,100,000	1,448,993	1,974,860
Outside shareholders.....	4,273	16,641	16,641
Preference shares.....	93,789	93,789	93,789
Ordinary shares:—			
<i>Earned</i>	160,093	212,250	254,133
Paid.....	43,750	71,025	94,699
<i>Earned %</i>	36.6	45.0	53.7
Paid %.....	10	15	20
To writing off preliminary expenses.....	134,640	122,514	75,729
General reserve.....	75,000	75,000	75,000
Carry forward.....	78,595	104,804	100,525
Net fixed assets.....	3,829,219†	11,352,950†	14,686,312
Net inter-company items*.....	2,838,256	381,967	177,863
Net liquid assets.....	Dr. 501,510	Dr. 1,350,680	Dr. 2,167,330
Gross liquid assets.....	1,195,951	2,493,243	3,612,042

* Including Trade investments. † 1942 figures are for parent company only.
* After deducting reserves for amortisation of leases, depreciation, and equalisation of repairs of £260,054 in 1942, £649,922 in 1943, and £1,135,615 in 1944.

The 5s. ordinary shares, standing at 37s. 6d ex. dividend, yield £2. 13s. 4d. per cent.

COMPANY MEETINGS

DECCA RECORD COMPANY, LIMITED

SATISFACTORY RESULTS

The fifteenth annual general meeting of the Decca Record Company, Limited, was held, on the 29th ultimo, in London.

Sir Cyril F. Entwistle, K.C., M.C., M.P. (the chairman) said that the balance from trading account amounted to £115,766. After deducting depreciation and other charges, the profit amounted to £101,349, an increase of £16,800 on the previous year. The directors recommended a final dividend of 75 per cent., less tax, on the ordinary shares, making a total dividend

for the year of 100 per cent., less tax. The increased dividend they were able to recommend was well within the earning capacity of the company after provision for E.P.T., without the exceptional profit brought in this year and, allowing for the fact that for the current year no further relief from income tax could be anticipated.

The business carried on previously by Decca Radio and Television, Limited, had been absorbed by the company during the year. The directors were convinced that the merging of the radio with the record business would react favourably on both sections.

He felt sure shareholders would regard the results disclosed as highly satisfactory.

The continuation of the war had inevitably resulted in a progressive increase in production difficulties. They believed, however, they had now seen the worst in that connection. The demand for records had continued on a level far in excess of their Board of Trade quota, or their capacity to supply. For over 12 years they had been issuing the recordings of that great artist Bing Crosby, who had recently arrived in Europe. Immense though his sales had been to date, they were convinced that their post-war distribution of his records would eclipse anything they had seen in the past.

They viewed with great confidence the prospects of their business as soon as existing war-time restrictions were removed.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Sept. 28...	4,165	5,246	109.7	134.6	3.16	3.83
29...	4,251	5,518	109.7	134.6	3.16	3.83
Oct. 2...	5,780	7,200	109.7	134.6	3.16	3.83
3...	4,225	5,847	109.7	134.7	3.16	3.83
4...	4,520	6,226	109.6	134.6	3.16	3.83

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		Sept. 15, 1944	Sept. 20, 1944	Sept. 27, 1944
	Low Mar. 15	High July 12			
37 Industrials.....	95.1 (a)	108.4	101.4	103.1	103.7
32 Rails.....	88.9 (a)	106.8	97.1	99.0	100.7
40 Utilities.....	85.0	92.8 (c)	90.9	91.4	91.7
419 Stocks.....	93.6 (a)	105.7	99.6	101.1	101.7
Av. yield %.....	4.84 (b)	4.43	4.79	4.71	4.69

* Common Stocks. (a) Feb. 9. (b) May 3. (c) August 30.

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Sept. 21...	124.5	561,000	Sept. 25...	125.8	793,000
22...	124.8	546,000	26...	125.6	602,000
23...	125.1	312,000*	27...	125.5	484,000

1944: High, 131.8 (July 14). Low, 115.8 (Feb. 8). * Two-hour session.

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	Sept. 28, 1943	July 25, 1944	Aug. 29, 1944	Sept. 26, 1944	Sept. 28, 1943	Aug. 29, 1944	Sept. 26, 1944
2½% Consols (1).....	140.4	141.1	141.3	140.4	3.18	3.16	3.18
Home Corps (4).....	141.9	141.5	142.2	141.8	3.28	3.28	3.29
Debs. (All Classes) (42).....	121.1	122.5	122.4	122.5	3.92	3.85	3.85
Prof. (All Classes) (101).....	110.7	114.5	114.3	113.9	4.35	4.25	4.27
Insurance Cos. (10).....	107.3	123.0	119.5	111.0	3.90	3.48	3.79
Aircraft (5).....	66.4	67.8	65.4	62.6	7.99	8.17	8.55
Building Mats. (6).....	96.5	110.8	106.3	103.1	3.07	2.87	2.96
Electrical Mfg. (13).....	159.0	171.9	169.7	164.0	3.98	3.76	3.90
Gas (8).....	101.8	104.3	105.9	109.5	3.15	3.71	3.63
Motors (7).....	49.9	55.4	53.9	51.4	3.85	3.95	4.13
Total Production (90).....	80.4	86.6	85.2	83.9	4.52	4.45	4.53
Total Distribution (28).....	72.4	82.3	80.8	79.0	3.87	3.75	3.86
Miscellaneous (20).....	72.6	80.6	79.7	77.4	3.88	3.62	3.75
Industrials— (All Classes) (158).....	79.4	86.7	85.4	83.8	4.30	4.18	4.27

Capital Issues

Week ending October 7, 1944	Nominal Capital £	Con- version £	New Money £
To Shareholders only.....	266,597	279,926	337,500
By Permission to Deal.....	150,000	...	...

Particulars of Government issues appear on page 492.

Year†	Including Conversions £	Excluding Conversions £
1944.....	1,166,453,360	1,148,721,910
1943.....	1,351,969,788	1,332,541,715

Destination* Nature of Borrowing*

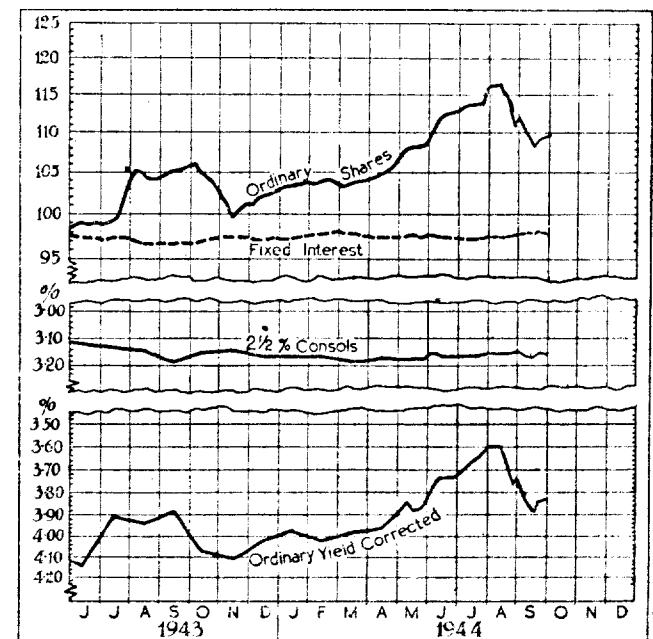
Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944.....	1,146,349,255	2,147,721	254,934	1,143,291,272	2,332,789	3,167,849
1943.....	1,329,117,195	2,555,843	638,617	1,321,178,122	2,127,501	9,035,892

* Conversions excluded † Includes Government issues to Sept. 27, 1944, only. Above figures include all new capital in which permission to deal has been granted.

FIXED INTEREST AND EQUITY PRICES. CONSOL 2½% AND EQUITY

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols

(Logarithmic Scale)



FINANCE AND BANKING

MONEY RATES, LONDON.—The following rates remained unchanged between September 28th and October 5th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between September 28th and October 5th (Figures in brackets are par of exchange).

United States: \$ (4.86) 4.02-03; mail transfers 4.02-03. Canada: \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland, France (25.22)

(Continued on page 494)

It cleans efficiently ALL types of DENTURES

The use of denture powder and brush for cleaning artificial teeth has proved completely satisfactory in practice, and should become a regular habit, especially after meals, in the interests of hygiene. KOLYNOS DENTURE POWDER is as harmless to the new 'plastic' bases as it is to metal and vulcanite, yet it effectively removes all food debris and stains. From all chemists—1/3.

KOLYNOS DENTURE POWDER

Also, where gum-shrinkage has affected the normal suction grip, KOLYNOS DENTURE FIXATIVE makes false teeth fit firmly—1/3 & 3/3.

GOVERNMENT RETURNS

For the week ended Sept. 30, 1944, total ordinary revenue was £81,551,000, against ordinary expenditure of £149,674,000 and issues to sinking funds of £130,000. Thus, including sinking fund allocations £7,234,165, the deficit accrued since April 1st is £1,616,394,000 against £1,588,235,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	April 1 to Sept. 30, 1943	April 1 to Sept. 30, 1944	12 Days ended Sept. 30, 1944	Week ended Sept. 30, 1944
ORDINARY REVENUE					
Income Tax	130,000,000	359,470	416,810	27,320	25,683
Sur-tax	80,000	12,364	10,840	939	460
Estate, etc.	100,000	48,511	54,419	2,454	1,507
Stamps	19,000	8,340	6,991	1,520	23
N.D.C.	500,000	13,370	16,181	1,323	705
E.P.T.	1,000	228	244	130	20
Other Inld. Rev.	1,000	228	130	20	...
Total Inld. Rev.	200,000,000	670,636	749,671	47,393	42,943
Customs	564,900	256,142	284,208	17,201	12,280
Excise	472,900	234,600	250,000	27,100	24,000
Total Customs & Excise	1,037,800	500,742	534,208	44,301	36,280
Motor Duties	27,000	3,711	3,909	...	...
P.O. (Net Receipts)	4,850	1,690	1,690	430	400
Wireless Licences	800	470	470	20	20
Crown Lands	7,350	1,993	2,410	...	...
Sundry Loans	24,000	39,641	43,094	1,929	1,908
Miscell. Receipts	310,180	121,883	133,452	94,073	81,551
Total Ord. Rev.	3,101,800	1,218,882	1,335,451	94,073	81,551
SELF-BALANCING					
P.O. & Brdcastg.	112,370	53,450	56,650	3,350	1,750
Total	3,214,170	1,272,332	1,392,101	97,423	83,301

Expenditure	Estimate, 1944-45	April 1 to Sept. 30, 1943	April 1 to Sept. 30, 1944	12 Days ended Sept. 30, 1944	Week ended Sept. 30, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	184,627	214,339	1,696	1,721
Payments to N. Ireland	9,000	3,344	3,950	332	357
Other Cons. Fund Services	7,000	3,538	3,621	263	266
Total	436,000	191,509	221,909	2,291	2,344
Supply Services	550,139	260,873	272,702	180,509	147,330
Total	593,739	280,282	294,612	182,800	149,674
SELF-BALANCING					
P.O. & Brdcastg.	112,370	53,450	56,650	3,350	1,750
Total	606,109	285,372	301,262	186,150	151,424

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £363,590 to £2,513,118, the other operations for the week (no longer shown separately) raised the gross National Debt by £66,660,178 to £21,195 million.

NET ISSUES (£ thousands)	
War Damage Act	846
Overseas Trade Guarantees	26
NET RECEIPTS (£ thousands)	
O. and Telegraph	2,100

MONTH'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS (£ thousands)	
Treasury Bills	66,263	5% Conv. Loan 1944	175
Nat. Sav. Certs.	11,500	21% Nat. Def. Bds.	19,883
3% Def. Bonds	4,709	1944	19,883
21% Nat. War Bds.	32,760	3% Term. Annuities	1,480
1952-54	450	"Other Debt"	2,987
3% Savings Bonds, 1960-70	23,620	External	2,987
3% Savings Bonds, 1965-75	1,429		
"Other Debt"	79,935		
Internal	103,500		
Ways and Means Advances	37,965		
Treasury Deposits by Banks	362,131		
Tax Reserve Certs.	24,525		

FLOATING DEBT

Treasury Bills (£ millions)		Ways and Means Advances (£ millions)		Treasury Deposits by Banks (£ millions)		Total Floating Debt (£ millions)	
Date	Ten-der	Tap	Public Depts.	Bank of Eng-land	By Banks		
1943							
Sept. 30	30 78.8		259.5	1114.5		4452.8	
1944							
July 1	35 36.0		437.8	29.5	1351.0	5354.2	
" 15	1400.0						
" 22	1430.0						
" 29	1430.0	2138.9	483.9	1.2	1418.0	5472.0	
Aug. 5	1430.0						
" 12	1430.0						
" 19	1430.0						
" 26	1430.0	2199.0	390.9	1.2	1478.5	5498.4	
Sept. 2	1430.0						
" 9	1430.0						
" 16	1430.0						
" 23	1430.0						
" 30	36 95.3		449.8	21.0	1582.0	5748.1	

TREASURY BILLS

Amount (£ millions)		Average Rate of Allotment %		Per Cent Allotted at Min. Rate	
Date of Tender	Offered	Applied for	Allotted		
1943					
Oct. 1	90.0	190.2	90.0	s. d.	28
June 30	110.0	203.6	110.0	20 0.57	41
July 14	110.0	197.4	110.0	20 0.89	45
" 21	110.0	199.7	110.0	20 0.54	41
" 28	110.0	204.2	110.0	20 0.26	36
" 21	110.0	214.2	110.0	20 0.46	33
Aug. 4	110.0	217.1	110.0	20 0.11	30
" 11	110.0	208.9	110.0	20 0.51	36
" 18	110.0	200.9	110.0	20 0.83	42
" 25	110.0	202.9	110.0	20 2.84	34
Sept. 1	110.0	222.5	110.0	20 2.45	30
" 8	110.0	217.7	110.0	20 2.81	35
" 15	110.0	220.4	110.0	20 2.47	31
" 22	110.0	207.2	110.0	19 11.60	54
" 29	110.0	228.3	110.0	19 11.70	25

On Sept. 29 applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 25 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £110 millions of Treasury Bills are being offered on Oct. 6. For the week ending Oct. 7, the banks will be asked for Treasury deposits to the maximum amount of £120 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION

Week ended		N.S.C.		3% Defence Bonds		3% Savings Bonds		2½% War Bonds 1952-54	
July 25	7,691	2,450	10,143	9,727					
Aug. 1	6,974	2,185	4,729	6,593					
" 8	3,687	1,426	12,484	5,481					
" 15	5,801	1,670	2,368	10,841					
" 22	5,315	1,404	2,272	4,689					
" 29	5,229	1,339	3,628	3,332					
Sept. 5	5,421	1,419	4,260	6,587					
" 12	4,022	1,483	4,228	13,178					
" 19	4,552	1,442	5,621	4,809					
" 26	4,713	1,444	4,214	4,094					
Oct. 3	...	...	4,977	5,036					
Totals	to date 1,230,885*	756,681*	1,755,054†	718,915‡					

* 253 weeks. † 196 weeks. ‡ 57 weeks.
 † Including all Series.
 Interest free loans received by the Treasury up to Oct. 3rd amounted to a total value of £69,336,553. Up to Sept. 30th principal of Savings Certificates to the amount of £180,570,000 has been repaid.

BANK OF ENGLAND RETURNS

OCTOBER 4, 1944
ISSUE DEPARTMENT

Notes Issued		Govt. Debt	
In Circul.	1158,701,335	11,015,100	
In Bankg. Department	41,540,383	1188,326,531	
		Other Secs.	645,647
		Silver Coin	12,722
		Am't. of Fid.	
		Gold Coin and Bullion at 16s. per oz. fine)	241,718
			1200,241,718

BANKING DEPARTMENT

Props. Capital		Govt. Secs.	
14,553,000		196,912,764	
3,095,089		Other Secs.	
8,608,409		Discounts & Advances	7,486,418
		Securities	14,244,617
		Notes	21,731,035
		Gold & Silver Coin	41,540,383
			2,146,455
			262,330,637

COMPARATIVE ANALYSIS

1943		1944	
Oct. 6	Sept. 20	Sept. 27	Oct. 4
Issue Dept.			
Notes in circulation	991.3	1150.5	1154.6
Notes in banking department	59.0	49.8	45.7
Government debt and securities*	1049.2	1199.3	1199.3
Other securities	0.8	0.7	0.7
Silver Coin	0.0	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2	0.2
Deposits:			
Public	7.8	11.5	9.8
Bankers	150.2	176.0	221.5
Others	55.2	55.8	55.3
Total	213.2	243.3	286.6
Banking Dept. Secs.			
Government	152.2	192.1	229.2
Discounts, etc.	1.9	2.8	4.3
Other	16.2	14.8	23.4
Total	170.3	209.7	256.9
Banking depart. res.	60.6	51.7	47.7
"Proportion"	28.4	21.2	16.6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,150 million to £1,200 million on August 2, 1944.

PROVINCIAL BANK CLEARINGS

Week Ended		Aggregate from Jan. 1 to	
Oct. 2, 1943	Sept. 30, 1944	Oct. 2, 1943	Sept. 30, 1944
Working days:			
Birmingham	6	6	232
Bradford	1,689	1,210	88,624
Bristol	1,996	2,059	74,942
Hull	664	750	25,583
Leeds	695	609	22,683
Leicester	1,922	1,781	44,343
Liverpool	835	686	32,573
Manchester	4,053	4,769	175,047
Newcastle	4,070	3,620	377,550
Nottingham	2,091	1,710	60,389
Sheffield	409	103	17,875
Southampton	1,045	785	36,891
Dublin*	146	177	5,151
12 Towns	19,615	18,260	961,651
	6,530	6,404	274,552
			285,956

* Sept. 25, 1943, and Sept. 23, 1944.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 6d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows—

Gold		Silver	
Rs. a.	100 Fine Tola	Rs. a.	100 Fine Tola
Sept. 28	66 7	119 10	
" 29	67 15	121 12	
Oct. 2	68 0	121 0	
" 3	68 0	121 0	
" 4	68 0	121 0	

THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1945, as compared with the corresponding periods of the preceding Year.

	Quarter from July 1 to September 30, 1944, compared with the corresponding Quarter of the preceding Year.				Estimate for the Year 1944-45	Period from April 1 to September 30, 1944, compared with the corresponding Period of the preceding Year.			
	Quarter ending 30 Sept., 1943.	Quarter ending 30 Sept., 1944.	Increase.	Decrease		Period ending 30 Sept., 1943.	Period ending 30 Sept., 1944.	Increase.	Decrease.
ORDINARY REVENUE.	£	£	£	£	£	£	£	£	£
Inland Revenue—									
Income Tax	204,616,000	245,695,000	41,079,000	...	1,300,000,000	359,470,000	416,810,000	57,340,000	...
Sur Tax	4,342,000	4,084,000	258,000	...	80,000,000	12,364,000	10,840,000	...	1,524,000
Estate, &c., Duties	24,029,000	26,449,000	2,420,000	...	100,000,000	48,511,000	54,419,000	5,908,000	...
Stamps	5,130,000	4,689,000	441,000	...	19,000,000	8,340,000	6,991,000	...	1,349,000
National Defence Contribution	8,204,000	9,701,000	1,497,000	...	500,000,000	13,370,000	16,181,000	2,811,000	...
Excess Profits Tax	142,276,000	141,435,000	...	841,000		228,353,000	244,300,000	15,947,000	...
Other Inland Revenue Duties	108,000	50,000	...	58,000	1,000,000	228,000	130,000	...	98,000
Total Inland Revenue	388,705,000	432,103,000	44,996,000	1,598,000	2,000,000,000	670,636,000	749,671,000	82,096,000	2,971,000
Customs and Excise—									
Customs	136,782,000	142,451,000	5,669,000	...	564,900,000	266,142,000	284,203,000	18,066,000	...
Excise	123,600,000	127,300,000	3,700,000	...	472,900,000	234,600,000	250,000,000	15,400,000	...
Total Customs and Excise	260,382,000	269,751,000	9,369,000	...	1,037,800,000	500,742,000	534,208,000	33,466,000	...
Motor Vehicle Duties	1,873,000	1,830,000	...	43,000	27,000,000	3,711,000	3,909,000	198,000	...
Post Office (Net Receipt)	...	...	...	20,000	4,850,000	1,690,000	1,690,000	...	...
Wireless Licences	860,000	840,000	...	...	890,000	470,000	470,000	...	...
Brown Lands	230,000	200,000	...	30,000	...	...	...	...	...
Receipts from Sundry Loans	1,125,671	1,131,971	6,300	...	7,350,000	1,992,578	2,409,803	417,225	...
Miscellaneous Receipts	26,484,226	28,400,875	1,916,649	...	24,000,000	39,641,242	43,094,063	3,452,821	...
Total Ordinary Revenue	679,659,897	734,256,846	56,287,949	1,691,000	3,101,800,000	1,218,882,820	1,335,451,866	119,540,046	2,971,000
			£54,596,949					£116,569,046	
			Net Increase.					Net Increase.	
SELF-BALANCING REVENUE.									
Post Office Revenue	26,950,000	28,400,000	1,450,000	...	112,370,000	53,450,000	56,650,000	3,200,000	...
Total	706,609,897	762,656,846	57,737,949	1,691,000	3,214,170,000	1,272,332,820	1,392,101,866	122,740,046	2,971,000
			£56,046,949					£119,769,046	
			Net Increase.					Net Increase.	

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	Sept. 30, 1943	Sept. 30, 1944	Sept. 30, 1944	Sept. 30, 1944
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	19,882	18,246	18,234	18,170
Total reserves	20,344	18,981	18,975	18,914
Total cash reserves	231	264	264	264
Total U.S. Govt. secs.	5,168	16,407	16,540	16,501
Total loans and secs.	9,195	16,533	16,722	16,598
Total resources	31,548	37,711	38,022	37,424
LIABILITIES				
F.R. notes in circ.	15,243	19,943	20,001	20,087
Excess mtr. bank res.	1,810	1,000	900	900
Mr. bank res. dep.	12,054	13,526	13,445	13,355
Govt. deposits	682	370	699	483
Total deposits	14,589	15,661	15,902	15,465
Total liabilities	31,518	37,711	38,022	37,424
Reserve ratio	66.7%	53.3%	52.9%	53.2%

	Aug. 31, 1943	July 31, 1944	Aug. 31, 1944	Aug. 31, 1944
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,175	20,885	20,885	20,825
Treasury & bank currency	7,996	4,112	4,114	7,114
LIABILITIES				
Money in circulation	18,818	23,495	23,558	23,658
Treasury cash and dep.	2,956	2,754	3,083	2,856

REICHSBANK
Million reichsmarks

	Aug. 31, 1943	July 31, 1944	Aug. 31, 1944	Aug. 31, 1944
ASSETS				
Gold and foreign currencies	34,570	43,222	43,974	45,829
Reichsbank notes	294	571	585	577
Advances	17	38	16	42
Securities for note cover	1	1	1	1
Other assets	1,231	1,792	1,965	1,678
LIABILITIES				
Notes in circulation	29,029	36,888	37,145	38,579
Daily maturing liabilities	5,456	6,813	7,398	7,480
Other liabilities	872	946	1,010	1,079

(Continued from page 491)

17-30-40. French Empire. France 1971-2004. Syria, p. 8-81-85. Sweden. Krona (18-154) T.T. 16-85-95. Dutch West India. Florida (12-11) 7-58-62. Portugal. Escudos (100) 99-80-100-20. mail transfers 99-80-100-30. Panama. \$4-02-04; mail transfers 4-02-04. Brazil. 83-64½ cr. (buying); mail transfers 83-56½. Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain Pesetas 44-00. Turkey. Liras 520. Italy. 71-25 lire.

Market Rates—The following rates remained unchanged between September 23rd and October 5th.

Egypt. Piastres (97½) 97½-4. India. Rupee (15d. per rupee) 17½-18½d. Belgian Congo. Francs 176½-4. China. National \$3-3½. Iran. Rl. 128-130.

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

NEW YORK EXCHANGE RATES

	Sept. 27	Sept. 28	Sept. 29	Sept. 30	Oct. 2	Oct. 3	Oct. 4
New York on							
Cables—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	89-750	89-750	89-750	89-750	89-750	89-750	89-750
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-90*	24-86*	24-86*	24-86*	24-86*	24-86*	24-86*
Rio de Janeiro	5-15	5-15	5-15	5-15	5-15	5-15	5-15
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78. † Free Rate. § Bid.

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to date (September 30th), and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

(£ thousands)	Total	Total
Total ordinary expenditure	2,944,612	1,335,452
New sinking funds	7,234	
Loans repaid		
3% Conversion Loan 1944	313,198	72,873
3% Conversion Loan 1944	5,800	199,302
2½% Nat. Def. Bds. 1944	19,883	30,770
Other debt, external (net)	8,326	318,273
Increase in balances	20	142,950
Total ordinary revenue		1,335,452
3% Def. Bonds (net)		72,873
3% Savings Bonds 1960-70		199,302
3% Savings Bonds 1965-75		30,770
2½% Nat. War Bds. 1952-54		318,273
Nat. Sav. Certs. (net)		142,950
Tax Reserve Certs. (net)		125,077
Other debt, internal (net)		9,345
3% Term. Annuities (net)		235,582
Floating debt (net)		546,639
Public Dept. Adv.		55,350
Bank of Eng. Adv.		21,000
Treasury Deposits		192,500
Miscellaneous receipts		11,960
Total	£3,297,073	£3,295,776

SOUTH AFRICAN RESERVE BANK
Million £'s

	Aug. 15, 1943	Aug. 15, 1944	Aug. 15, 1944	Aug. 15, 1944
ASSETS				
Gold coin and bullion	74-52	93-14	94-01	94-45
Bills discounted	12-86	20-04	19-25	19-70
Invest. and other assets	89-75	89-03	96-69	96-64
LIABILITIES				
Notes in circulation	44-49	53-93	52-81	52-19
Deposits: Government	7-56	3-03	2-99	4-37
Deposits: Banks	117-12	141-35	141-93	141-45
Others	3-18	5-74	5-16	4-60
Reserve ratio	43-2%	45-5%	46-4%	46-8%

CENTRAL BANK OF TURKEY
Million Turkish pounds

	Aug. 7, 1943	July 22, 1944	July 29, 1944	Aug. 12, 1944
ASSETS				
Gold	197-2	275-9	276-5	275-9
Clearing and other exch.	70-7	63-8	65-5	68-0
Treasury bonds	132-4	128-6	128-6	128-6
Commercial bills	400-3	588-2	571-5	559-4
Securities	62-5	50-7	60-3	50-9
Advances	256-9	200-0	200-7	246-5
LIABILITIES				
Notes in circulation	727-9	905-4	906-6	956-8
Deposits	213-6	236-9	219-7	205-3
Clearing and other exch.	31-5	25-2	26-0	28-9

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Aug. 15, 1943	Aug. 15, 1944	Aug. 15, 1944	Aug. 15, 1944
ASSETS				
Gold and English ster.	37-64	50-54	50-54	50-54
Other coin, bullion, etc.	10-70	17-14	17-04	16-86
Call money, London	45-27	119-26	121-86	125-51
Securities and Treas. bills	215-52	231-92	235-04	239-29
Discounts and advances	22-34	31-29	31-48	29-47
LIABILITIES				
Notes issued	145-25	195-49	195-49	195-74
Deposits, etc.	174-25	199-18	206-75	119-66

BANK OF CANADA
Million Can. \$'s

	Sept. 1, 1943	Aug. 15, 1944	Aug. 23, 1944	Aug. 31, 1944
ASSETS				
Reserve: Gold	38-72	35-78	37-32	48-74
Other	1143-4	1412-35	1430-45	1443-39
LIABILITIES				
Note circulation	797-9	953-65	954-06	960-05
Deposits: Dom. Govt.	62-2	65-40	65-71	55-96
Chartered banks	314-0	395-60	404-65	342-53

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

CENTRAL BANK OF ARGENTINA
Million paper pesos

	July 15, 1943	June 15, 1944	June 30, 1944	July 15, 1944
ASSETS				
Gold at home	1,074	1,180	1,187	1,204
Other gold and for exch.	1,655	2,331	2,377	2,380
Non-int. Govt. bonds	109	98	98	97
Treasury bonds	391	779	779	969
LIABILITIES				
Notes in circulation	1,681	2,029	2,064	2,089
Deposits: Government	470	628	594	604
Banks	885	1,290	1,340	1,268
Certs. of participation	43	235	231	167
Reserve ratio	84-0%	84-0%	84-1%	83-1%

CENTRAL BANK OF IRELAND
Million £'s

	Sept. 1, 1943	Sept. 1, 1944	Sept. 1, 1944	Sept. 1, 1944
ASSETS				
Gold	2-65	2-65	2-65	2-65
British Govt. secs.	20-25	24-60	24-60	24-60
Sterling balances	1-65	1-62	1-62	1-74
LIABILITIES				
Notes in circulation	24-95	29-37	29-37	29-51

INDUSTRY AND TRADE

Trade Disputes.—The number of working days lost in August through industrial disputes was 125,000, a rise of 61,000 on the July figure. The number of people involved was 33,800, against 20,900. In coal mining, 15,900 workers were involved in stoppages during August, and an aggregate of 31,000 working days were lost. In the metal, engineering and shipbuilding industries 15,000 people lost 88,000 days.

Film Industry Inquiry.—The Minister of Labour has appointed Sir Harold Morris, MBE, KC (chairman), Lord Terrington, CBE, and Mr A. M. Wall, JP, to constitute the Court of Enquiry which he has set up under the Industrial Courts Act, 1919, to enquire into the matters in dispute between the Film Artistes' Association and the Film Producers' Association with particular reference to the existing arrangements for the employment of crowd and small part artistes.

War Damage Business Scheme.—All policies under the business scheme which are in force on September 30, 1944, will be extended until December 31, 1944, without further payment of premium or further action on the part of the policy holders. For additional insurance under the business scheme as well as for new insurance under the scheme, the rate of premium has been reduced to 1s. 8d. per cent for the three months October 1st to December 31st, 1944, with a minimum premium of 5s.

Agricultural Loans.—Under the Agriculture (Miscellaneous Provisions) Act, 1944, the Minister of Agriculture has been enabled to increase the funds of the Agricultural Mortgage Corporation to allow of their making long-term loans on mortgages of agricultural land and for improvements at 3½ per cent per annum. The Corporation have in consequence announced a reduction to this rate of the interest on all new loans.

"The Economist" Sensitive Index.—There was no change in the index during the week ended October 3rd. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

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

	Mar. 31, 1937*	Aug. 30, 1939	Sept. 28, 1943	Sept. 12, 1944	Sept. 26, 1944
Cereals and Meat	93-0	66-9	110-2	106-0	106-5
Other Foods	70-4	61-1	107-5	107-3	107-3
Textiles	74-2	54	92-2	103-9	103-7
Minerals	113-2	95-4	135-9	145-5	145-5
Miscellaneous	87-0	77-6	127-0	128-9	128-8
Complete Index	87-2	70-3	114-4	117-7	117-9
1913=100	119-9	90-8	157-4	162-0	162-2

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																
Prices, Year 1943		Prices, Year 1944		Name of Security	Price, Sept. 26, 1944	Price, Oct. 3, 1944	Yield, Oct. 3, 1944	Prices, Year 1944		Last two Dividends		Name of Security	Price, Sept. 26, 1944	Price, Oct. 3, 1944	Yield, Oct. 3, 1944	
High	Low	High	Low					Jan. 1 to Oct. 3	High	Low	(a)					(b) (c)
British Funds																
83½	78½	79½	78½	Consols 2½%	79	79	3 12	3 12	55/6	48/6	3a	11½b	Iron, Coal and Steel	49/6	49/6	4 8 d
112½	109½	110½	108½	Consols 4% (after 1957)	109½	109½	3 12	3 12	57/10½	47/7½	3a	11½b	Babcock & Wilcox (L.)	53/6	52/6	4 8 d
100½	100½	100½	100½	Conv. 2% 1944-49	100½	100½	1 19	1 19	31/3	24/6	3½a	11½b	Bolsover Colliery Ord. 10/-	27/6	27/6	5 14 3
104½	100½	102½	101½	Conv. 2½% 1944-49	102	102½	2 9	2 9	101/3	90/6	5	15	Brown (John) Ord. 10/-	95/6	95/6	4 0
103½	102½	103½	102½	Conv. 3% 1948-53	103½	103½	2 4	2 4	29/1½	25/4½	8	15	Cory (Wm.) (L.)	27/6	27/6	3 18 6
97½	95½	97½	96½	Conv. 3½% (after 1961)	104	104	3 7	3 7	42/3	33/-	4	6	Dorman Long Ord. 10/-	37/9	37/9	5 6 0
101½	99½	101½	100	Funding 2½% 1956-61	96½	96½	2 14	2 14	33/9	29/3	7½a	15	Guest Keen & Co. Ord. 10/-	30/3	30/3	7 8 0
101½	99½	101½	100	Funding 3% 1959-69	101	101	2 13	2 13	35/3	33/3	12½a	15	Hadfield's Ord. 10/-	52/6	52/6	2 13 6
112½	110½	112½	112	Funding 3½% 1952-57	101	101	2 19	2 19	58/9	52/4½	12½a	15	Staveley Coal Ord. 10/-	54/6	54/6	4 12 6
100	100	100	100	Funding 4% 1960-90	112½xd	112½	3 0	3 0	47/-	34/3	8	4	Stewarts and Lloyds (L.)	40/9	40/9	5 18 0
101½	99½	101½	99½	Nat. Def. 3% 1954-58	101½	101½	2 14	2 14	35/3	33/3	10	12½	Thomas (Richard) Ord. 6/8	13/6	13/6	8 2 0
101½	99½	101½	100	War Bonds 2½% 1945-47	101½	101½	2 9	2 9	27/4	23/7½	5½b	24	United Steel Ord. 10/-	24/9	24/9	6 10 0
101½	99½	101½	100	War Bonds 2½% 1949-51	101½	101½	2 7	2 7	20/3	17/3	6	4	Vickers Ord. 10/-	18/6	18/3xd	5 9 3
101½	99½	101½	100	War Bonds 2½% 1952-54	100	100	2 8	2 8								
100	99½	100	99½	Savings Bds. 3% 1955-65	100½	100½	2 19	2 19	12/7½	9/6	Nil c	Nil c	Textiles	12/6	12/6	Nil
112½	110½	112½	111½	Savings Bds. 3% 1960-70	99½	99½	3 0	3 0	25/6	20/6	Nil c	Nil c	Bleachers Association (L.)	23/6	23/6	3 8 0
100	99½	100	99½	Victory Bonds 4%	112½	112½	2 18	2 18	32/6	26/1½	Nil c	Nil c	Bradford Dymers Ord. 10/-	27/9	27/9	Nil
100	99½	100	99½	War Loan 3½% 1955-59	101	101	2 17	2 17	55/6	44/3	3½a	15	British Celanese Ord. 10/-	48/6	48/6	3 12 0
100	99½	100	99½	War Loan 3½% (aft. 1952)	104½	104½	3 7	3 7	60/7½	51/6	3½a	15	Coats, J. & P. Ord. 10/-	55/6	55/6	2 19 6
93½	91½	93½	91½	Local Loans 3%	93½	93½	3 4	3 4	26/6	20/9	4	24	Courtaulds Ord. 10/-	24/6	24/6	3 5 0
101	101½	101	101	Austria 3% 1933-53	101	101	2 17	2 17	40/3	33/3	5	24	Fine Cotton Spinners (L.)	4/2½	4/2½	3 11 9
Dom. & Col. Govts.																
101	101½	101	101	Australia 5% 1945-75	102	103	4 18	4 18	83/3	72/6	20	17½	Hoyle (Joshua) 2/-	37/6	37/6	4 1 0
102	102½	102½	102½	New Zealand 5% 1946	104	104	3 8	3 8			17½	17½	Lanes. Cotton Corp. (L.)	77/10½	77/6	4 10 6
110	112	110	110	Nigeria 5% 1950-60	110	110	2 15	2 15	113/6	99/-	5	15	Patons & Baldwins (L.)	105/-	105/-	3 16 0
Corporation Stocks																
105	105	105	105	Birmingham 5% 1946-56	105	105	4 15	4 15	32/6	26/9	7½a	15	Callenders Cable, & Co. (L.)	32/-	32/-	3 10 0
93½	93½	93½	93½	L.C.C. 3%	93½	93½	3 4	3 4	99/-	88/4½	17½	17½	Crompton Park, 'A' 5/-	92/9	93/3	3 14 6
100	100	100	100	Liverpool 3% 1954-64	100	100	3 0	3 0	45/3	39/6	3	5	General Electric Ord. 10/-	45/-	45/-	4 11 0
105	105	105	105	Middlesex 3½% 1957-62	105	105	2 19	2 19	23/9	18/1½	24	24	Gas Light & Coke Ord. 10/-	23/6	23/6	4 0 0
Foreign Governments																
90½	90½	90½	90½	Argentina 3½% Bds. 1972	90½	90½	4 1	4 1	32/6	26/9	4½b	24	North-East Electric (L.)	35/-	35/-	4 0 0
80	80	80	80	Brazil 5% Funding 1914	80	80	4 3	4 3	10/6	9/6	5½b	24	Scottish Power Ord. 10/-	41/-	41/-	4 2 9
27½	27½	27½	27½	Chile 6% (1929)	27½	27½	6 1	6 1	24/4	20/4	10	10	Motor and Aircraft	30/-	30/-	1 13 5
57½	57½	57½	57½	Chinese 5% 1915	57½	57½	Nil	Nil	28/10½	24/4	7½	7½	Austin 'A' 5/-	24/6	23/9	6 5 3
90½	90½	90½	90½	Portuguese 3%	90½	90½	3 6	3 6	41/3	32/3	6	6	Birmingham S. (L.)	14/1½	14/1½	7 2 0
75½	75½	75½	75½	Spanish 4%	75½	75½	5 7	5 7	19/4½	16/3	17½b	15	Bristol Aeroplane 10/-	35/9	35/9	3 7 6
Shipping																
25/-	20/9	25/-	20/9	Antofagasta 5% C.Stk. Pfd.	41	40	6 2	6 2	27/7½	23/3	6	6	Cunard Ord. 10/-	21/-	21/-	5 14 0
26/6	26/6	26/6	26/6	B.A. Gt. Sthn. Ord. Stk.	12	12½	Nil	Nil	26/3	23/3	6	6	Furness, Withy Ord. 10/-	24/3xd	23/9	5 1 0
26/6	26/6	26/6	26/6	San Paulo Ord. Stk.	48½	48½	4 2	4 2	26/6	23/3	5	5	P. & O. Def. 10/-	39/6	39/6	4 1 0
26/6	26/6	26/6	26/6	U.Havana 5% Cum. Pfd. Stk.	7½	7½	Nil	Nil	26/6	23/3	6	6	Royal Mail Lines Ord. 10/-	23/6	23/6	5 4 0
26/6	26/6	26/6	26/6	Can. Pacific Cum. \$25	\$15	\$14½	3 8	3 8	22/3	14/6	2	2	United Castle Ord. 10/-	22/6	22/6	4 8 0
26/6	26/6	26/6	26/6	Great Western Ord. Stk.	57½	56½	7 18	7 18	41/-	35/-	24	24	Tea and Rubber	21/3	20/9	5 2 0
26/6	26/6	26/6	26/6	G.W. 5% Cons. Pref. Stk.	115½	115½	4 6	4 6	37/1	31/10½	6	6	Anelo-Dutch of Java (L.)	40/6	39/9	5 2 0
26/6	26/6	26/6	26/6	L.N.E.R. 4% 1st Pref.	58½	58	6 17	6 17	27/3	23/3	24	24	Jokai (Assam) Tea (L.)	2/10½	2/10	Nil
26/6	26/6	26/6	26/6	L.M.S. Ord. Stock	30	28½	8 13	8 13	11/1	58/9	17½b	15	London Asiatic Tea (L.)	25/-	25/-	Nil
26/6	26/6	26/6	26/6	L.M.S. 4% Pref. 1923	58½	58	6 17	6 17	27/3	23/3	24	24	Rubber Plant. Trust (L.)	36/6	36/6	Nil
26/6	26/6	26/6	26/6	London Transport 'C' Stk.	64	64	8 10	8 10	30/11½	76/10½	5	5	United Sui Helong (L.)	118/10½	117/6	3 8 0
26/6	26/6	26/6	26/6	Southern Def. Stock	24½	23½	8 10	8 10	89/4½	71/10½	12½a	12½a	Anglo-Iranian Ord. 10/-	88/1½	86/10½xd	2 18 0
26/6	26/6	26/6	26/6	Southern 5% Pref. Ord.	74	74	6 15	6 15	102/6	80/-	5	5	Shell Transport Ord. 10/-	82/6	81/10½	1 4 0
Banks and Discount																
86/-	85/-	86/-	85/-	Alexanders (L.) 10/-	86/-	85/-	4 2	4 2	0	0	10	10	Trinidad Leaseholds (L.)	97/6	96/3	3 2 0
7½	7½	7½	7½	Bank of Australia 5%	7½	7½	4 0	4 0	18/9	14/9	7½a	10	Miscellaneous	18/-	18/-	4 16 0
376½xd	376½	376½	376½	Bank of England Stock	376½xd	376½	3 3	3 3	70/6	62/10	24	24	Assoc. Brit. Picture 5/-	65/6	65/6	3 0 0
44½	44½	44½	44½	Bank of Montreal 10/-	44½	44½	3 0	3 0	71/9	56/8	7½b	7½b	Assoc. P. Cement Ord. 10/-	68/9	68/9	2 18 0
23½	23½	23½	23½	Bank of New S. Wales 10/-	23½	23½	4 0	4 0	60/6	46/1½	24	24	Barker (John) Ord. 10/-	56/9	56/6	2 13 0
34/-	33/6	34/-	33/6	Bank of New Zealand 10/-	34/-	33/6	3 6	3 6	52/3	41/9	7	3	Boots Pure Drug Ord. 5/-	47/-xd	47/-	4 0 0
75/6	76/-	75/6	76/-	Barclays Bank 'B' 10/-	75/6	76/-	3 13	3 13	29/4½	105/-	10	10	British Aluminium (L.)	118/9	117/6	1 17 0
58/-	58/-	58/-	58/-	Barclays (D.C.&O.) 'A' 10/-	58/-	58/-	2 4	2 4	190/9	79/-	10	10	Brit. Amer. Tobacco (L.)	87/8	87/8	3 13 0
11½	11½	11½	11½	Chartered of India 5%	11½	11½	2 4	2 4	84½	77½	4	4	British Oxygen Ord. 10/-	82/-	82/-	4 17 6
62/-	62/-	62/-	62/-	Lloyds 'A' 5% 10/-	62/-	62/-	3 16	3 16	160/-	137/6	17½b	12½a	Cable & Wire Hdg. Stk.	152/6	152/6	3 18 6
85/-	84/6	85/-	84/6	Martins Bank 10/-	85/-	84/6	3 11	3 11	50/9	39/1½	8	8	Carrares 'A' Ord. 10/-	46/6	46/6	3 8 6
91/6	91/6	91/6	91/6	Midland (L.) fully paid	91/6	91/6	3 10	3 10	23/3	15/6	6	6	Elec. & Mus. Ind. 10/-	33/9	33/9	3 7 6
76/-	76/-	76/-	76/-	Nat. Dis. 10/-, fully paid	76/-	76/-	3 19	3 19	39/9	32/9	12½b	12½b	Gaumont British 10/-	22/3	22/3	2 14 0
480	480	480	480	Nat. Prov. 10/-, fully paid	480	480	3 10	3 10	93/9	75/-	7½	7½	Gestetner (L.) 5/-	34/-	34/-	3 14 0
17½	17½	17½	17½	Royal Bank of Scotland	17½	17½	4 1	4 1	30/9	37/6	5	5	Harrisons & Cros. Def. 10/-	91/3	91/3	2 4 0
60/-	59/-	60/-	59/-	Stan. of S. Africa (20, 15pd)	60/-	59/-	3 7	3 7	8½	7½	10	10	Imperial Chemical Ord. 10/-	38/-	38/3	4 3 9
89/6	90/-	89/6	90/-	Union Discount (L.)	89/6	90/-	4 0	4 0	45/5	35½	5	5	Imperial Tobacco Ord. 10/-	7½	7½	2 4 0
Insurance																
27½	27½	27½	27½	Alliance (L.) fully paid	27½	27½	3 5	3 5	72/1½	61/9	10	10	International Nickel n.p.	339½	340½	4 18 9
14	13½	14	13½	Atlas 25/-, 10/- paid	14	13½	3 16	3 16	70/9	52/6	15	20	Lever & Unilever Ord. 10/-	43/3	45/6	2 4 0
92	92	92	92	Commercial Union (L.)	92	92	3 6	3 6	108/10½	95/7½	7½a	12½b	London Brick Ord. 10/-	65/-	65/-	4 12 3
113/9	112/6	113/9	112/6	Gen. Accdt. 10/-, 12/6 pd	113/9	112/6	3 11	3 11	40/-	27/10½	15	20	Marks & Spencer 'A' 5/-	67/9	67/-	4 12 6
29	30	29	30	Lon. & Lancs. 5/-, 13 pd	29	30	3 6	3 6	42/3	33/3	24	24	Murex (L) Ord. 10/-	95/-	95/-	4 13 3
13	13½	13	13½	Pearl (L.) fully paid	13	13½	2 14	2 14	75/10½	66/9	7½b	7½b	Odeon Theatres 5/-	37/6	37/6	2 13 3
15½	15½	15½	15½	Phoenix (L.) fully paid	15½	15½	3 17	3 17	46/3	35/-	10	10	Pinchin Johnson Ord. 10/-	37/-	37/-	4 13 3
22	23	22	23	Prudential (L) 'A'	22	23	2 11	2 11	101/9	91/4	10	10	Tate and Lyle Ord. 10/-	69/6	69/6	3 18 0
9½	9½	9½	9½	Royal Exchange (L.)	9½	9½	3 3	3 3	80/3	77/6	8	8	Triple Safety Glass 10/-	42/6	42/6	2 8 0
9½	9½	9½	9½	Royal 12/6 paid	9½	9½	3 7	3 7	60/3	55/9	30	30	Tub Investments (L.)	40/6	40/6	3 2 0
23½	22½	23½	22½	Investment Trst. Def. Stock	23½	22½	4 6	4 6	0	0	35	32	Turner & Newall Ord. 10/-	82/-	82/-	3 2 0
22½	22½	22½	22½	Trustees Corp. Ord. Stk.	22½	22½	4 7	4 7	70/-	50/7						

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1854)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIATHE ALLAHABAD BANK LTD., with 16 Branches & Sub-Agencies
The Bank offers a complete Banking Service and provides
exceptional facilities for financing every description of trade with
the East.Deposits for Fixed Periods or repayable at call or at short notice
are received at rates which may be ascertained on application.
The bank also undertakes Trusteeships and Executorships.

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

West End Branch:

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

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras Mandalay	Kisumu Mombasa	Kenya Colony
Amritsar	Colombo	Nuwara Eliya	Nairobi Nakuru	British R.A.
Bombay	Delhi	Rangoon	Jinja	Uganda
Calcutta	Kandy	Tuticorin	Kampala	Tanganyika Territory
Cawnpore	Karachi	Zanzibar		
Chittagong	Lahore			
Dar-es-salaam	Mwanza	Tanga		

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - \$14,500,000

ASSETS EXCEED - \$35,000,000

CLAIMS PAID EXCEED - \$155,000,000

(1943 Accounts)

PERSONAL

MEMORANDUM. Must get some more T.T.T.
Magnums. They're the best cigarettes I know, and
made for the sensitive palate. Obtainable from
WHITMORE & BAYLEY, 92, Wigmore Street,
W.1. Established 1823. 100, 13/4; 500, 65/6;
1,000, 130/-. Post free. Sample flat 50 for 6/8.

CORPORATION OF GLASGOW

DEPUTY MANAGER, MUNICIPAL TRANSPORT
DEPARTMENT.Applications are invited for the appointment of Deputy
Manager, Municipal Transport Department.The salary for the appointment is £1,000 per annum, rising to
£1,250 per annum by increments of £25 per annum. The war
bonus on the commencing salary is at present £40 11s., subject to
modification.Applicants must not be over 45 years of age and must have
had accountancy and administrative experience, not necessarily
in a transport undertaking. The person appointed would be re-
sponsible to the General Manager of the Municipal Transport
Department for all the administrative, accountancy and statistical
work of the Department, and would take over the duties presently
carried out by the Secretary and Treasurer.The appointment is subject to the provisions of the Corporation
Superannuation scheme, which is a Local Act Scheme, and the
successful candidate will require to pass a medical examination.Applications, stating age and full particulars of qualifications
and experience, together with copies of not more than three
recent testimonials, must be received by me in an envelope endorsed
"Municipal Transport Department: Deputy Manager," not later
than 18th November, 1944. Persons at present serving in H.M.
Forces or engaged on war duties are invited to make application
for this appointment.

WILLIAM KERR, Town Clerk.

City Chambers, Glasgow, 15th September, 1944.

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at Brettenham House, Lancaster Place, Strand, London, W.C.2.—Saturday, October 7, 1944.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000

RESERVE FUNDS STERLING - £7,125,000

RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

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

Chief Manager: A. MORSE, C.B.E.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND
THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED.

9, Gracechurch Street, E.C.3, a company incorporated in England and
an affiliate of The Hongkong and Shanghai Banking Corporation, is
prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

COMMONWEALTH BANK OF AUSTRALIA

Guaranteed by the Australian Government. Branches and Agencies
throughout Australia.Banking and Exchange Business of every description transacted.
Bankers to the Government of the Commonwealth of Australia, the
Government of the State of Queensland, the Government of the State
of South Australia, the Government of the State of Western Australia,
the Government of the State of Tasmania, Commonwealth Savings
Bank of Australia, 3,946 Agencies at Post Offices in Australia.
As at 30th June, 1944—

General Bank Balances	£399,100,808
Savings Bank Balances	300,286,785
Note Issue Department	199,536,045
Rural Credits Department	2,472,059
Mortgage Bank Department	1,360,420
Other Items	22,320,811
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W. STEWART McKIM, Secretary to the Committee.

London, 3rd October, 1944.

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Machinery for Peace

IT is impossible to read the proposals for a new inter-
national security organisation drawn up at Dumbarton
Oaks without realising how very closely the new League
is modelled on the old. Whether it is a question of
obligations or structure or procedure the "United
Nations Organisation" is blood brother of the League
of Nations. The language of the new proposals is more
dry and sober. All the Utopian aspirations of the
Wilsonian experiment are carefully left out. Nevertheless,
the aim to provide machinery whereby fully Sovereign
states may settle their disputes by peaceful means is the
same in both documents, however much the new proposals
avoid any suggestion of a new heaven and a new earth.

The structure proposed at Dumbarton Oaks closely
follows the forecast made in *The Economist* of Sep-
tember 23. There is to be a General Assembly of all the
United Nations, to which other states may be admitted
by a two-thirds majority of the Assembly votes. This is
indistinguishable from the old League Assembly. The
range of problems which it may survey and on which it

may make recommendations is as wide. But, as with the
old League, the chief source of authority is not the
Assembly but the Council.

The new scheme proposes a Security Council which
has roughly the same powers and functions as the old
Council of the League. The four Great Powers—America,
Britain, Russia and China—have permanent seats, and
France will "in due course" also have permanent repre-
sentation. Six other states will be elected by the Assembly
and serve for two-year periods, three retiring each year.
In the old Council, very much the same expedient was
used to secure Great Power and Small Power represen-
tation. If there are any differences in the work proposed
for the Council, they lie in the greater clarity with which
the new proposals underline its overwhelming responsi-
bility in the sphere of security.

Assembly and Council will, in the new League as in
the old, be served by a permanent secretariat. An inter-
national Court will deal with justiciable disputes. The
new proposals suggest that either the old Permanent

Court be carried on or a new one established on identical lines. Finally, a new organ, an Economic and Social Council, will guide the social, economic and humanitarian work of the new League and direct the work of existing bureaux, of which the International Labour Office will presumably be one.

One entirely new feature is the place given to regional organisations. As the proposals put it

Nothing in the Charter should preclude the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action.

Where it is appropriate, the Security Council may make use of regional machinery to ensure the enforcement of its decisions, but no local action may be taken without reference to the Council nor may regional agencies take to themselves the functions which can only be exercised by the Council. Thus the type of regionalism permitted is not exclusive.

*

The obligations of the new organisation are very similar to those laid down under the old. Its primary function is to ensure that the state members use pacific means in settling their disputes. Unlike the old, the new League contains no specific guarantee by each member of the territorial integrity and political independence of all the states, but since no state sacrifices either without a struggle and all struggles are the subject matter of the League's deliberations, the distinction is academic. The peaceful means proposed are the old ones—judicial settlement, arbitration, conciliation and, where everything else fails, reference of the dispute to the Security Council.

Where the aggressor refuses peaceful means, the Council may specify what sanctions, diplomatic, economic and military, should be imposed. In the old League, sanctions short of war were to follow automatically on the breaking of the Covenant by any Member. In the new proposals, the supreme authority of the Council covers all sanctions, military and non-military alike. It alone apparently defines aggression. It alone specifies the action to be taken. The difference may not seem important but it shows that the drafters have learned the lesson of this war—that only Great Powers can wage war effectively.

A new feature of the proposals against aggression is the setting up of a military staff committee, consisting of the Chiefs of Staff of the permanent Council Members, which will advise the Council on its military responsibilities. The forces at the disposal of the Council are to be composed of national contingents contributed by the different state members. Of these, however, some air contingents are to be held immediately available for the use of the Council. In both proposals, one may see a desire to "put teeth" into the new League. In parenthesis, it should be noted that much less space is devoted to disarmament in the new proposals.

In the old League, one of the most criticised provisions was the unanimity rule which covered the recommendations made by the Assembly and the war-making decisions of the Council. The Members' obligation to fulfil the Council's recommendations on sanctions was conditional upon their being reached without dissentients, other than the parties to the dispute. This ruling in fact gave the power of veto to every Member of the Council. In the new proposals, most of the votes in the Assembly may now be taken on a two-thirds majority. The voting in the Council is deferred for further consideration. It is, however, known that the difficulties which made postponement necessary also turned on the problem of a veto. The British and American drafts apparently proposed that, in determining and combating aggression, the Council should decide by a majority vote, none of the Great Powers being in the minority. In other words, the Great Powers, like the whole of the old Council, were to be unanimous. To this was added, however, the old Council proviso that any Power, Great or Small, if it were itself accused of the aggression, should not vote. The Russians wish to see this proviso deleted. In other

words, they wish to be able to veto Council action, even when they are accused of aggression.

Thus under the old form of unanimity or the new form of a veto, the same problem has come up. It underlines once again the fact that in a world of sovereign states, the power exercised by the League is the power which the Great States are ready to put at its disposal. In disputes concerning themselves, they will not permit a Council vote to override their determination to be judges in their own cause. They may indeed decide to adopt peaceful procedures; but if they do not, the League cannot coerce them. This was the naked fact underlying the old unanimity rule. It is the reality behind the Russian attitude.

*

It is not really a matter for surprise that the new structure of the international organisation so closely resembles the old or that the same problems have emerged in both. The shape of the world has not changed very much in the last twenty-five years. It is still a world of separate independent sovereign states. All that has happened is that the Great Powers have, if anything, become greater, and the gap between the great and the small has widened. In such a world, the old League is about the best structure men can contrive to express their peaceful purposes and their pious hope that all nations will abide by them. But the structure itself will not guarantee peace. It is a device of machinery, an instrument which, if the nations are bent on peace, will help them to cooperate smoothly but which, if they are not, will be of little use.

The Russian attitude over the Council voting is only a more frank admission of a reservation which every separate sovereign Great Power will make. The Russian Government no doubt feels more strongly on the matter because Russia alone of all the nations has been once ejected from the League for aggression. It is easier to understand the Russian point of view if one can answer two questions. Would Great Britain allow itself to be arraigned before Council and Assembly on the grounds of "imperialist aggression" in India? Would the United States permit China and Russia to join Mexico in a joint defence against some supposed act of aggression on the part of America? The Russians have bluntly stated a reservation which all will make.

This is not necessarily a disaster. On the contrary, if it compels statesmen and people to face the realities of international cooperation it will have done a real service. That cooperation will depend, as long as sovereignty lasts, on the will to peace of the Great Powers and not upon any structure of international security. Structures are not panaceas, covenants are not peace. Peace will be achieved, arduously, year by year, if the Great Powers in their relations with each other and with their smaller neighbours make respect, cooperation and good neighbourliness the rule of their foreign policy. Thus, while the publication of the proposals drafted at Dumbarton Oaks is undoubtedly a milestone in international order, one of its most encouraging features is the fact that it was published soon after the meeting between the President and Mr Churchill at Quebec and on the eve of the discussions between Marshal Stalin, Mr Churchill, Mr Eden and Mr Mikolajczyk in Moscow.

Covenant or no covenant, the obstacles to real post-war understanding are there. Trade problems, relations with South America, the Japanese settlement—all these may cloud understanding between the United States and its partners. The future of Germany, the independence of Poland, the post-war organisation of the Balkans—these are problems which may create friction and misunderstanding between Russia and the West. The new League can solve none of them. Rather its successful working depends upon their solution. But if Allied statesmanship can bring the Great Powers out of the war determined to work together for peace as closely and as wholeheartedly as they did for war, then the new League can be an effective and creative instrument of their common purpose.

Back to Politics

THE Liberal and Labour parties have now announced their decision, which never was in much doubt, to fight the next election as independent parties with independent programmes. The Conservative party, faced with Hobson's choice, will also fight independently. There will thus be no "coupon" election. The three parties, having put an end to a truce which has already lasted for more than four years, will open up electoral warfare.

Already the political atmosphere is heavily charged, and party organisations are beginning their election preparations. The week-end speeches of Mr Eden and Mr Attlee savoured of electioneering; both tended to claim for their respective parties the lion's share of the credit for the Government's social insurance plan, while in a fortnight's time, the Liberals will be able to produce Sir William Beveridge as their ace of trumps. The coalition in fact is beginning to wear very thin. The Labour party hopes that it will be dissolved "with dignity and good feeling, for it would be an unworthy thing for so great an adventure to end in squalid bickering." But it looks as if this is exactly what will happen. The crisis which has developed over the compensation clauses of the Planning Bill may be the first of many crises, which will make an all-party Government a mockery. The pulls and pressures of sectional interests may become so strong that not even the prestige of Mr Churchill will be able to hold the parties together.

The truth is that unity among the political parties is only practicable in time of national danger. The Dunkirk harmonies cannot be sustained by a choir whose members are singing out of tune. Now that there is a general feeling that the war in the west can safely be left to General Eisenhower and Field-marshal Montgomery, political unity has become an artificial concept. There is, indeed, a great deal of costly fighting still to be done. But the period of policy-making for war is over, and the content of politics is almost fully directed towards the years of reconstruction and recovery. These, too, will be crisis years; indeed, the economic war against want and unemployment will call for as great a national effort and as much unity as the military war against Germany. Logically, therefore, there may be good reasons for continuing the coalition, but psychologically they must break down. In war, not only is there agreement on ends but there is also agreement—or at least not party differences—on means. In peace, agreement on ends is limited to the broadest generalisations and there is fairly complete disagreement—that is, the parties feel impelled at least to create an appearance of disagreement—on means. Nothing could more clearly illustrate the impo-

tence of a coalition when faced with peacetime questions than the present deadlock over the Planning Bill. Each party by itself has a policy; the coalition has none.

The date of the election will, of course, be decided by the Prime Minister, but he will get his signal from the Labour party, whose private dilemma will be to choose the right moment to cut the painter. Its executive's statement purposely leaves this vague, though it rightly stresses the importance of giving the men and women in the Forces a chance to play their part in an election. But this is purely an administrative point, and the Conservatives are most unlikely to give the Labour leaders six months of freedom from office to conduct their election campaign. The very strong probability is that the Labour Ministers' resignation will be followed almost at once by an election. This being so, the December conference of the Labour party will have to decide whether the break and the election should come at once or later. Once again, there are, in logic, powerful arguments for postponement until the last possible moment, so as to give Mr Bevin a chance to direct at any rate the opening phases of demobilisation, to ensconce Sir William Jowitt in his new Ministry, to assist in conducting the war against Japan and to enable the joint plans for social reform to be translated from White Papers into Parliamentary Bills. But a situation in which Ministers would attend Cabinet meetings in the morning and catch the afternoon train to denounce their colleagues on the hustings would clearly be unworkable. Similar arguments can be used to support the suggestion that the coalition should be resumed after the election. But this would be regarded as political trickery, and the cry "The coalition is dead—long live the coalition" is most unlikely to be acceptable to the Labour rank and file.

It is fascinating, though obviously hazardous, to indulge in political forecasts or to try to assess the balance of parties in the next House of Commons. To judge from by-election results, there should be a swing to the left, especially if the still untested opinion of the Forces is taken into account. But the magic of Mr Churchill's name will undoubtedly influence the floating mass of the electorate, the non-political millions, who, after all, have the decisive say, who rarely vote in by-elections and who pay little attention to party labels. These voters will have so much difficulty in imagining anyone else as Prime Minister that it should not be very hard for the Tory propagandists to convict the Socialists of deserting the indispensable man. Moreover, Mr Churchill should appeal to many people on the left, as the man who has met Stalin three times. The Conservatives will probably



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be able to put forward the greater number of war heroes and younger men as candidates. The Liberals may well increase their representation in Parliament, even though the existing electoral system operates against them. The Labour party may throw away its chances of appealing to the non-political electorate by its excessive rigidity. Its decision to fight Sir Stafford Cripps is evidence of suicidal tendencies, and there are other Independent Members who, though outside the Party, would nevertheless be able to promote its interests in the country if they were given the chance. Common Wealth

Colonial Constitutions

THE constitutional deadlock in India tends to obscure the progress that is being made by other parts of the dependent Empire towards responsible government. Yet it is a remarkable fact that the years of the war, so far from being a period of marking time, have seen constitutional changes, in the direction of more self-government, all over the colonial empire. Last week, the Secretary of State announced his approval in principle to a new constitution for the Gold Coast, which gives its Legislative Council a majority of unofficial members. This follows the recent announcement that a Royal Commission is to examine the proposals put forward by the Ceylon Board of Ministers; the draft order-in-council promulgating a new constitution for Jamaica; the reports of the Trinidad and British Guiana franchise commissions; and the promise that responsible government in internal affairs will be restored to Malta—all within the space of the last eighteen months.

There have been other developments, not involving constitutional changes but nevertheless helping towards responsible government. High upon the list of these should be placed the appointment of an African to the Kenya Legislative Council, the reform of local government in Cyprus prior to the re-establishment of a Legislative Council, and the setting up of provincial councils in Northern Rhodesia in which Africans, not necessarily the chiefs but the most progressive members of the native authorities, speak their minds on matters concerning their territory.

The scope and nature of all these changes vary in accordance with the political maturity of the colony concerned. But it is possible to trace, through them, the milestones on the road to Dominion status. The first is reached when a colony is given a Legislative Council. To begin with, this is merely a means of making representations to the colonial government; it is a debating assembly, but it has no powers. It is the government which initiates bills, and as there is an official majority in the Council, they are certain to be passed. The next milestone is, therefore, reached when, as will now be the case in the Gold Coast, there is an unofficial majority in the Council. Eighteen out of the thirty members will be elected to the new Legislative Council in the Gold Coast, the remaining twelve consisting of six officials and six unofficial members nominated by the Governor. But the powers allowed to the Council are still very limited. The Governor will be enabled to override its decision "in the interests of public order, public faith or good government," though his action will, in its turn, be subject to revocation by the Colonial Office.

From now on, therefore, progress towards responsible government depends on the powers and functions of the Legislative Council and, conversely, on the limitation of the Governor's power. This latter has been one of the biggest points at issue between the Secretary of State and Jamaica in the discussions on the island's new constitution. Originally, the Governor's powers of certification and veto—that is, of certifying that bills have become law even though they have been rejected by the Council and of vetoing bills that have been passed by it—were absolute. After negotiations, however, a concession was made, and it is at present proposed that

has now applied for affiliation to the Labour party. Its request will without doubt be turned down as decisively as was that of the Communists, though both parties would bring a certain amount of useful electoral grist to the mill. For the same reason, Labour will never countenance any electoral agreement with the Liberals, even though many three-cornered contests might be won by one or other party. In short, the pattern of the inter-war years will be repeated for at least one more election. The Tories are more interested in power, the Socialists in purity. The country is likely to gratify both wishes.

though absolute powers of veto should be retained, the power of certification should be exercised in accordance with the advice of the Executive Council. In the case of Ceylon, the British Government has stipulated that whatever form of constitution is eventually adopted, the Governor must have overriding powers in matters relating to defence, external affairs and currency and those likely to arouse opposition from minority communities.

Along with the extension of the powers of the Legislative Council goes an attempt to educate its members in the work of administration. There is no question of this in the new constitution proposed for the Gold Coast. But in Jamaica, under the proposals at present under discussion, the Executive Council will consist of ten members, half of whom will be selected by the elected House of Representatives and will serve as chairmen of five committees concerned with such matters as agriculture and social welfare. In Jamaica, the Legislative Council proper will become an Upper House consisting of fifteen nominated members. It will apparently have power to initiate bills, but it has been officially declared that it is the Executive Council which will be "the principal instrument of policy in Jamaica"—it will prepare budgets, approve Government Bills before they go to the House of Representatives and perform such other functions as the Secretary of State may direct.

This attempt to give the people a lesson in the departmental system was tried some years ago in Ceylon and did not, it is true, have much success. There, the Donoughmore Commission found, the divorce of power and responsibility led to a situation in which

those who have the controlling votes . . . do not bear the responsibility for their decision, those who have to bear the responsibility are without the controlling votes.

It does not follow that in the different circumstances of Jamaica, where for one thing there is no communal problem, the committee system will not work. But it is worth noting that in Ceylon it was found advisable to give the people more responsibility rather than less. The legislative and executive councils, under the Donoughmore constitution, were fused into a single State Council, and a Board of Ministers was made responsible for the various departments of government, seven out of its ten members being elected members of the Council. But the State Council only had limited control over matters of finance.

The grant of responsible government to a colony is, therefore, no simple procedure. The Secretary of State has above all two things to bear in mind. First of all, he has to remember that he is trustee for communities which might be oppressed by those to whom the reins of government would be given. Secondly, he has to be assured that self-government will not mean bad government and in particular financially unsound government. If there are to be large investments of capital in the colonies after the war, the investor, whether he is taxpayer or private capitalist, must be assured of the financial stability of the colony he is investing in—there should be no more Newfoundlands. Moreover, those who cavil at the Governor's reserved powers should take a lesson

from the present situation in the Bahamas. There, the power to legislate lies with the elected House of Assembly to which the Governor can only recommend legislation. Recently he recommended, as a result of the expressed desire of the Imperial Government, that the secret ballot should be extended to the Out Islands. The House of Assembly turned the proposal down, and there is no means of making it law.

*

Difficulties such as these—the communal problem and the recalcitrance of the Bahamas House of Assembly—could be resolved, partly at least, if government were made democratic at the same time as it is made responsible. In the Bahamas, the property qualification for an elector allows nearly 20 per cent. of the population to vote, which is far higher than in the other West Indian islands, but the property qualification for a Member of the House of Assembly is as much as £200. In recent years, therefore, the grant of new constitutions has been accompanied by a considerable extension of the franchise. Ceylon was granted more or less universal adult suffrage under the Donoughmore constitution; Jamaica is to be granted it under its new constitution. The Trinidad Franchise Committee has unanimously recommended the abolition of a property qualification for electors in that colony and the Secretary of State has gone further by abolishing the literacy qualification as well; the island will in future have universal adult suffrage, and though members of the Legislative Council will still have to fulfil a property qualification, it will be greatly reduced. The British Guiana Franchise Commission, on the other hand, has been less progressive. A majority has recommended that the property qualifications for voters should be retained, though reduced by half or more; it also recommended a literacy test in English, but the Secretary of State, while accepting the retention of the property

Confusing the Issue

ONLY the briefest comment was possible last week on the speech made by the Chancellor of the Exchequer at the Mansion House to the bankers of the City. The speech touched upon a number of topics and Sir John Anderson had much that was both cogent and encouraging to say. But the more important passages, and those that have attracted most attention, were those that dealt with some of the issues of international trade and finance involved in the Bretton Woods Agreement. These passages raise an important issue of public policy, on which it is advisable that something more should be said.

The Chancellor was careful to say that the British Government was not yet committed to acceptance of the Agreement, though he very rightly added that

if we find that the United States and other countries important in international trade and finance decide that it is acceptable to them, we must not reject it lightly.

This may perhaps be interpreted as stating the intention to wait until Congress has pronounced. Sir John also made it clear that he would have much more to say about Bretton Woods when the time comes for it to be debated in Parliament. He selected only a few points for discussion in last week's speech. But it is reasonable to suppose that he selected those that seemed to him to be the most important. And it must be recorded, with regret, that his treatment of them was more calculated to confuse the issue than to elucidate it.

The Chancellor used three arguments in favour of Bretton Woods—or, more strictly, of the general philosophy of international trade of which Bretton Woods is the first expression. One argument was that we are bound to the acceptance of this philosophy—in particular to its ban on discrimination—by Article VII of the Master Lend-Lease Agreement. The second argument was that, in any case, Britain must embrace a multilateral system of international trade and finance and eschew discrimina-

qualification, has substituted for the other recommendation a literacy test in any language.

In Africa, the question of universal suffrage has hardly yet arisen. In the Gold Coast, the municipal members are elected by ballot, for which there is a property qualification, but the provincial members are elected by the provincial councils, the members of which have a vote for every unit of ten thousand inhabitants in their divisions. In principle, this system is to be retained under the new constitution. In Northern Rhodesia, too, the system of provincial councils, from which it is hoped eventually to draw an African central council, is still something far less than direct representation. The time may come when the central council will elect a member to serve on the territory's Legislative Council, but there is a danger that this system will leave, for instance, the African on the compound unrepresented. It is an interesting and welcome means of giving African opinion a hearing, but it should not be regarded as a substitute for a wider suffrage.

For the majority of colonies universal suffrage must still remain a distant goal. So, too, must the attainment of fully responsible government. But these examples of the past few months show that there is always movement on the road from the dependent Empire to the independent Commonwealth. There are obstacles in plenty, and whereas the colonial peoples tend to ask for too much and too soon, the Colonial Office seems to grant too little and too slowly. But it is worth noting that, except where the communal problem is intense, as in Palestine, disturbances in the colonial empire in recent years have been caused by economic factors such as low wages rather than by unfulfilled political aspirations. That in itself is a testimony to the reality of the British promise to grant self-government to the colonies and also to the colonial peoples' belief that it will eventually be carried out.

tory barter. The third was that the plan provides considerable elasticity of exchange rates. On this third point, there can be little quarrel with the Chancellor; but the other two deserve a little further analysis.

Article VII of the Master Agreement pledges both the British and the American Governments to take action,

open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods . . . ; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers. . . .

It will be noticed that there is an obligation on both countries. It will also be noticed that a number of objectives are set up, without any indication that any one of them has priority over the others, or that one should prevail over the others if they come into conflict. Moreover, it is becoming apparent that the vital word "discriminatory" is given widely varying interpretations by different people. As usually interpreted in America, it condemns a number of British practices, such as imperial preference (for which an exception has apparently been granted, though the text of the Master Agreement bears no trace of any such qualification) and any arrangements, such as the Anglo-Argentine agreement or reciprocal bulk-purchase agreements, designed to secure that the benefit of British purchases shall accrue to the British export trade; but it conveniently omits such American discriminatory practices as insistence that American loans shall be spent in American markets. In this view, a country which puts other countries in possession of its currency by buying goods is discriminating if it tries to control the expenditure of that currency; while a country which puts another in possession of its currency by making a loan is fully entitled to control the expenditure of it. That this is the accepted American doctrine has been made clear in

the last few days by Mr Harry Hopkins, the President's confidential adviser, who advocated a policy of "tied" loans. On the other hand, the British definition of discrimination will appear just as far-fetched to American eyes as the American does to British. Apart altogether from imperial preference, which is a standing exception to the most-favoured-nation rule, Sir John Anderson stated in the House of Commons on Tuesday that some forms of "clearing and payments agreements, bulk purchase contracts and import control" come within the definition of non-discrimination. If this view is accepted by the Americans, and applied in both a commercial and a monetary context, there is really no dispute. If "non-discrimination" is so widely defined, no one would want to discriminate.

But this, after all, is no more than a matter of verbal definitions. Much more important was the Chancellor's insistence that, pledge or no pledge, a non-discriminating, multilateral system of international trade was in the interests of Great Britain. The alternative, he implied, was "what is in essence a barter system for our international trade."

If we discriminate, other people can discriminate. If we indulge in barter, other people can indulge in barter.

When the Chancellor poses the choice between an agreed multilateral system and a barter system conducted in an atmosphere of hostility, there is, of course, only one answer. But to put the choice in this way, as if what were at stake were a simple choice between the two extremes, is only to confuse the issue. It is the same sort of prejudicial irrelevance as the question that used to be put, with a similar air of finality, by Chamberlain's supporters in the Munich days: Do you prefer war or peace?

It is a matter of almost unanimous agreement that a free and universal system of international trade which works successfully is perfect. Such, broadly, was the system that prevailed before the last war. But one of the clearest lessons of the inter-war period is that a system of rigid obligations that breaks down can be very damaging. In the light of hindsight, most people now would agree that the attempt to re-create the pre-war system in the 1920's did far more harm than good, and, specifically, that Great Britain would have been better off if no attempt had been made to restore the gold standard, at the previous or at any other parity, until the political and economic relations of the world settled down to something much nearer normality. When the man in the street anxiously enquires of Bretton Woods "Is it the gold standard?" (and anyone who is in contact with the public can testify to the anxiety), he is not asking a technical question, but using a convenient shorthand for the query, "Are we getting ready to make the same mistake, or the same sort of mistake, as we did last time?"

Now in some respects—probably on balance—the Bretton Woods plan is more elastic than the gold standard. But fundamentally, its object is the same as that of the financial reconstruction of the 1920's, the re-creation of a multilateral regime of free convertibility. It would take a great deal of boldness to assert that the elasticity of the Bretton Woods plan would have been enough to carry it through the hurricane of 1929-31. At bottom, the case for Bretton Woods is that the hurricane will not recur. And that means that Bretton Woods must be judged by the available evidence on the correctness of this view.

There may well be good reasons for taking an optimistic view. But there are also good reasons why the United Kingdom should measure the risk with particular care. The real cause of a breakdown, if one were to occur, might well lie with the creditor countries of the world. Nevertheless, the breakdown would present itself in the guise of a default by the debtor. Britain is the largest prospective deficit country and has been stripped, during the war, of virtually all its reserves; on Britain would almost inevitably fall the odium of a collapse. What is in the minds of many of those who have doubts about Bretton Woods is not that the inception of the plan would be harmful to British interests, but that its

breakdown, if a breakdown should occur, would be most peculiarly damaging to Great Britain.

The real issue is, then, whether, after all the evidence has been weighed, the Bretton Woods scheme looks as if it would work. The United States can afford to take the attitude that, even if it does not work, no harm has been done; Britain cannot. The conditions for successful working of a universal system are very familiar. They are that the large countries shall avoid depressions and keep their balances of payments in equilibrium. The question, therefore, becomes whether these two conditions are likely to be met. In America, there is very little conclusive evidence yet; though if effective policies to secure these two objects are to be adopted, the time is getting short. The American answer to this double question is the most crucial. But the United Kingdom is the second largest economy, and we should be candid enough to ask the question of ourselves. So far as employment policy is concerned, there is the outline of a policy, but very little evidence to show with what energy it will be pursued. As for the balancing of the British international account, there is a great deal of talk but no sign of a policy. Indeed, to judge by the plans for high-cost restrictionism that are being drawn up by one industry after another, we shall be very fortunate to regain our 1938 volume of exports, let alone secure the necessary 50 per cent increase. The Government might be invited to explain how they reconcile their international policy, based on unaided competition in open markets, with the rampant restrictionism they encourage—or at least permit—at home.

These questions are not raised for the purpose of suggesting answers to them. On the contrary, no man can yet supply the answers. It is not intended to suggest that the answers, when they come, are more likely to be unfavourable than to be favourable. There will be a very sincere desire in almost every quarter in this country to take as optimistic a view as is reasonably possible, to stretch a point or two of realism in putting the most favourable construction possible on every piece of evidence. That will certainly be the practice in these columns. As the Chancellor said,

If we have to choose between standing out of international institutions or taking a leading part in making them work, particularly when they are institutions for economic co-operation, I have no doubt where our true interest lies.

But with the lesson of last time, when currency ambitions ran disastrously ahead of reality, so clearly in the public mind, and with the national reserves depleted, we cannot merely leap in the dark. It is only common prudence to wait as long as possible, until the growing light of evidence shows how wide is the gap that has to be leapt by courage and optimism.

It may be, then, that in the end the country will agree with the Chancellor's championing of Bretton Woods. But if so, it will not be for the reasons he gave. It is a distortion of the issue to present it as one of multilateralism *versus* barter, of Adam Smith *versus* Hjalmar Schacht, of economic peace *versus* economic war. It is nothing of the sort. The real issue is whether the Bretton Woods scheme is likely to work more successfully than a less ambitious alternative, such as might well consist, for example, partly of groupings of currencies on the analogy of the sterling bloc (within which concerted policies for full employment and balanced payments could be pursued), and partly of relations between the "key currencies" based upon the pre-war Tripartite Agreement. The issue is between two different sorts of multilateralism, two different definitions of discrimination.

It is depressing to see the Chancellor himself confusing the issues. It would be interesting to know why he thinks it necessary to do so. He is far too shrewd not to know what the real issues are. Why, then, does he ride off on debating points of doubtful relevance? The conclusion suggested is that he, too, is not sure where truth lies on the main issue. For the moment the only sound policy is to Wait and See.

A Policy for Wealth—VIII

The Policy Summarised

IN the course of this long series of articles a number of suggestions for policy have been made. Appearing week by week and related in each case to a separate variation on the main theme, they have no doubt appeared disconnected. The time has come, in this final article, to draw them together and to present the Policy for Wealth as a consistent whole. But it is necessary to emphasise that it has not been the purpose of these articles to dogmatise or to enter into the details of any particular expedient. It has rather been the intention to draw attention to a whole field of economic policy which has hitherto been taken for granted both by statesmen and by economists and to point the necessity for hard thought and effective action if the foundations of all economic wealth are not to crumble. The basic truth is that the British community does not produce nearly enough wealth, and if these articles have assisted in underlining that fact, they will have served their purpose. They are not intended to summarise or conclude a discussion but to begin it, and if, in that discussion, every single specific suggestion is rejected, they will still have served their turn provided that the basic principle is accepted and acted upon—the basic principle that means of speeding up the production of wealth must be sought wherever they are to be found.

The following twenty points, which very briefly summarise the whole series, are therefore to be regarded as no more than chapter headings for the policy:—

1. For the British community, and for many years to come, the size of the cake of the national output is certainly as important as, and probably far more important than, any questions about the size of the various slices. Neither Full Employment nor Social Security will be accounted successes unless they can be combined with a rising standard of output.

2. In past decades the average rate of increase of productivity per head has been about 1½ per cent per annum compound. The objective should be to raise this rate to 2½ per cent per annum, which is equivalent to doubling the present average productivity in a generation. This would bring productivity in Britain in 1975 to about the level reached in America today.

3. Though many things contribute to a nation's productivity, by far the most important factor is the amount and quality of its productive equipment. Horse-power per head=Wealth per head. The most important single constituent of a Policy for Wealth should therefore be a speeding up of the rate of increase of productive equipment. Before the war, the British community was investing only about 3 per cent of its income in additional productive equipment. This is not enough.

4. In the recent past, there has been no lack of savings for the volume of investment in productive equipment that industry was prepared to undertake. But this may have been because that volume was so small. If a Policy for Wealth is embarked upon, one constituent of it should be action to ensure a sufficient supply of savings to finance the increased volume of productive investment. This might necessitate a continuance of the National Savings campaign, or even taxation.

5. Unproductive forms of capital, however necessary they may be (e.g., housing), should not be allowed to absorb more than their fair share of the available supply of savings.

6. The machinery of the capital market, by which savings are made available to industry, does not work unsatisfactorily. But there is a need for means by which capital can be supplied on equity terms (i.e., on a risk-sharing and profit-sharing basis), especially to small firms.

7. The burden of taxation on industry needs to be radically reconsidered, with a view not so much to reducing its burden as to redistributing its incidence, so as to put a premium on the use of industrial income for the rapid replacement and extension of productive equipment.

8. There is no good reason to suppose that the substitution of public for private ownership would, by itself, lead

to any increased investment in productive equipment. But in a number of industries, of which coal and steel are examples, the present structure is an obstruction to rapid technical progress. The prescription is technical rationalisation with the object of producing the maximum output at the minimum labour cost; ownership is a secondary matter.

9. Restrictionism in all its forms—particularly price-fixing and quota-fixing activities—is the major enemy of efficiency. It penalises the efficient and protects the inefficient. If there is to be a rapid increase in productivity, it must be brought within bounds.

10. But competition by itself, without a reasonable rate of profits, will lead to the consumption of existing capital rather than to the production of new equipment. The aim of government policy should therefore be "Competition-in-Prosperity"—that is, a severe ban on restrictive devices coupled with an effective Full Employment policy. Neither one of these two will do much good without the other.

11. Both Labour and Capital should accept the historically demonstrable fact that good profits and high wages go together. Organised labour should realise that it is in its interest to ensure a reasonable return on the productive capital employed in the industry—an aim which is entirely compatible with hostility to large incomes for individuals. Industry should realise that its markets depend on the incomes of the wage earners. The best way of linking the two would be by industry-wide profit-sharing schemes, on the lines of the coal-mining "ascertainment."

12. In return for an official "High Wages" policy, relating wages to the national output, the Trade Union movement should formally abjure all rules, practices, demarcations and other devices which have the effect of reducing output per man-hour. Any doubtful cases should be adjudicated by a tribunal.

13. Demands for shorter hours (other than those where it can be demonstrated that a higher output per week would result) should be deferred until the national output reaches a figure specified in advance.

14. Double shift working should be regarded as the rule, rather than the exception, wherever substantial mechanical equipment is involved.

15. An effort should be made throughout the educational system to multiply the scientific community by four or five within a generation.

16. The existing gap between the Universities and industry should be closed by the foundation of Institutes of Technology.

17. The expenditure of industry on scientific research and development should be very greatly increased. The status of the scientist in industry should be improved and he should be given a much larger voice in the formation of industrial policy. Particular attention should be paid to the development, or pilot-plant, stage.

18. The quality of British industrial management should be improved. Managers need to have much more technical competence. The amateur element on boards of directors should be reduced and the expert element increased. The need for the educated mind in industry should be recognised.

19. Distributive methods should be included in the agenda for technical rationalisation. In many cases, uneconomically small-scale production is dictated by the merchandising system.

20. The wastes directly and indirectly involved in some forms of advertising should be rigorously examined.

A policy of this sort clearly calls for a major effort on the part of the Governmental machine. A very great deal of legislation would be called for, and an even greater volume of administrative decision. It affects the whole array of Government departments; indeed, it is difficult to think of more than two or three Ministries which would not have a part to play. In this it resembles the Full Employment policy to which the Government is already formally committed. Both range far too wide for the executive responsibility to be concentrated in any

one department. Yet both are articulated policies, in the sense that they have a definite aim which can only be attained by the careful balancing of complementary elements. Together, they are a task of government second only to that of war. And like war, they create an administrative dilemma which is none the less crucial for being, by now, very familiar. An Economic General Staff is, it is understood, out of favour as a phrase. But the same thing under another name is very badly needed to give the central direction and energy to a policy that will otherwise be brought to a halt by its own sheer bulk.

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But, when all is said and done, not all the items of a Policy for Wealth lend themselves to Government action. And even in those that do, the Government will not get far without the support of public opinion. The basic requirement is, then, for a vital and urgent sense of direction on the part of the public. In economic matters, the British people must know where it is going and be determined to get there. At present, in these fundamental matters of economic policy, all is drift. Nowhere in the community is there a conscious grouping of people who have both a faith and a policy. Certainly the two major parties are equally at sea. The Labour party, in so far as it has any real ambitions beyond the particular interests of the trade unions, has nothing to offer save a doctrine that is almost wholly irrelevant to the matters that have been discussed here. The Tory party, dominated as it is by business interests, either believes in the deliberate protection of inefficiency or else takes refuge in an impolicy of purely temporary expedients, judging every case on its merits.

All those who believe themselves to be independent and disinterested servants of the common weal, all those who are more interested in the cake than in the slices, have no higher duty than to consider how they, individually or collectively, can help to bring the country to a realisation of the economic peril in which it stands. In every direction, in world strategy, in international com-

merce, in the promises that have been made to the people at home, the British community has mortgaged its wealth beyond its present power to produce. Only a radical improvement in the efficiency and productivity of the country can enable us to meet the commitments into which we have already entered. It is not enough to place eloquent reliance on the loyalty, the unity, the devotion of the British people. No one who has lived through these last five years can doubt that these qualities exist, or that, when roused and properly led, they can achieve the impossible.

It is the rousing and the leadership that are needed, for the greatest dangers are not deliberate obstruction and stupidity, but apathy, fatalism and an acceptance of inferiority. The fruit of the 1920s and 1930s is that the country is intensely slump-minded. It is taken too much for granted that the days of expansion and adventure are over. There is too much readiness to accept the superior efficiency of other countries as something that does not concern us—to deny the facts for as long as possible and to offer complacent excuses for them when they cannot be dodged any longer. There is far too much talk of protecting "rights" and defending established positions rather than of creating opportunities for advancing into fresh ground. In economics, as a nation, we are thinking in terms of Maginot lines. But in economics, more even than in strategy, a defence that does not permit any forward movement is doomed to failure.

In the last analysis, all the great economic problems are one. If Social Security and Full Employment can be achieved, both Labour and Capital can be summoned to leave their concrete emplacements and join in the free movement of competition-in-prosperity. And Social Security and Full Employment will be sterile unless they are built on a basis of rapidly expanding wealth. Nothing could be more foolish than to dispute the order of precedence. All three legs of the tripod are required for security, and the great need is for leadership strong enough to build all three at once. There has never been a greater opportunity for economic statesmanship. Where is the Pitt or the Peel to seize it?

NOTES OF THE WEEK

The Planning Storm

Deus ex machina again, Mr Churchill intervened in the Commons last week to suggest that the whole of Part II of the Planning Bill, dealing with compensation, should be dropped. The problems of compensation and betterment, which must be solved before the task of rebuilding Britain can make any satisfactory headway, have proved themselves repeatedly to be too tricky and controversial for a coalition Government. The Planning Bill formula aimed no higher than a minimum working agreement for tackling the most urgent needs of "blitz" and "blight" on a basis purposely left vague, and only reached after prolonged deliberations. But even this small corner of compromise, reached so painfully and laboriously, has given way under the stress of dissension within the Government and pressure from outside. Yet the Planning Bill cannot be put into operation until the terms on which local authorities may acquire land compulsorily have been at least provisionally settled. For this reason Mr Churchill's original proposal to deal with the whole question of compensation in a separate Bill, and meanwhile to rush through the Planning Bill in truncated form, met with strong opposition. Instead, Mr Attlee stated on Monday that it was hoped to produce new agreed clauses on compensation, to be added to the present Bill, next week. Any revision of the "1939 basis" of compensation must be expected to favour the property-owners. Revision upwards is, in this case, in the direction of justice, and might be done either by extending to other owners the percentage increase over 1939 prices already conceded to small owner-occupiers, or by granting a general increase over the 1939 level to allow for the fall in the value of money. It may be that the concession will only be given to buildings and that the unmodified 1939 price will still apply to land. The actuarially simple solution of paying current market values—still strongly urged in some quarters—is unlikely, in any

case, to find acceptance. Meanwhile, as the Government strives—according to latest reports with success—to secure a last-minute agreement, the urgent needs of the "blitzed" cities are again hamstrung.

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Local Government Areas

The demand of the "blitzed" cities to be given a new and better start in life is accepted by the whole nation; but the hope that this could be done in isolation without settling vexed questions of national scope was further dashed by Monday's debate on the "Plymouth clause." This amendment sought to compensate "blitzed" cities for the loss of population and rateable value involved in bold replanning by setting up special boundary commissions with power to extend their areas. Mr W. S. Morrison gave a convincing reply to this particular suggestion, but every argument he adduced pointed to the need for widespread changes in local government. He pointed out that the planning schemes for the cities concerned covered, rightly, a very wide area, which allowed for a green belt around the city itself and for the dispersal of much of its surplus population to centres five or more miles outside it—and clearly no boundary extension could stretch that far. He urged that the cooperation secured between local authorities in making joint planning schemes should not be imperilled by cutting up rural districts. He argued in fact that it was "Greater Plymouth" and "Greater Sunderland" which must form the units of redevelopment; but no hint was given as to how the financial loss and gain of their constituent authorities, arising from joint planning, can be balanced. The Government did, however, promise a White Paper shortly, dealing with the whole question of the status, boundaries, and areas of local authorities, to be followed by legislation which it is

hoped will be ready by the next session. The Minister of Health claimed to have already found a high degree of unanimity in discussions with local government associations. It is rumoured that the Government's main proposal is to be the establishment of a permanent boundary commission. More drastic measures than this will be essential to solve the difficult problems of reconstruction illustrated by the Planning debate; and legislation may, in any event, come too late to help the immediate financial embarrassments of the "blitzed" cities. For these, no solution has been offered—and Mr Morrison contented himself with the rather specious suggestion that a loss of population may not necessarily involve a loss of rateable value. With the Government's policy limping so badly, it is merely ironical for local authorities to be told once more to go ahead and plan boldly.

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New Ministers

Two new Ministers have been appointed to two new Ministries. Sir William Jowitt becomes Minister-Designate of Social Insurance—the "Designate" indicating that his Ministry awaits its legislative birth. Lord Swinton becomes Minister of Civil Aviation. There is no "Designate" in his title, and it seems to be in doubt whether he is to have a Ministry or not, since it is common ground that civil aviation must remain intimately linked with the Air Ministry for the duration of the war, and it appears to be the intention to relate it to the Ministry of Transport after the war—which would unquestionably be right, since civil aviation, though it deserves a Minister of Cabinet rank, is hardly a large enough subject for complete administrative separation. Both appointments are good. Sir William Jowitt has worked hard and long on the Government's social insurance proposals, and he is the best man to carry them forward. But as a member of the Labour Party, how long will he remain in a member of the Labour Party, how long will he remain in office? Would it not be as well to have a Tory as Minister-Designate Alternate of Social Insurance, so that there may be no discontinuity? Lord Swinton has never received as much public recognition as he deserves for the fine work he did as Secretary of State for Air in the vital years from 1935 to 1938. To him more than to any other politician—and more than to any but a very few administrators—the country owes the fact that it had an Air Force of superlative quality and of just adequate size in 1940. Before that, at the Colonial Office, though some of his policies were debatable—he was largely responsible for the commodity restriction schemes—there was no doubt of his energy or ability. He should make an excellent Minister of Civil Aviation. Neither of these appointments increases the number of Ministers of Cabinet rank, since both Sir William Jowitt and Lord Swinton were of that rank already. There are now 40 of these Ministers, or 41 when Lord Halifax is in England, and if a new Minister Resident in West Africa is appointed there will be 42 (the Portfolio which Sir William Jowitt has hitherto been without, will presumably vanish still further into the fourth constitutional dimension.) Of these 42 offices perhaps about a dozen can be expected to disappear in peacetime, though some of them—the Minister of Reconstruction, for example—will not go at once. The minimum size of the peacetime Cabinet is therefore 30. No such body can be a functioning reality.

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First Fruits at Moscow?

An official communiqué from Moscow announced that on Wednesday the British, American and Russian Governments informed the Bulgarian Government that the withdrawal of all Bulgarian troops from Greek and Yugoslav territories is regarded by the Allies as an "essential prerequisite for the beginning of negotiations for an armistice." On the same day the Bulgarian Government accepted this preliminary condition and agreed to evacuate Western Thrace and Macedonia within fifteen days. A day before the Bulgars were still claiming that their troops would stay in the area of the Struma, allegedly in order to fight the retreating Germans. The fact that an agreed demand for the evacuation of Greek and Yugoslav territory was addressed to the Bulgars almost six weeks after their request for an armistice suggests that the delay must have been caused by a divergence of views among the Allies. It is probably a correct guess that agreement between the Allies on the Bulgarian issue was reached during the first days of Mr Churchill's visit to Moscow. This is perhaps the first

(and let us hope not the last) success produced by the Prime Minister's mission. There are quite a number of controversial issues on the agenda of the Moscow conference. The agreement on Bulgaria indicates that at least on this point the controversy was probably more apparent than real and that there is no disposition in Moscow to create special sources of friction between Russia and Britain in the Mediterranean.

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Dutch Tragedy

In the liberation of Europe, the Dutch are being as unlucky as the Belgians have been fortunate. It is their misfortune that the sweeping advance of the summer months should have been arrested on their soil. What is more, the results are likely to be not only some more months of anguish, but more permanent damage. In those localities that have frequently changed hands in the recent fighting, Dutch patriots have come into the open and have thus exposed themselves to German revenge once the Allies had been compelled—however temporarily—to withdraw. The mass of transport workers, who since September 17 have been disorganising the German lines of communication by means of a general railway strike, have been exposed to similar reprisals. The prolonged fighting has turned the strike into a double-edged weapon. It has struck at the seven million Dutchmen living to the north of the Rhine delta quite as much as at the Germans' military traffic. The northern provinces of Holland are now cut off from food supplies. With winter approaching, they are also deprived of fuel, since the Limburg coal mines are in Allied hands. But worse than all this is the flooding—the flooding of cultivated land the Wehrmacht has already carried out and the threat of further flooding. On October 6th the Dutch Prime Minister, Dr Gerbrandy, revealed the fact that 17 per cent of the total arable and pasture land of Holland is already under water. Throughout the rest of the low-lying country all important dykes and locks have been mined. When these mines explode and the sea-walls collapse, half of Holland—including parts of Amsterdam and Rotterdam—may be under water, most of it under salt water. A great work of civilisation, the result of an age-old, proud and stubborn struggle of man against the sea, can be destroyed overnight. The reclaiming of the areas overrun by salt water would take years; and it would add a baffling problem to the difficulties of reconstruction. The political effect of the catastrophe would be to create a wave of enthusiasm in Holland for territorial claims on Germany—claims that would not otherwise be very popular. "A mile of German soil for every flooded mile of Dutch soil" has already become the slogan. If the Nazis persist in their destructive folly and carry out the large-scale plan of destruction, then the pressure for territorial compensation, exerted by masses of homeless Dutch farmers, will be politically irresistible. The hope, however, still exists that a quick change in the fortunes of the war may yet prevent the worst climax of the Dutch tragedy.



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Provisional French Parliament

The demand for a return to parliamentary institutions is steadily growing in liberated France. But a real revival of parliamentary rule is hardly possible so long as so many millions of Frenchmen remain in German captivity. Any election to a Constituent Assembly held before the return of more than two million prisoners of war and deportees might be challenged on the ground that it falsified the real will of the people. Even so, the French are apparently reluctant to put themselves in the hands of an uncontrolled Government merely because so many Frenchmen are still in the hands of the Germans. Though a Constituent Assembly may be impossible for a long time to come, the Consultative Assembly may in the meantime act as a substitute for it. Since the Provisional Government's arrival in Paris little has been heard of this body. In the turmoil of liberation it was pushed off the stage and it had almost been forgotten, when it was decided last week to bring it back on to the scene, to enlarge it and to confer upon it all the status of a Provisional Parliament. Contrary to previous plans, the members of the new Consultative Assembly will not be appointed by *Conseils Généraux* to be elected in the Departments, but directly by the Resistance and the political parties. The elections to local and departmental Councils will not be held before February, 1945; whereas the new Consultative Assembly is to meet on November 7th next. Out of the total of 246 deputies, 149 will be delegates of the Resistance in Metropolitan France, 60 will be chosen from among the deputies and senators who did not vote for Pétain on July 10, 1940, and 37 members will represent *la France d'outremer*.

The members of the National Council of Resistance, the former underground "Government" of France, will become members of the Consultative Assembly; and so the Council of Resistance, which has often been driven, against its will, into the position of a virtual rival to the Provisional Government, will now be absorbed by the Assembly. At Algiers the Assembly was little more than the shadow of the Provisional Government. Now it is to aspire to a more independent rôle and one more reminiscent of a normal Parliament. The Socialists have adopted a resolution demanding powers of "real control" for the enlarged Assembly; and the demand is certain to be echoed by the other parties as well as by organisations of the Resistance. The Government—or at least some of its members—is reluctant to submit itself to the real control of a body that cannot claim any normal constitutional origin. The argument can, of course, be turned against the Provisional Government itself. Even before the Assembly has met, a brisk discussion about its prerogatives is developing in the press. The controversy is almost certain to end in a compromise. In Paris the Consultative Assembly will be less shadowy than it was at Algiers, if only because it will be reinforced by the real pressure of public opinion. But it will hardly attain the full satisfaction of its parliamentary aspirations.

Economie dirigée

National workshops were the dominant idea of 1848 in France. Nationalisation of workshops seems to be the overwhelming demand in 1944. The demand is supported by the mixed motives of socialism, patriotism and economic expediency. The French Left is putting forward its traditional programme solidly and respectably wrapped up in purely national colours. Big Business, it is said, has collaborated with the invaders. National justice, rather than social justice, demands that it should be properly punished by expropriation. Many resisters with no socialist leanings are inclined to accept this policy for the sake not of its content but of its wrapping. Believers in *étatisme* find reasons of expediency for demanding that the programme of nationalisation should be carried out at least in part. General de Gaulle himself has now spoken in favour of a state-managed economy that would leave a wide margin for private initiative and for the profit motive. The first practical steps in this direction have already been made. The coal mines of the north have been nationalised by decree. This is regarded as necessary both in the short run—in order to avert an acute fuel crisis this winter—and in the long run, because the state's control over the fuel resources of the nation is thought to be a pre-requisite of any *économie dirigée*.

On the Right there has been some strong opposition against the propriety of carrying out such sweeping reforms during a constitutional interregnum, when Government decrees can receive no valid legislative sanction. The case of the Renault factories, requisitioned by the Government but not nationalised, is entirely different, since the legal basis of this action is the plenary powers granted to M. Daladier in 1938, which allowed the Government to conscribe wealth during a national emergency. Whether the next step, from requisition to nationalisation, will be taken, depends on the outcome of the Renault trial which is soon to be opened. This will undoubtedly be a great political trial, in the French tradition. It will hold the centre of the political stage for some time, and the verdict will serve as a sort of precedent in economic policy. Another recent decree provides for the confiscation of illicitly acquired profits. The decree is retrospective, and it covers the whole period of the war from September, 1939. The political justification for this measure is obvious, though the extent to which it can be carried out is doubtful. Still another acute issue has been created by the widespread demand for workers' participation in industrial management and for profit-sharing schemes. Many of the steps that are now being taken in the economic field may be of passing interest only. But some of them will undoubtedly have a more lasting effect, and mark the transition to a state-managed economy, even if not to Socialism.

Telling Europe

Very shortly diplomatic and political correspondents are apparently to be given permission to go to Europe. It is high time, for although military correspondents have, in fact, been allowed to comment quite freely upon political events, in most cases they have not had the necessary background of past knowledge to make their comment really informative and to the point. Now that the official ban on political correspondents has been raised, it is almost as important that military censorship in completely liberated areas should be modified. It has obviously been necessary, while fighting was in progress, to impose strict limits on the amount of information given to the press, but it is at the earliest and not the latest moment that a situation should be brought to an end in which it is possible to know more about German occupied Europe than about liberated territory. It is a truism to say that, between the Western democracies, the links of information and understanding must be restored at once. But perhaps less thought has been given to the manner in which, between democracies, such links are best restored. Official propaganda cannot do a great deal. Occupied countries have had four years of propaganda full of idealised pictures of sanatoria and modern schools and sun-filled workers' dwellings—all to be realised in Hitler's New Order. If the democracies try to do the same thing—as, according to some reports, they are doing—the results will be strongly negative. There is a limit to the amount of propaganda of this sort the human mind—in a democracy—can stand. It has probably reached that limit in Western Europe. What is needed now to excite the interest and sympathy of Britain's continental neighbours is not glossy publications from the Ministry of Information, but newspapers, magazines, books and possibly Hansard—anything to show that public opinion is alive, spontaneous, creative and unfettered. Correspondents have raised the question of the lack of British papers and although the Ministry of Information sends a limited number to Europe, the supply is still quite inadequate, and the Paper Control, which until a few months ago allowed periodicals additional paper for exports, has chosen the year of liberation to stop this concession. Even more serious is the problem of books. It is true that the pressure on the publishing trade after five years of war is tremendous. The schools and universities of this country are as short of British text-books as Europe is of all types of British books. There is here a question of priorities which so far neither the authorities nor the publishing trade appear to have faced. But when the list of priorities is drawn up, books for Europe, representing in a rich and diverse way the life and thought of Britain today, should receive a very high place.

Electoral Redistribution

The Redistribution of Seats Bill was given its second reading in the House of Commons on Tuesday. Members in general welcomed this measure which, as Mr Morrison

explained, should ensure that "each member ought as far as practicable to represent an approximately equal number of constituents" and which provides permanent machinery for adjusting constituencies to population changes. The Bill closely follows the recommendations of the Speaker's Conference and the Vivian Committee on Electoral Reform. Four boundary commissions will keep the state of constituencies under constant review and will prepare redistribution schemes for submission to Parliament. The Speaker's Conference recommended that the total number of seats should be left substantially the same as at present—591, excluding University representation—but the Government has decided, in order to correct the most glaring electoral maldistribution, immediately to divide constituencies with over 100,000 population. In this way 25 new Members will be returned, mainly in boroughs on the outer London fringe which developed in the period between the two wars. A departure from mathematical principles is the decision not to change the representation of Wales and Scotland, while the City of London's representation will also not be affected. It seems unlikely that the Bill will become law in time to allow a full redistribution to take place before the next General Election—the redistribution of seats proved to be a lengthy business in 1918. It is always easier, and less painful, to add to Parliamentary representation than to subtract from it, and though the very small constituencies should clearly be abolished, there seems no reason why the number of seats in Parliament should not be made considerably more flexible, or why the figure of 615 should be regarded as sacrosanct. This point was raised by several Members, some of whom might lose their seats in a redistribution. Another point of criticism was raised by Mr Lawson, who argued that the Bill did not go far enough to remove anomalies in the present system and, rather irrelevantly but very necessarily, drew attention to the unsatisfactory state of the Service register. But the main division of opinion in the House arose over the question of proportional representation, which Mr Harvey claimed had been too lightly dismissed by the Speaker's Conference. His amendment was naturally supported by Liberals and Independents, who would gain in seats under proportional representation; but it was decisively opposed by Conservative and Labour members, who are no less naturally wedded to the two-party system.

Lord Woolton's Policy for Wealth

In a speech made on Saturday of last week, Lord Woolton showed that his eyes are open to the main chance of British industrial policy. Were it not disrespectful to say such a thing of a Minister of the Crown, one might even suggest that he had been reading the articles in *The Economist* on "A Policy for Wealth." He was clear and precise on the subject of restrictions, whether imposed by labour or by capital, which

impede the full flow of goods at low prices, and thereby endanger the standard of living that would otherwise be possible for the community, and he made the very welcome, though rather less than fully precise, statement that

the Government are not prepared to countenance in any industry arrangements by which prices may be stabilised only at the expense of output and employment.

Whose employment? Restrictions are often defended as protecting the employment of the restrictors. Where will the onus of proof lie? And what does "countenance" mean? These details need clearing up, but they do not diminish the sense of pleasure that such good sense inspires. Lord Woolton should continue in this vein—and recommend it to his colleagues.

Towards an Arab Union

The Arab Conference at Cairo which came to an end last week was only a preliminary to a full Pan-Arab Congress, to be held at a later date. Representation was not complete, and only five of the delegates—from Egypt, Iraq, Syria, Lebanon and Transjordan—signed the protocol which summed up the findings of these talks. The representatives of Saudi-Arabia and the Yemen are to refect the protocol to their Governments. Nevertheless, the proposals are more concrete and far-reaching than was expected. The core of the protocol is the recommendation that the Arabs should

establish a League of Arab States which would represent the common interests of the Arabs to the outside world, secure each against aggression and endeavour to combine the foreign policy of all the states so that the Arab States in future speak with a common voice. The proposal is not for any very close union. The structure is that of a league of nations. As such, it would carry the advantages and the defects of such systems. It would not raise awkward questions of sovereignty. None of the states is ready for any abdication of this sort. Syria and the Lebanon, for example, are unlikely to support the idea of a Great Syria including Palestine and Transjordan, because it might impinge on their sovereignty. But, like all leagues, an Arab league would depend for its effectiveness on the extent to which the major obstacles to co-operation had already been removed. It could not do much to remove them. The Cairo Conference was not empowered to deal with the issues which divide the Arab states among themselves—for instance, the vexed question of leadership which is jealously disputed between Egypt, Iraq and Saudi Arabia. Only one issue of this kind came up—Palestine, but the Conference dealt only with the political aspect. The delegates underlined their acceptance of the British Government's White Paper of 1939, limiting Jewish immigration and promising eventual independence to a Palestine with an Arab majority. The problem of fitting Palestine and indeed the other states into a workable economic system on regional lines lay outside the agenda of the Conference. Yet it is one of the keys to any Arab league, for it is the foundation for political understanding. It is to be hoped that when the full conference meets, one section at least will seek to co-ordinate all the invaluable work accomplished by a series of economic conferences at Cairo over the last eighteen months at which, under the aegis of the Middle East Supply Centre, the physical basis of Arab Union has been thoroughly discussed.

Egyptian Reshuffle

The sudden dismissal of the Egyptian Prime Minister, Nahas Pasha, and the establishment of a new Ministry under Maher Pasha has been linked by some observers with the Pan Arab Conference. In fact, the change has almost nothing to do with external affairs. Ever since Nahas Pasha became Prime Minister in the dangerous days of February, 1942, friction between King Farouk and his first Minister has been continuous. The young King's conception of government is hardly compatible with the position of Nahas as the independent leader of a great national party. The fact that the break came over the coupling of their two names on a popular poster is symbolic of the real matter at issue—the King's determination to rule and not to accept a power subordinate to that of the Egyptian Parliament. Nahas was not the King's man. He came to office in the teeth of the King's opposition, very largely because he alone could be trusted to see Egypt through the testing time of Rommel's advance and to abide loyally by the treaty with Britain. As long as the crisis lasted the British had a strong interest in maintaining his position. But interference

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in Egyptian domestic politics is not the rule of British diplomacy. The external crisis is over, and the King has taken advantage of this fact to dismiss the Prime Minister who commands an overwhelming majority in Parliament. The new Ministry of Maher Pasha is made up of the opposition parties, and includes some of Nahas' most bitter enemies—for example, Marram Ebeid Pasha, who was the author of the notorious Black Book which set out to expose "the corruption and maladministration" of the Nahas regime. In the near future new elections will be held—or rather made—and it is not unlikely that Maher will obtain a majority. The reshuffle in Egypt is unlikely to infect internal policy very deeply. So intense is the poverty of the fellahin and so inattentive to these real needs are the ruling classes that nothing short of a revolutionary programme could fully cope with Egypt's economic problem. This government of King's men is very unlikely to tackle the Augean stables, in spite of the King's promises to the people of "food and clothing." Externally, the Government has pledged itself to foster Pan-Arabism and to abide loyally by the treaty with Britain. The second is more in doubt. When other aggressions threaten in the Mediterranean—as they did from Italy in 1935 and from Italy and Germany in 1942—the Egyptians come to prefer a British protector to a foreign conqueror. Once the menace passes, it cannot be said that Britain is popular with any party—Wafdist or Saadist. There may well be trouble ahead.

The Last Satellite

The rapid Russian advance on Budapest from Jugoslavia in the south and Transylvania in the east will soon seal the fate of Hungary, Hitler's last satellite. Peace-feelers have apparently come from Budapest, but so far without any practical effect. The Russians have told the Hungarians that three conditions must be fulfilled before any arrangements for an armistice can be made. The Hungarians must break with Germany, help to expel the Germans from Hungarian territory, and accept the pre-Munich frontiers as the basis of any future settlement. Apparently Budapest has not yet accepted these preliminary conditions, although the suspicion that the Lakatos Government was contemplating "treason," that is to say, an armistice, drove the members of the Arrow Cross to attempt an abortive *coup d'état*. It does not seem very likely that an internal upheaval will occur before the entry of the Russian troops into Budapest. The Left opposition is clearly re-emerging. In July last, a coalition was formed by four parties—the Smallholders, the Peace Party, the Social-Democrats, and the Communists. The new grouping—the Peace Party—has one plank only in its political platform—ending Hungary's partnership in Germany's war. It is doubtful whether this coalition of the Left will find any supporters among army officers and high civil servants—as was the case in Roumania and Bulgaria. The Russians are not likely to have the same tenderness for Horthy as for King Michael of Rumania. There are old scores to be settled with the Hungarian Regent, scores dating back to the White Terror of 1919 and 1920. The fall of Budapest may therefore be followed by an upheaval more radical than the change of regime in Bucharest and Sofia.

Education for Demobilisation

The Army and the RAF have both announced their plans for schemes of education for the forces awaiting demobilisation, and the Navy intends to follow suit. The plans are roughly similar in outline. The Army will provide six to eight hours' instruction in service time, and the RAF six hours. Both allow for part of the time to be spent in training for citizenship, on ABCA lines. The rest will be educational or vocational. On the vocational side the policies of the two services diverge. The Army's plan is a somewhat modest one compared with that of the RAF, and it does not pretend to be able to give more than pre-vocational training. The RAF plan is designed to improve existing qualifications, or to prepare for further civilian training, and training will be provided only when employment prospects are considered favourable. Obviously, the RAF will need the advice of the Ministry of Labour and other Government departments in planning this part of its programme. Both the Army and the RAF are to rely on their own resources for teaching staff. It is perhaps optimistic to hope that sufficient teachers will arise to dispense education on the scale envisaged. The main burden will fall on the already overburdened (and

not always suitably qualified) regimental officer. Inter-unit and inter-Service co-ordination would probably help to make the best use of the limited number of teachers available. The Ministry of Education might be consulted so that training courses for instructors could be arranged to assist in the provision of teachers for normal educational requirements.

Policy for Cocoa

A White Paper (Cmd 6554) issued this week by the Colonial Office gives the first official account of the operations of the cocoa control in West Africa during the war. In the absence of full knowledge, the control has been criticised, first for its price policy, which allowed it to reduce the price paid to the producer while it realised a large profit; secondly, for its destruction policy; and, thirdly, because although there was a representative of the buying firms on the control board, there was no direct representative of the producers. The report answers the first two of these criticisms in full. Behind all the control's operations was the knowledge of the serious shipping shortage. That in the event its operations only showed a deficit in 1939-40 and 1941-42, and that at the end of 1942-43 there was an accumulated surplus of £3,676,253, could not have been foreseen. As regards destruction, the report points out the difficulty of providing storage facilities in West Africa owing to the shortage of materials and also to the fact that the time during which cocoa can be stored there satisfactorily is limited. The third criticism is not answered as such, but the White Paper contains an important statement of future policy which appears to meet the critics' case. From October, 1945, organisations are to be set up in the Gold Coast and Nigeria empowered to purchase the whole cocoa crop, to prescribe the prices and to be responsible for disposal. In the Gold Coast, the organisation will have an official majority and will also include Africans and representatives of other interests. "The Government majority will represent the interests of the producers and will act as trustees for them" until their cooperative societies have developed enough to provide their own representation. Moreover, it is contemplated that "representatives of the producers should eventually constitute the majority in the proposed organisation." In Nigeria, the work is to be given to the Supply Branch of the Administration, and there is to be an advisory committee representative of the producers and other interests. Thus, the buying firms will no longer be able to determine the price at which West African cocoa is bought. The alternation between cut-throat competition and the buyers' ring, which, as the Nowell Commission of 1938 pointed out, led to disastrous fluctuations in prices, will cease, and a long-standing African grievance will be abolished. Provided that the proposed system is not used to the disadvantage of the consumer, there seems no reason why it should not be extended to the purchase of other West African produce.

Shorter Notes

According to a Parliamentary answer, the present estimated cost of subsidies is £214 million per annum, made up as follows:—

	(£ million)
Bread, flour and oatmeal	64
Meat	23
Potatoes	27
Eggs	15
Sugar	15
Milk	17
Cheese	3
Bacon	2
Other subsidies	48

The total, which represents about 1s. 9d. per head per week, has fallen by about £7 million per annum owing to a revision of the estimate of shipping losses.

Mr Dingle Foot has given some estimates of German financial exactions from occupied countries. With a number of countries omitted for lack of data, the total of occupation costs and clearing balances had amounted by the end of August to £6,600 million, while the annual rate was then running at £690 million. For the purpose of these estimates, Reichsmark figures have been converted at the rate of Rm. 13½ = £1.

Letters to the Editor

A Policy for Wealth

TO THE EDITOR OF THE ECONOMIST

SIR,—I note that in your plans for the future of business you make the suggestion that all commercial works should by law become closed shops. The Government is to give the trade unions power never granted to any body of men before. If they are not subscribed to and obeyed there is to be no hope of employment for any working man or woman. The unions then will have no need to satisfy their members since their members cannot leave them, and all discipline will be in their hands and theirs alone since not merely "the sack" from their place of employment, but from all places of employment, will be in trade union hands.

This terrible gift of power over all workers should, you suggest, be offered in exchange for a hope of a gracious willingness to "examine" such trade union practices as may impoverish the country and the world, of which you state quite truly there are not a few.

These enormously powerful organisations have no responsibility for increasing or improving output, and all risks of capital are, at any rate at first hand, a matter of indifference to them. Their task is to wait until wealth has been sufficiently increased to enable them to demand more money for less work. Does it not seem to you unnecessary to legalise enormous and irresponsible power in these hands? I give you an example of the spirit in which such power would be likely to be used: the proposal quoted in the *News Chronicle* of September 19, 1944, made by Mr Tom Lowe, Midland organiser of the National Union of Foundry Workers, to sack craftsmen with 20 or 30 years of experience rather than dilutees who had not finished their apprenticeship—non-union craftsmen of course. It would be interesting to follow the careers of militant Tory or Labour workmen if your idea were carried out.—Yours faithfully,
Mirfield.

RONALD F. WALKER.

TO THE EDITOR OF THE ECONOMIST

SIR,—It is disturbing to find *The Economist*, generally so much alive to psychological factors, arguing in the important article on "Labour and Wealth" from an assumption only valid if a whole range of such factors be ignored. This assumption is, briefly, that the satisfaction of life is to be sought by "the workers" anywhere but in their work; that it lies in fact between two alternatives, "a higher standard of material consumption" and "more leisure," between which the economist may in due course require them to make a final choice. Without going to extremes with Ruskin or William Morris one may surely object that there is a third factor which must often make it impossible to pose any such simple choice; namely, that the character of a man's work, and its capacity or incapacity to satisfy his soul by developing his powers and so giving him judgment, balance and self-respect, may be more important to his happiness (and to his value to others) than an increase in either his "standard of material consumption" or his leisure. You allow that "the Luddite passion is both very strong and very natural," but appear to overlook that it may have a firmer basis than miscalculation of interest; that in fact it may be well founded in an instinctive fear lest mechanical development, by fragmenting labour into tasks fitter for idiots than rational men, may turn self-respecting craftsmen into human cattle. I suggest that what we have to consider is a balance not merely of two factors, standard of consumption and leisure, but of these two with a third, satisfaction in work. Or are we asked to accept that, while all men may share in the first two, the last is to be a privilege confined henceforward to the professional and managerial classes.—Yours faithfully,
Chelsea

A. RICHMOND

AMERICAN SURVEY

The Willkie Influence

(By a Correspondent in Ohio)

(Editor's Note.—This article, as will be apparent, was written before Wendell Willkie's sudden death. In part it can be regarded as his epitaph.)

THE second act of America's quadrennial drama, the presidential campaign, is now in progress. The curtain rose on the Chicago conventions. It will fall on the counting of votes. The middle act is filled mainly with speech-making, but this year the candidates share honours with two actors of unknown powers. One is an individual, Wendell Willkie. The other is a group, the Political Action Committee. Only fitfully does Mr Willkie approach the centre of the stage. Indeed, the most ardent labours of the Dewey managers have failed to lure him from his position in the wings, from which he casts impartially baleful glances at the main proceedings. The PAC, on the other hand, has jostled the Democratic National Committee off the stage. Second only to Mr Roosevelt, Sidney Hillman's tireless workers are the leading feature of the Democratic campaign.

The capacity of Mr Willkie and of the PAC to influence the outcome in November is a topic of sharp debate. The shelved Republican leader has made himself the "mystery man" of the campaign by refusing to name his choice for President. He controls a considerable body of independent voters—men and women who do not make up their minds until the issues have been thrashed out. On the Democratic side, the PAC is trying to bring out a huge dormant labour

vote. Both forces will influence the result in November. But there is a question in the mind of the informed public about each: Can Mr Willkie retain his hold upon the independents? Will the PAC prove to be a boomerang to Mr Roosevelt?

Nobody knows even approximately how many votes Mr Willkie can be said to control today. Some of his journalistic admirers assert that he can swing anywhere from 3,000,000 to 6,000,000 ballots. The claim is based on his popular vote of more than 22,000,000 four years ago. That was the largest popular vote ever cast for a Republican presidential nominee. In 1932, Mr Hoover received fewer than 16,000,000 votes. However, by no means all of the difference of 6,000,000 represented independents. The total popular vote in 1940, for both candidates, was 11,000,000 larger than in 1932. It is not unreasonable to suppose that the bed-rock Republican vote is now in the neighbourhood of 20,000,000. Furthermore, in 1940 many Willkie votes were cast by anti-third-term Democrats. They can be counted on to oppose the fourth term, with or without encouragement from Mr Willkie. Nevertheless, the Willkie independents may be numerous enough to decide a close contest. They are thought to be especially strong in New York and California, which are "key states" this year. That explains why Governor Dewey sent emissaries to the Willkie camp before his September speaking tour. It

explains, too, why Mr Roosevelt invited the "mystery man" of the campaign to the White House.

In bidding for Willkie support the President runs no political risk, but Governor Dewey may be inviting trouble in the Midwest, where many Republicans regard Willkie as an extreme and even dangerous internationalist. The Midwestern states account for 155 of the 531 votes in the Electoral College. Most polls of public opinion indicate that sentiment in those states has turned against Mr Roosevelt. In this region the spirit of pre-Pearl Harbour isolationism lingers on in the shape of a new American "nationalism." Governor Dewey's quest for Willkie support may antagonise this element in Midwestern Republicanism. Perhaps in part because he feels sure of this vote, Mr Dewey is determined to keep foreign policy out of the campaign as a partisan issue. The talks at the State Department between his representative, Mr John Foster Dulles, and Secretary Hull were carried on in an atmosphere of serene harmony. In his speech at Louisville, Kentucky, Mr Dewey flatly repudiated isolationism. Nevertheless, he—like the President—still speaks the language of "national sovereignty," whereas Mr Willkie insists that we must relinquish some of our sovereignty in order to play an effective rôle in securing world peace. To adopt Mr Willkie's position in foreign policy, Mr Dewey would have to go beyond the position of the President. He is hardly likely to do that, in view of the debates in the Senate over the Dumbarton Oaks conference and the rising Republican clamour for a pre-election inquiry into "responsibility for the Pearl Harbour disaster." The old isolationists in Congress are trying to force Governor Dewey's hand in the campaign. He will need to display the political genius of a Roosevelt if, as the campaign temperature rises, he adheres to his stand that the winning of the peace, like the winning of the war, must be kept out of politics.

Recognising Mr Dewey and Mr Roosevelt as moderate internationalists, Mr Willkie has attacked both in the public prints for evading "the supreme issue of our time." The confluence of Roosevelt and Dewey ideas on foreign policy, however, tends to weaken Mr Willkie's rôle as the balance of power in the campaign. His impartial attacks, if continued, may plunge his followers into a dilemma. The value of Willkie support must decline the longer his choice is postponed.

If the Willkie war of nerves is somewhat novel in American politics, the rôle of the PAC is wholly new. The traditional strategy of American labour in politics, created by Samuel Gompers, is: Reward your friends, punish your enemies, and work for or against specific pieces of legislation; but never act as a group on either side in a national campaign. This strategy is based partly on a desire to make the two major parties compete for labour's support, and partly on a fear of reprisals should a favoured party fail to get in. The time-honoured policy was scrapped when Mr Hillman's PAC endorsed the Roosevelt-Truman ticket. Whether it be hailed as "progressive Americanism" or denounced as "labour bossism," it is a force to be reckoned with in the campaign. The best evidence of the importance of PAC is the vehemence of Republican attacks upon it.

Unfortunately for the Democrats, the committee is also stirring up dissension within the ranks of labour. Some opposition arises within the Congress of Industrial Organizations from former Republican workers who have been forced to join CIO unions, and now bitterly resent having their votes "dictated." More serious is the reaction of the American Federation of Labour. The opposition of the older labour group is founded both upon principle and upon fear. The principle is expressed by AFL Vice-President Matthew Woll: "Labour can not and must not stake its whole future upon the success or failure of any political campaign." The fear arises from the possibility that the CIO will enjoy Government favouritism if the President be re-elected. Antagonism to the PAC campaign is growing not only in the AFL ranks, but also among John L. Lewis's United Mine Workers and the 15 railroad brotherhoods, who incidentally cherish a grudge against the President for the Government's handling of their wage demands.

This is important, if true, since organised labour is the great question mark of the current campaign. Moreover, any loss of labour votes from the Roosevelt column would be a net loss. A critical question of the moment is how many new labour votes can PAC bring out to offset the defection of disgruntled oldsters? On the whole, in this

second act of the campaign drama, the uncalculated power of PAC looms much larger on the scene than the calculated indecision of Mr Willkie.

American Notes

One Man

The death of Wendell Willkie is a heavy loss on both sides of the Atlantic. This country will not soon forget the rare political courage with which, at a time when he was running for President, he endorsed Mr Roosevelt's foreign policy, and his later support, in defiance of influential groups in his own party, of the Lend-Lease Bill and the repeal of the Neutrality Act. Without his intervention American aid to Britain and American preparedness for war would have been on a much slighter scale. What is less widely appreciated in this country is the importance of the liberalising rôle Mr Willkie has played in American public life in recent months. His wartime journeys to London, Moscow, the Middle East, and Chungking reinforced an internationalism of outlook unusual in a Republican of Middle Western origins. If at times his enthusiasm for the future of the common man in Russia and China led him to underestimate the British contribution to social progress, this was a small price to pay for the healthy corrective he provided to isolationism and rampant nationalism. Even before his defeat in the Wisconsin primaries, which led to his retirement from the Presidential race, Mr Willkie showed a courageous, if rash, indifference to his immediate political interests. It was his repeated attacks on the isolationists and reactionaries of his own party which led to the fatal charge that he was only a "carbon-copy Roosevelt" and convinced the party bosses that he must be eliminated at all costs. After his snub at Chicago, Mr Willkie turned with undimmed enthusiasm to campaigning for American participation in international security plans. But his influence was even more decisive in the shaping of the Republican campaign. There can be no doubt that Governor Dewey's repudiation of isolation, and his moderately progressive domestic platform, owe much to a desire to win the support of Mr Willkie and the independent Republicans who found in him their most forthright and attractive spokesman. Mr Willkie's most telling rôle was that of goad to the elephant. Seldom has one man been a more effective guardian of the public interest. It is being said in the United States that his death will remove the main guarantee of Republican liberalism and may lose Governor Dewey the independent vote; but the Republican regulars will sleep more easily with the end of the Willkie war of nerves. Nothing has been more remarkable in recent American politics than the transportation, in four years, of the champion of the public utilities, the "barefoot boy of Wall Street" into a leader of liberal opinion and the conscience of the Republican party. There are men in the party of equal integrity and devotion. Already Senator Ball, for his outspoken criticism of Governor Dewey's foreign policy stand, is spoken of as the inheritor of the Willkie mantle. But there is no one in sight to equal Wendell Willkie's capacity for capturing the public imagination. His going is a calamity for liberal Republicans and for men of good will everywhere.

Second Round

The second round of the Presidential campaign finds both candidates mending their fences. Both parties are increasingly conscious that this will be a very close race indeed. The patently inspired suggestion that Governor Dewey, if elected, would seek to retain Mr Hull, the present Secretary of State, either in that capacity, or as advisor to Mr Dulles, has been hailed as an adroit move; but it is a play from weakness, rather than strength, implying as it does a certain diffidence on the part of Mr Dewey and Mr Dulles. It meets the charge that a new Administration would bring an inexperienced hand to the conduct of foreign affairs; and has the further advantage that Mr Hull's popularity is more solidly grounded than that of any other member of the Administration. Mr Hull has, of course, repudiated the idea at this stage, but this may not be the final word. Mr Dulles has, at the same time, injected a degree of partisanship into the foreign affairs honeymoon by intimating that Senate support would be more readily forthcoming for a Republican President than for Mr Roose-

velt. This is perhaps true; but it does not answer the question, support for what? Or dispose of the likelihood that Governor Dewey might be more amenable to the arguments of a man like Senator Vandenberg than Mr Roosevelt. In his second campaign speech the President, also, was more sober and more on the defensive. The pains he took to deny specific Republican charges suggests that they are considered damaging in the Democratic camp. Among them are the allegations that the Administration was wedded to the perpetuation of wartime controls; and that demobilisation from the Forces would be intentionally slowed down to avoid extensive unemployment. He devoted even more time, however, to repudiating the Communist label which Republican strategy is attempting to fasten on the Democrats. This is an old and familiar theme; but it is evidently expected to be doubly effective because of the activities of the Political Action Committee of the CIO. Mr Hillman acquitted himself with great verve and adroitness before a Congressional committee anxious to show him guilty of violation of the prohibition on labour union contributions to party elections. The anti-Administration press, however, continue its attacks with unparalleled ferocity; and what Mr Hillman's organisation may accomplish by delivering the labour vote may be more than offset by the opportunity the Republicans are exploiting to paint the Administration as controlled by a radical labour agitator of Lithuanian Jewish extraction. The slogan "Clear it with Sidney" may have as devastating an effect as "Rum, Romanism, and Rebellion" had on the chances of James G. Blaine. Its use, however, in no way impedes the battle for the foreign minorities, which was carried one step further this week by Governor Dewey's kind words for the Poles and Mr Roosevelt's announcement of aid for Italy.

The Right to Vote

The most revealing feature of Mr Roosevelt's speech was his urgent appeal to voters not to fail to register in order that they may vote in November. In a sense, the election may be decided when the registration booths close. (Registration in America is not automatic, but requires a deliberate application by the voter.) Mr Roosevelt had many sound observations to make on the patriotic duty of members of both parties to vote; but his appeal was patently motivated by Democratic anxieties that a light poll may ensure a Republican victory. Mr Roosevelt pointedly reminded his listeners that in the fateful election of 1920 only 49 per cent of the potential voters took part. Even in 1940 the proportion only reached 62½ per cent, although the popular vote was the highest recorded. The overwhelming of election issues by the war will bring this down; but the main factors are the absence of Servicemen (and the complexities of the soldier voting law, to which Mr Roosevelt made a bitter reference), and the numbers of war workers who have changed their state of residence too recently to be allowed to vote. The number of such migrant workers is put at 13 to 14 millions; and if even 4 or 5 millions of these are deprived of the right to vote, or do not exercise it, the lead which Mr Roosevelt enjoyed over Mr Willkie in 1940 may vanish. One result of the likelihood of a light vote is to cast some doubt on the reliability of even the best public opinion polls, for they can hardly make allowances for the fact that many of those polled may fail to show up at the booths in November. Obviously there is an increased margin of error; and it is quite likely that even the 2-3 per cent lead generally attributed to President Roosevelt is an overestimate, as the groups which are most likely to be disfranchised, through a combination of legal requirements, migration, and the difficulties of reaching the polls, are those most likely to vote for Mr Roosevelt. His lead among Servicemen is put as high as 2 to 1. In this situation, anything which arouses interest in the campaign improves Mr Roosevelt's chances; and it is said, perhaps unjustly, that Governor Dewey has deliberately pitched his campaign in a low key for this reason. It is perhaps relevant that in his last speech Governor Dewey returned to his prepared programme, and to such an uncontroversial subject as the need for lower taxes all round and simplification of the tax law. As one unfriendly paper said, all that is needed now is for him to come out for longer life and fewer toothaches. What his serious critics deplore is his failure to explain how, with such general tax reductions, sufficient revenues would be forthcoming to meet existing commitments which, because of the termination of war contracts, the maintenance of the Forces, and oldiers' discharge benefits, are likely to remain not far

below their present level for some time after the end of the war in Europe.

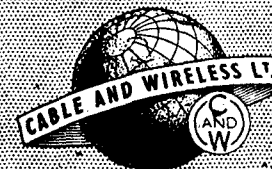
The Wage Issue

The burning question of whether President Roosevelt will agree to an upward adjustment of wages before the election is still unsettled; and the period of suspense has been marked by an unprecedented if belated rallying of industrial leaders in support of Mr Roosevelt's stabilisation policy. "Holding the line" is fast becoming the password of the National Association of Manufacturers. Mr Eric Johnston, president of the Chamber of Commerce, put industry's case most cogently to the War Labour Board when he expressed the fear that wage increases now would lead to a rising spiral of costs and prices, and argued that increased wage rates, to offset declining hours worked, would handicap the post-war expansion of industry. In asserting that after the war, when post-war costs were more clearly ascertainable, industry would probably wish to increase hourly rates, he was not so clearly in step with the majority; and this is a proposition to which labour will lend a very sceptical ear, conscious as it is that after the war its bargaining power will be very greatly reduced. The President's decision, even in the opinion of an outstanding labour reporter like Mr Louis Stark, is heavily weighted with politics. If Mr Roosevelt allows for an upward revision of wages before the election, he will be accused of betraying the majority to bribe the labour vote. Even within the ranks of labour—which is unanimous on the need for wage increases—there are political difficulties, for the most immediate rewards would go to the CIO, whose case for wage increases in steel, automobiles, and other mass production industries is already well advanced on the books of the War Labour Board. This might alienate voters in the AFL unions, which are by no means so unanimously behind Mr Roosevelt. This situation lends colour to reports that Mr Roosevelt may shelve the whole issue until after the election; and that he has refused to make any promises or commitments to labour leaders pressing for immediate relaxation of the wage controls.

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THE WORLD OVERSEAS

Into Greece

THE liberation of Greece has begun. In the first week of the campaign, the Allies have overrun the whole of the Peloponnese and entered Corinth. The liberation of central and northern Greece ought not to present very great difficulties. The Germans are not likely to put up a strong resistance, outflanked as they are by the Russian advance from the north; in any case, the major part of the country has already been freed by the Greek partisans. The Allied revenge for 1941 is more likely to be a triumphal advance than a protracted battle.

But the Greece, on which British soldiers have again set foot, is a very different place from the country where in 1941 they fought against overwhelming odds. Famine and destitution have in the meantime sapped the strength and the health of its people. The most difficult operations in Greece will fall not to the operational Staff of the Allied Expeditionary Force, but to its Civil Affairs Branch. Civil Affairs, together with the agencies of the Greek Government, will now take over the administration of the country, and on it will fall the responsibility of supplying Greece with food and other essentials.

The exceptional difficulties of this task spring from the fact that even in normal times Greece, which specialised in producing "Mediterranean" crops, tobacco, fruit, wine, olives and olive oil, was dependent for its provisioning on imported wheat and cattle. During the years of the occupation, the Greeks tried to some extent to switch over from growing tobacco to the cultivation of wheat. But the switch-over was made on an insignificant scale. Its effect has been undone by the general decay of farming. Reports from inside Greece suggest that livestock has been reduced by 60 per cent; that most of the agricultural implements are now dilapidated; that the yields of cereals per acre have fallen below the pre-war level which was, in any case, the lowest in the Balkans; and that consequently only a very small part of all essential foodstuffs can come from domestic resources. The Greek Government has laid in some stocks in Turkey, and Civil Affairs is also sending in supplies in the wake of the advancing armies. Nevertheless, Greek officials think that the stocks are quite inadequate to put an end to the famine. Bread is the chief item in the Greek diet; and the Greek Government has urgently asked the Combined Boards in Washington to increase the allocation of flour for Greece.

The next problem is distribution. Even if Greece's thin railway network is not destroyed in the course of the present campaign, it will not be able to distribute supplies over the country. In normal times the road traffic in Greece played a fairly important rôle. With 6,000 to 7,000 cars and lorries on its roads, pre-war Greece was relatively more "motorised" than any other country in the Balkans. At present the road traffic has ceased, and no lorries are available. The Civil Affairs Branch has at its disposal not more than 250 3-ton lorries to care for civilian needs. Here, too, a more generous allocation will be needed if the population of the more remote provinces of the country is not to be left starving. The traffic between the Aegean islands and between the mainland and the islands is also at a standstill. The local Aegean merchant fleet has been sunk during the war, though the remaining ships of the Greek merchant navy, which found shelter in Allied harbours, ought to be able to restore the coastal sea traffic.

Rampant Inflation

The Greek national income is now estimated to be about 40 per cent of the pre-war average. It is out of this shrunken income that the Greeks have had to meet the costs of the German occupation in their multifarious "legal" and illegal forms. The occupation forces have used the last weeks of their stay in Greece for some fantastic farewell looting. This has been strikingly reflected in the truly feverish expansion of the currency in circulation in the course of recent weeks. In August this year the circulation was 500,000 billion

drachmae compared with 10 billion drachmae before the Italian attack on Greece. In the course of one month only, from August to September, this astronomical circulation was multiplied by eight, and passed the 4,000,000 billion mark. The price of a gold sovereign, which was 1,000 drachmae before the war, stood at 3 billion in August and rose to 30 billion by the middle of September.

The burden of the inflation has fallen mainly on the towns, where wage and salary earners have had no other purchasing power than the heaps of almost valueless money. In the countryside money has virtually disappeared, and barter has become almost the only form of exchange. Under such conditions it has proved impossible for the Allied military authorities to fix any rate of exchange between the special military pound issued to the troops and the drachmae. A rate of exchange will be fixed only after the liberation of Athens, though even then the fixing of a rate can hardly have any immediate practical meaning.

Currency Problems

The question how the Greek Government is going to tackle the currency problem is of obvious interest. It is not very likely that any immediate and drastic measures can remedy the inflation. For instance, an exchange of banknotes and the blocking of accounts, similar to that decreed by the Belgian Government last week, would probably yield no significant results in Greece. First of all, the scarcity of goods, and especially of foodstuffs, available to the market is, and is likely for some time to remain, so acute that the monetary system can hardly be immediately revived. Even if the circulation of money is mechanically restricted, its value cannot be restored as long as it can buy no goods. Secondly, a distinctive feature of the Greek economic and financial situation is the extent to which Greek consumption depends upon exports. This fact rules out any effective restoration of the currency system on the basis of a merely domestic "normalisation."

Finally, after the liberation of the country the Greek Government will probably find itself compelled to cover most of its budgetary expenditure by using the printing press. The yield of taxation is certain to be insignificant as long as agriculture and industry are not at least partly rehabilitated. Before the war the yield of indirect taxation used to be nearly three times as large as that of direct taxation. If this system of taxation is to continue, any return to some sort of a budgetary equilibrium will take a very long time. In addition, the credit system, never well developed, has now been utterly destroyed. Under such conditions even the introduction of a new currency would not prevent a new inflation; and it may even be wiser to wait with a monetary reform until some of the economic pre-requisites of a stable currency have been created.

The question of how long it will take to bring the currency situation under control will be determined not only by purely economic factors, but also by psychological and political issues. How quickly can the distrust of the banknote—the unavoidable aftermath of so sweeping an inflation—be overcome? This in its turn will to a very large extent depend on the development of political conditions in Greece. How quickly will the present Greek Government be able to establish a unified and effective administration all over the country? How quickly can there be any return to normalcy against the background of the present social and political tensions in Greece? The reconciliation between the Greek Government and the Left is certainly a favourable augury, although it is hard to say how definite it is or how lasting. The fact that the EAM guerillas have submitted to the authority of the Government ought to facilitate social peace in the period of transition, until the controversy over Republic and Monarchy can be solved by the verdict of a popular plebiscite. The immediate economic and financial prospects cannot be made good by any magic; but they can be made less difficult by political stability.

But something more than this will be needed to make recovery possible. Greece illustrates more strikingly than most other liberated countries the inadequacy of the plans for immediate relief, on which Civil Affairs and UNRRA have been working. Greece shows how closely interconnected are relief, rehabilitation and reconstruction. No real relief will be brought to the Greeks unless their agriculture is rehabilitated. This in its turn cannot be achieved without some reconstruction of the technical basis of Greek farming. Now that they have lost a very high proportion of their cattle, the Greeks believe that they cannot redevelop their agricultural resources without importing two or three thousand tractors, as well as other agricultural implements. Will they be able to receive those on credit? On the other hand, the switch-over from the horse and the mule to the tractor is inconceivable without at least a partial reorganisation of small-scale farming in the direction of co-operation. Similarly, the power stations must be restored if industry is to go back to work. Incidentally, the mining of bauxite in Greece has in the meantime been strongly developed by the Germans.

In the inter-war years Greece, like the other Balkan countries, was economically drawn into the German orbit, because Germany was the chief buyer of Greek tobacco, fats, ores and so forth. Now that this dependence and its tragic sequel are receding into the past, the Greeks must ask into whose economic orbit they will now be drawn. Will the western Powers—and primarily Great Britain—have sufficient interest first to give real relief to Greece, and then to enter into close trade relations?

Switzerland's Economic Problems

THE strain on Switzerland's economy has been intensified by the liberation of France and the beginning of the end of the war against Germany. This additional strain is temporary, and will disappear as soon as the fighting ends. Public opinion in Switzerland tends to consider the present situation, with its military implications, as the reverse of the situation in 1940. Then, as now, the commander-in-chief of the Swiss army ordered more men to be mobilised. This time the Swiss authorities obviously wanted to guard themselves against a possible violation of Swiss neutrality by the belligerents, whose fighting fronts once again lean on the Swiss frontier, as was the case in 1914-18. Fears of this sort, however, seem exaggerated, although the fighting itself forces the Swiss authorities to carry the additional burden of caring for more refugees as well as for combatants who chance to enter Swiss territory.

From an economic point of view Switzerland has never been so isolated as during the present stage of the war. The liberation of France has for the time being virtually put an end to Switzerland's overseas trade. The trade with the Balkan countries and other western European countries has also ceased with the advance of the Allied armies, and Germany's increasing difficulties may even prevent it from sending supplies of coal, steel and chemicals. The immediate effect of this last stage of the war has been the piling up of manufactured articles for export orders which cannot be transported. Growing export difficulties and dwindling supplies of foreign raw materials have been the main feature of Swiss industries in 1944. Here and there production programmes have had to be reduced. During the first part of the year the increased activity in the building industry made up for the decline elsewhere, but a short time ago the shortage of coal led to a reduction in the allocation of cement. Difficulties were especially experienced in the export of machinery. The watch-making industry, which employs roughly 10 per cent of the total number of industrial workers, reports a fall in employment. Imports of cotton and wool are at a standstill, and the worsted yarn spinning mills cannot continue operations on the present level. Although two new cellwool plants have come into operation recently, not more than one-quarter of the total demand for textile fibres can be supplied, and the Swiss public is still averse to buying textile goods which contain staple fibres.

The wartime changes in Swiss industry and agriculture are as far-reaching as in any belligerent country. The countries surrounding Switzerland have all, at one time or another, been belligerents, and industry was forced to find a way of replacing imported raw materials by synthetics.

It is therefore not surprising that all the leading industries complain of increasing costs of production. Full employment has been realised for a long time. But owing to the growing costs of production, that is, the expenditure of a greater amount of labour on the same unit of manufacture, the physical volume of the national product is estimated to be 20 per cent smaller compared with the last year before the war. The money value, however, has increased over the same period by 7 per cent.

A tremendous effort had to be made to increase the production of foodstuffs. The acreage under cultivation has been doubled during the war, and exceeds the total acreage achieved at the end of the last war by 70 per cent. The mountainous character of the country and the poor soil make this a great achievement. Yet there is still a deficit in cereals, and during the coming winter bread will contain a still higher percentage of potato-flour.

The volume of Swiss imports in 1943 was reduced to 53.8 per cent of the 1938 total, whereas their value had increased to 107.5 per cent. During the same period the exports decreased to 59.8 per cent in volume, but rose to 123.6 per cent in value. The result of this, which is probably fairly common to all industrialised countries during a war, is of considerable importance to a country whose foreign trade per head of the population was among the highest in the world.

Post-War Prospects

At present, Switzerland is almost completely isolated so far as her economy is concerned, but the near end of the war has produced a lively discussion about post-war economic reconstruction. Agricultural interests tend to fight for maintaining the increased acreage under cultivation regardless of the higher costs of production. From this sector there comes, therefore, a demand for some system of "steering" the economy. The planning or "steering" in Germany's totalitarian agriculture seems to have been taken as a model by these interests. If free market conditions were restored, the greater part of the wartime increase in agricultural production would automatically disappear. Industrial circles naturally contend the demand for maintaining agricultural production on the wartime level, which would place a permanent and heavy burden on the whole community.

Swiss industry, and, indeed, the entire Swiss economy, is vitally interested in the restoration of international trade. But it is realised that at the end of the war an entirely new situation will be revealed all over the world. Industrialisation has been advanced in many predominantly agricultural countries. Germany's temporary domination of the entire continent has imposed changes on the economic structure of many countries which will not simply disappear with the end of the war. The prospect of "pastoralised" Germany finds no appeal in Switzerland, whose industry was closely linked with that of Germany. Above all, Switzerland cannot passively await the restoration of world economy and world trade. At present, the most important problem is whether industry can be kept going by working for the accumulation of stocks of manufactured articles. There are many indications that the engineering industry is accepting orders for post-war delivery, but the difficulty is that at the moment post-war orders can hardly be specified. Machine tools and machinery have changed in purpose and design. A great number of synthetic materials will probably find a permanent place in post-war industry. The demand for new machinery and new plants will change, and above all the purely military demand will abruptly cease. Swiss industrial circles are undoubtedly hesitating to make the necessary changes before the war actually ends.

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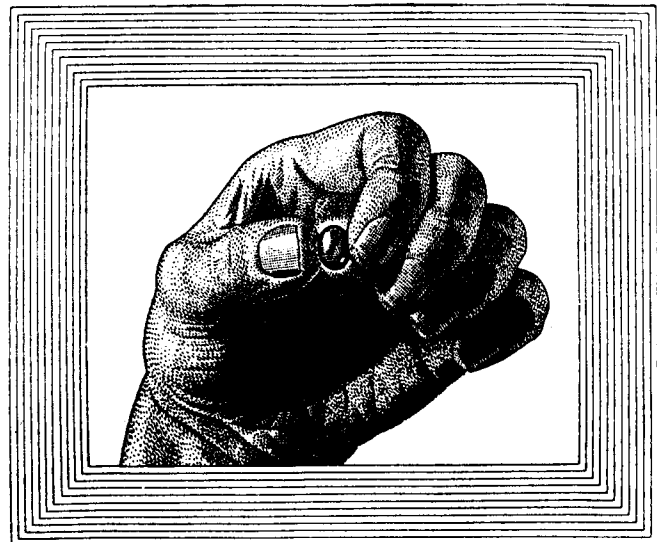
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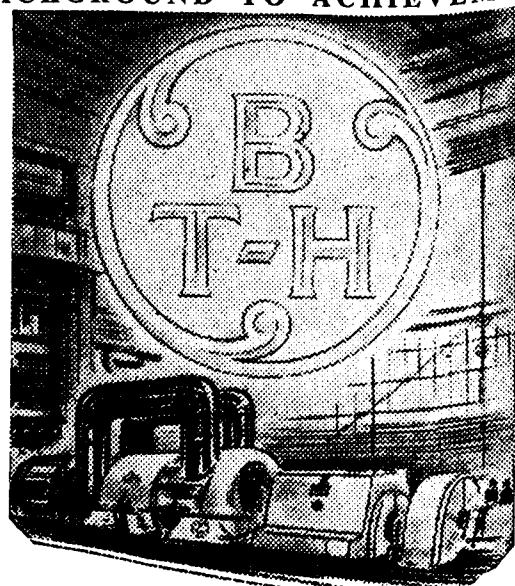
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THE BUSINESS WORLD

Dear Raw Materials

THE prosperity of British industry has been founded on cheap raw materials. Until the 1930's, the British manufacturer could buy his raw materials in the cheapest market; and he could transport them either by water or else over short distances by land. Very largely, this meant the use of imported materials, or even where the materials were home-produced, the possibility of importing kept the cost low. Until the last dozen years, British industry—unlike the industries of other countries—was not compelled to buy expensive materials merely because they were home-produced. The advantage that this traditional system conferred on the people of Great Britain was enormous beyond all measure. It has meant that British industry could pay higher wages than foreign industries and yet sell at competitive prices—and, since the system was also applied to food—a given cash wage meant more in real terms to a British worker than to a foreigner. Low raw material prices and a high standard of living are the obverse and the reverse of the same medal. The second is impossible without the first. A country can, up to a point, stand the heavy cost of converting raw materials into finished goods that a high wage policy involves, if it has an advantage in cheap raw materials. But high conversion costs and dear raw materials are a combination that make exports unsaleable and the domestic cost of living excessive.

The old principle has been increasingly disregarded ever since the last war, and especially since the triumph of protection in the early 1930's. A great part of the persistent anæmia of British export trade is the direct consequence. But conditions look like being far worse after the war. If British industry was handicapped by high costs before the war, it will be entirely weighed down after the war. At a time when a radical improvement in the country's competitive position is an urgent national need, the trend is in the precisely opposite direction. Both raw material prices and conversion costs are soaring.

During the war, with the emphasis on output rather than upon price, the terms at which British industry has been compelled to purchase home-produced materials appear to have altered further to its disadvantage. Other materials, such as aluminium and magnesium, have had to be produced at high cost as a means of safeguarding supplies to industry. It is hardly surprising that a number of industrial chemical and steel industries are beginning to get alarmed about the rise in coal prices; and that the motor industry is beginning to compare British and American steel prices.

Unfortunately, it is by no means easy to measure the difference between the prices British and foreign industries have to pay for their home-produced raw materials. International price comparisons are notoriously tricky, not only because list prices and actual purchase prices are by no means the same thing, but because of different methods of quoting prices, differing definitions, varying exchange rates and so on.

There is no doubt, however, that coal is now the most serious raw material problem of British industry. The price of coal, already rising in the 'thirties, both absolutely and relatively to prices elsewhere, has doubled since 1939, mainly as a result of the progressive advance in wages, unaccompanied by higher productivity. A year ago, on October 12, 1943, when coal was cheaper than now, the chairman of Imperial Chemical Industries, Ltd., Lord McGowan, made the astonishing statement that pithead prices in the United States were lower than in this country by the equivalent of 10s. a ton, that is by an amount little less than the total pre-war cost of coal at the pit in this country. A British pit-head price double the American will place many other industries, such as steel, chemicals and light metals, at a serious disadvantage. It is all the more disquieting since British industry, unlike American industry, does not possess an alternative source of energy in abundant water power.

Steel, another important material which consumers in

this country can no longer buy in the cheapest market, also rose substantially in price in the 'thirties and, more steeply, after the outbreak of war. The industry contends that, on the average, British steel prices were no higher than American prices in 1938 and 1939, and that the rise during the war is a reflection, not of higher costs of production or excessive profits, but of dearer coal and imported ore and scrap. On its own admission, however, British steel prices have advanced in relation to American prices since 1939; the absolute advance has been of the order of 50 per cent and the relative rise—after allowing for the depreciation of the pound—amounts to about 25 per cent. In fact, many products of the industry are now sold at prices showing an increase of well over 50 per cent above pre-war prices.

It is difficult to verify the steel industry's contention that its pre-war prices were no higher, on the average, than American prices. One of the steel industry's consumers, the motor industry, holds the contradictory view. Its contention is that the British steel industry charged a good deal more for the materials they had to produce than American steel-makers charged motor-car manufacturers across the Atlantic. According to one British motor firm, with the most excellent opportunities for knowing the exact state of affairs in both countries, the price of "auto-body extra deep drawing cold rolled sheets" at Detroit was \$3.05 per 100 lb. or \$68.32 per long ton in 1939 and \$3.30 per 100 lb. or \$73.92 per ton in 1944. Converted at \$4.85 to the pound in 1939 and at \$4.00 in 1944, these prices are equivalent to £14 per ton in 1939 and £18½ in 1944; the British prices were £21½ per ton and £29½ respectively. Other examples, relating to January, 1939, are given below:—

	American Price, c.i.f. London,* Per ton	British Price, Delivered, Per ton
	£ s. d.	£ s. d.
Cold-drawn 1% low nickel chrome bars	21 5 0	33 11 0
Cold-drawn 5% casehardening nickel bars	28 8 0	45 6 0
Hot-rolled 1% low nickel chrome bars	17 17 6	24 12 0
Hot rolled 5% casehardening nickel bars	25 0 0	34 7 0

* Excluding Duty

If these quotations represent the facts, the pre-war price differential was of the order of 50 per cent in the products quoted. (These do not, of course, cover the complete range of steel materials purchased by the motor trade.) The British steel industry, however, maintains that, in sheets for example—the biggest item—the prices in the two countries were similar for the commoner qualities, and British prices were up to 15 per cent dearer for the higher-grade ones; it suggests, moreover, that the disparity would have been removed if the Richard Thomas and Summers strip mills had then reached the stage of full production. There is thus a conflict of expert evidence.

The steel industry may feel aggrieved at being singled out, and by the motor trade, for complaints about high material prices. It can point to an excellent war record, to a highly-developed system of price control and profits equivalent to barely 10 per cent of the capital employed in its heavy and sheet sections—a low rate for such an industry in such circumstances. But steel is not the only industry that has done its duty by the country in war. Its wartime record cannot become an excuse for saddling the national economy, after the war, with steel costs higher than competing countries will have to pay; nor could it excuse avoidably high costs before the war. If the large-scale substitution of British for imported materials in the 'thirties has not brought lower prices, it has yet had one solid advantage in that Great Britain was far less dependent on imported steel supplies in 1939 than it was in 1932; in other words, the tariff and import restrictions have led, if not to the hoped-for thoroughgoing rationalisation, at least to the installation of additional capacity which has made Great Britain more self-sufficient in steel in wartime. But the industry can claim no credit for this result; it was accidental. Nor

would the country wish, or be able, to live indefinitely in conditions appropriate to a war economy.

Chemicals are another set of raw materials which form the basis of many new and growing industries, yet many of them seem to be relatively expensive in Great Britain. In a paper on "The Chemical Raw Material Potential," prepared by Mr W. D. Scott and published in *Chemistry and Industry* on July 29th, the prices of a list of basic materials in this country are expressed as percentages of the American prices. With a few exceptions the comparisons are unfavourable to this country:

BRITISH PRICES OF BASIC CHEMICALS EXPRESSED AS PERCENTAGES OF AMERICAN PRICES

	%		%
Acetic anhydride	151	Cresylic acid	93
Acetone	167	Formaldehyde	105
Alcohol, Butyl	182	Naphthalene	81
Ethyl	64	Phenol	159
Methyl	131	Phthalic anhydride	110
Benzene	272	Soda ash	149
Calcium carbide	144	Sulphur	206
Caustic soda	121	Sulphuric acid	208
Chlorine	135	Urea	152

In Mr Scott's view, dear chemicals are the result of inability to buy in the cheapest market, due to the Safeguarding Duties, and of the tax on hydro-carbon oils. The tax on hydro-carbon oils used in industrial processes is an anomaly which is now under review by an official committee. In so far as the safeguarding duties have made for high prices, this result may not be wholly unconnected with the fact that the greater part of the British chemical industry is controlled by a single concern.

Here, then, are three sets of essential raw materials of industry—coal, steel and chemicals—which are, admittedly or allegedly, substantially more expensive than in the United States. Other examples could be cited from the pre-war years. And there are still many more materials that have had to be produced in this country during the war at any cost in order to provide insurance against a breakdown of imported supplies and for whose continued production in peace-time strong claims will be made. If the war means the transformation of Great Britain from a cheap to a dear power country, if, by way of tariffs, import restrictions or cartel arrangements, British manufacturing industry has to pay more than others for its steel, its light metals and alloys, and for many of its basic chemicals, then the prospect of a really solid industrial revival—let alone a flourishing export trade—is bleak indeed. British industry is already struggling under the disadvantage of high conversion costs; it now also has high raw material costs.

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This dangerous drift must now be arrested at all costs and by all means. The facts are not generally known because of the lack of clear data, and they have been given insufficient attention because, for five years, output has been everything and price nothing. The first step should be to ascertain the facts about comparative costs and prices in Great Britain and elsewhere. If these reveal more than minor differences to the disadvantage of British manufacturing industry, then their causes should be established and the findings published.

Monetary Reform in Belgium

THE Belgian Government has given the problems of financial reconstruction the high priority they deserve. On Thursday of last week it signed a monetary agreement with the United Kingdom, fixing the rate of exchange and providing machinery for financing trade between the franc and sterling areas. Two days later it launched a drastic deflationary programme designed primarily to rid the country of the redundant purchasing power created during the German occupation. At the same time it has instituted a new system of exchange control. The three programmes are in essence complementary. Without a drastic measure of deflation there could be little hope of maintaining the exchange value of the Belgian franc at the rate of 176½ to the pound fixed by the monetary agreement, while the efficient functioning of the clearing machinery provided by the agreement must in large measure be helped by an exchange control which will ban unwanted capital movements and, within reason, predict commercial transactions beyond mere day-to-day budgeting.

For commodities produced at home—and particularly for those which, like steel and chemicals, enjoy substantial protection—it will be necessary, first, to ascertain whether conditions of supply are less favourable than abroad. In coal this is undoubtedly one, but by no means the only, cause of relatively high production costs. If, for defence or other overriding reasons, certain materials must be produced in this country in spite of basically unfavourable conditions of supply, then the manufacturer who uses them should not have to pay the extra cost. Where there is no overriding case for protection, manufacturers should be allowed free access to the cheapest sources.

Secondly, where differences in costs and prices are not traceable, or not entirely, to unfavourable conditions of supply, it should be ascertained whether the responsibility lies with inadequate tools, equipment, faulty structure or incompetent management, whether the industries concerned are overlaid by restrictive practices on the part of employers or workers, whether the potential market is too small for the adoption of large-scale methods, whether consumers' requirements are insufficiently standardised, or whether, as in the case of the duty on hydro-carbon oils, Government policy is faulty. Once the causes of dear raw materials are clearly established, remedial action should follow without delay.

Such fact-finding inquiries, clearly, should not be entrusted to representatives of the industries concerned. To ask representatives of an industry to advise the Government on how to make it efficient—as Major Lloyd George has done in coal—is to ask for the impossible. The steel industry's advice after the last war was to impose a tariff; and every other industry which has to compete with imported materials will tender the same advice. It would be a grave error, indeed, if Major Lloyd George's example were to be made a precedent for steel or chemicals, for example. If there is reason to suspect, as there is in steel and chemicals, that protected raw material industries charge prices higher than those at which the commodities could be imported, there is an unanswerable case for an official investigation. One solution is the appointment, by the Government, of small technical committees, assisted, possibly, by first-class experts from other countries as consultants, with power to take evidence. Their terms of reference should not be narrowly defined, like those of the committee appointed by the Government to investigate the effect of the duties on hydro-carbon oils, but should be as wide as possible. And the results of these investigations should, of course, be published—not suppressed or expurgated as the recent report by American coal-mining experts has been.

If British industry is to have a solid basis for expansion and prosperity after the war, it cannot afford the luxury of dear raw materials. Yet the heritage of the nineteenth century is well on the way to being lost through the almost light-hearted, step-by-step departure from the established policy of buying materials in the cheapest market. There is a case for immediate and thorough-going investigation. Coal, steel and chemicals deserve a high degree of priority, but there should be no limitations imposed. These are not academic points; they are matters of economic life and death.

The monetary agreement follows a pattern already made familiar by the Belgian-Dutch agreement of October, 1943. The agreement is for a period of three years, but is terminable on three months' notice by either party. The rate of exchange of 176½ francs to the pound is not to be altered except after mutual consultation and is to form the basis of all transactions between the two currencies in the territories where the contracting parties have jurisdiction. The Bank of England and the National Bank of Belgium will respectively furnish the sterling and francs required for financing payments between the sterling and franc areas, but if in the course of providing such currency either party acquires more than £5 million, or its equivalent, of the other's currency, the excess is to be paid in gold at the free disposal of the creditor. This arrangement excludes the sterling balances already held on Belgian account. (Will any monetary agreement to which the United Kingdom is a party be free of this uncomfortable reminder of the problem of abnormal sterling balances?)

The sterling or francs held by either party will be freely transferable between residents of the two currency areas and "as opportunity offers" may become available for payments of a current nature to residents outside these areas. The agreement thus opens the door to the development of multilateral payments and free convertibility of the two currencies. The agreement specifically abjures the charge of bilateralism which might at first sight be levelled against it. It states that "if, during the currency of this agreement, the contracting parties adhere to a general international monetary agreement, they will review the terms of the present agreement with a view to making any amendments that may be required." The contracting parties promise one another full cooperation and exchange of information with a view to keeping capital transactions in line with their respective policies and to prevent movements of funds "which do not serve direct and useful economic or commercial purposes." This provision points the way to the new international control of capital movements and to a technique of exchange control which may do away with the need for postal censorship. The exchange of information will also apply to the whole range of monetary policy in which the mutual interests of the parties may be affected. Though each contracting Government shall be alone responsible for its monetary relations with third parties, "they shall maintain contact whenever the monetary relations of the one affect the interests of the other." This first monetary pact between the United Kingdom and a liberated country will, no doubt, provide the guiding lines for similar agreements now being negotiated by the United Kingdom with the Netherlands, France and Norway.

On Saturday last the Belgian Government issued its decrees for cleaning up the currency situation after its defeat during the German occupation. In May, 1940, the Belgian note circulation and the volume of bank credit together totalled about 65 milliard francs. When liberation came the figure had increased to about 183 milliards. This inflation of currency and credit had gone hand in hand with a reduction in the volume of consumer goods. Symptoms of price inflation had been kept in check by rigid price control and rationing, but with the eviction of the Germans these controls inevitably suffered a temporary loss of efficiency, and black markets began to reflect the true depreciation in the value of the currency. Drastic action was called for and the Belgian Government cannot be accused of having failed to rise to the urgency of the situation. During the first five days of this week all holdings of Belgian bank notes of 100 francs and over have had to be notified to the authorities. The notes of lower denomination continue to circulate, but those declared to the authorities and deposited with them have already ceased to be legal tender. New notes, printed for the purpose in Great Britain, are being exchanged for the old on a franc-for-franc basis, but only up to a maximum of 2,000 francs per head. The balance of the old notes is blocked for the time being.

At the same time all bank balances have been blocked save for 10 per cent, or the amount which stood at the credit of the account in question on May 9, 1940 (whichever is the greater). Commercial and other firms inscribed on the Belgian Register of Commerce will have their bank balances freed to the extent of 1,000 francs for each employee. After an interval of a month the Minister of Finance will decide what proportion of the old notes and of blocked bank balances he will release immediately. After the initial and subsequent releases the surplus of notes and bank credit will be treated as follows: 40 per cent will be temporarily blocked and progressively released as and when the Belgian economy can absorb it; the remaining 60 per cent will remain blocked and the greater part will probably be absorbed by a retrospective tax on war profits. Any part of this surplus not absorbed by such taxation may ultimately be converted into long-term Government securities, but no definite decision has yet been made on this point.

As far as can at present be estimated, the initial effect of the deflationary programme will be to bring the currency and credit circulation in Belgium back to approximately its pre-invasion level. Thereafter, there should be progressive expansion as reconstruction and the re-accumulation of consumer goods call for additional circulating medium. Though the plan is frankly deflationary, it is not the product of a deflationary or "hard money" philosophy. It is a drastic surgical operation which the monetary malady of Belgium—as of every country occupied by Germany—requires; but the patient will not be required to submit to continuous doses of deflation as was Great Britain in the 1920's. Once the cut has been made, the whole emphasis of Belgian

monetary policy will be in the direction of re-expansion. In congratulating Belgium on this currency operation British opinion should not be thought guilty of hypocrisy or of recommending to others a monetary policy Britain has firmly resolved not to follow itself.

One of the incidental objects of the monetary decrees is to help the Belgian Government in its investigation into war profits. The intention is to tax these heavily and retrospectively and the blocked note and credit balances will provide a useful pointer to where these profits are to be found. Admittedly they are in this respect an imperfect criterion. The farseeing collaborationist or black market operator may have chosen to salt away his gains in other ways. In the case of the more notorious of these specimens there will be abundant evidence, other than the state of their bank balances and currency holdings, on which to take retributive action. For the rest, the immobilisation of such assets will prove an extremely useful point of departure for these inquiries.

The monetary decrees should also have a rapid effect in normalising the economic life of Belgium. The blocking of the greater part of the old note circulation will at one stroke have deprived the black market of that redundant volume of purchasing power on which it lived. The issue of new notes should also stop the hoarding of agricultural produce by farmers who, since the liberation of Belgium, have been aware that some plan of note conversion was afoot and were unwilling to sell their produce against notes which might become blocked or even valueless. The decrees should, therefore, help from the currency and goods side of the price equation to bring the cost of living into closer adjustment with the external value conferred on the Belgian franc.

The Belgian system of exchange control introduced this week bears testimony to the hospitality which the National Bank of Belgium's experts and representatives have enjoyed at the Bank of England during the past four years. The Belgian system bears a close resemblance to that which has gradually evolved in this country. There is, however, one important point of difference. Though all Belgian nationals will be required to declare their foreign assets they will not be compelled to sell their existing holdings to the Government, but as additional external assets are acquired hereafter by Belgian nationals, they will have to be declared and offered for sale. Payments within the Belgian monetary area, which comprises Belgium, Luxemburg, the Belgian Congo and Ruanda Urundi, will not be subject to restrictions. It is expected that purchases of currencies of countries with which Belgium has negotiated monetary agreements,—at present the guilder and sterling—will be covered by a general license giving banks almost as much freedom as in operations between the various parts of the Belgian monetary area. Thus, the emergence of a new system of exchange control in Belgium is made compatible with an extension of the area of the world within which free multilateral convertibility of currencies operates.

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Business Notes

Disposal of Government Factories

A Government pronouncement on all the matters affecting the conversion of war production to a peace-time basis is anxiously awaited. So far, White Papers have been published on only two aspects—the demobilisation of the armed forces, and the disposal of surplus stores. A Board of Trade announcement this week deals with what is, in effect, only a minor part of the whole complex of reconversion. This is the plan for the disposal of surplus Government factories. Altogether, it is expected that about one thousand modern factories will be available to private enterprise. Industrialists who require space of 10,000 square feet or more in surplus Government factories or storage premises for peace-time purposes may apply forthwith to the Controller of Factory and Storage Premises. Factories will be leased for a period of ten years, with an option to the tenant to renew. The rent will be the 1939 rental value, and there is provision for review between the end of the third and fifth years. The demand for the factories is expected to exceed their number, so that selection will have to be made. The criteria to be followed by the inter-departmental committee, which will make the selection, under the chairmanship of the Board of Trade's Controller of Factory Premises, include the following: the establishment of a balanced distribution of industry; the re-establishment and expansion of the export trade; the maintenance of a war potential; the requirements of town and country planning; the efficiency with which the applicant can use the factory; and the claims of firms whose premises have been destroyed by enemy action, or requisitioned by the Government.

The Government's decision to lease its factories, rather than to sell them by competitive tender, as was done after the last war, is satisfactory, while its desire to allocate the factories immediately, so that no delay occurs between their use for war and peace purposes, is laudable. But it is a pity that their whole intentions with regard to factories should not have been announced at the same time. Compared with the total of factory and storage premises now engaged on Government account, the thousand factories which are to be allocated are a meagre and negligible part. Since they are entirely at the disposal of the Government, it might have been wiser to leave some of them as a reserve which could be used to introduce flexibility into the complex of industry, and which could be allocated towards the end of the transition period to fit into the pattern of private enterprise. As it is, with no general plan apparently in mind, the factories will be allocated on an unavoidably arbitrary basis (which will be favourable to the tenants) before industrialists, town planners and others concerned, can know to what use the factories could best be put.

The Mark Exchange Rate

Reflection does not commend the exchange rate for the Reichsmark of 40 to the pound and 10 to the dollar which was announced a fortnight ago. It is now known that there was a distinct difference of opinion between the British and American Governments on the issue. The British Treasury would have preferred rates of about RM 25 to the £ or about RM 6 to the \$, which would probably have represented an under-valuation of the mark of between 30 and 40 per cent. The American Treasury got its way and the new rate must be regarded as the first part of the Morgenthau plan to be applied to Germany. To impose a certain degree of under-valuation on the enemy's currency is only reasonable, but to exaggerate to this extent is to make inflation in Germany quite certain—indeed, necessary if Germany is not to have a large export advantage. Inflation can, of course, be relied upon to do a great deal of miscellaneous and haphazard damage to the German economy and society, which to some people's way of thinking, is all to the good. But it will tend, on the whole, to reward the reactionary and militaristic elements (big business and the landowners) and to penalise the mass of the population. It may spread to the liberated countries, and it will certainly depreciate the value of the RM 25 billions of clearing balances in Berlin that they own. It would be interesting to know what advantages are thought to outweigh these defects.

Gold Ban in France

There is still no sign of any application of the detailed plans prepared many months ago for the exchange of the note issue, and the partial blocking of bank deposits, in liberated France. The only measure of monetary control hitherto announced from Paris is a ban on trading in gold. Another decree is in preparation for compelling all French holders of gold and of foreign assets to declare them to the authorities. The long delay which has elapsed before these first essential steps in monetary reconstruction were taken is a measure of the technical difficulties involved in such a task, and not of the unwillingness or unpreparedness of the Government to attack the problem. There are admittedly political reasons for not proceeding with the proposed exchange of notes and blocking of bank accounts. Such measures would be highly unpopular with the French peasantry, and would immediately evoke determined opposition. But the main reason why the prepared plans have not been put into operation is the absence of the required administrative machine. The breakdown of communications—even of the nationwide network of radio stations—has deprived France of a truly centralised administration. For the time being, each district governs itself without centralised directives from Paris, and, under those conditions, a wholesale rehabilitation of the currency is out of the question. The problem of distributing the supply of new notes throughout France would alone completely defeat the plan. It is extremely unfortunate that this should be so, for the bold plan of monetary deflation which French experts had prepared depended for its success on rapid execution. The delay which has already elapsed since the liberation of Paris will have stiffened the political resistance to any programme of currency rehabilitation. The absence of any reabsorption of redundant purchasing power has greatly hampered the French Government's effort to bring about a contraction in the cost of living. The development of the price situation is, on the contrary, still of an inflationary character. The price for wheat allowed to French farmers has this week been raised from 410 francs to 450 francs per 100 kilos. The latter figure is about 50 per cent higher than the price at which Canadian wheat could be imported into France. The price of bread has at the same time been raised from 3.60 to 4.90 francs per kilo. The loaf would have to be sold at 6 francs in order to correspond to the new price for wheat. The difference is being met by a Government subsidy estimated to cost 5,300 million francs annually.

Belgium Regains Gold

The French Government has made rapid restitution of the gold which the National Bank of Belgium lost to Germany through the subservience of the Vichy authorities. The amount in question is £43 million. It represents gold which was sent in November, 1939, by the National Bank of Belgium to the Bank of France for safe keeping. After the German invasion in 1940, the French authorities disregarded instructions from the National Bank of Belgium to ship the gold to the United States and sent it to Dakar. From there it was returned to Belgium in 1941 on the instructions of the Vichy Government, and ultimately made its way to Berlin. The National Bank of Belgium protested against this transaction and proceeded to sue the Bank of France before the United States courts, where it obtained an attachment on an equivalent amount of the French gold held in the United States. The Bank of France had appealed against this judgment, but the matter has now been finally settled by an agreement on the part of the Bank of France to make full restitution for this gold to the National Bank of Belgium. This friendly gesture makes a fitting opening to the reign of the new Governor of the Bank of France, M. Emanuel Monick, who, as Financial Attaché in London before the war, gained many friends who will wish him well in his new position.

Military Currency in Greece

The British forces now operating in Greece have been supplied with British Military Authority sterling notes for their currency needs. Greece is the first reoccupied country where the liberating armies have not been advised of an

official rate of exchange for the conversion of local currency into their BMA notes. Attempts to fix such a rate were made by British and Greek representatives, but they were defeated by the complete chaos into which the Greek currency position has recently been allowed to drift. The breakdown of the fiscal machine in Greece, and the weight of German exactions, have involved resort to the printing press which has not been equalled in any other German-occupied country, and which even exceeds the inflation perpetrated in China. The drachma has become virtually valueless, the velocity of its circulation is nearing infinity, and such domestic trade as goes on has reverted largely to a system of crude barter. The rates of exchange commanded by foreign currencies vary, not only from district to district, but from hour to hour. This week, reports have come of rates of 800 million drachmae being given for a BMA £1 note, while that rare bird, the gold sovereign, is said to have been exchanged at 30,000 million drachmae. These rates are not indicative of any rational exchange market, but of the complete breakdown of the Greek currency system.

Shipping Shares Recover

Investors in shipping companies cannot complain that recently there have not been plenty of prescriptions for solving their post-war difficulties. There has even been action to the extent of the international agreement on the pooling and control of shipping fleets of the United Nations, published a fortnight ago. Other developments to date were dealt with in an article on page 483 of *The Economist* of last week, which set out a scheme for the future of the industry, while on Tuesday, Mr E. H. Murrant, the new chairman of Furness, Withy, stated that the debate in the House of Lords had shown that the Government well realised the problems and difficulties ahead of the industry. The conjunction of these statements was sufficient to start modest buying of shipping shares, but the movement did not last long and was followed by a partial reverse. The shares which rose most were those in which there was recently a considerable volume of speculation, based on the expectation that the companies might be taken over on very favourable terms. According to the figures of *The Actuaries' Investment Index*, the yield on shipping shares has, since April of last year, been appreciably above that on industrial equities as a whole, whereas before that date it was usually below it, often very much below it. The explanation appears to lie in the fact that the resumption, or increase, of dividend payments which occurred last year has not been fully reflected in higher prices. Jobbers in the shipping share market remained confident as to the long term outlook throughout all the difficulties of the inter-war period and are still so to-day. Prices are still so much below the levels of the best inter-war years—the September value index was 26.3 per cent of December 1928—that there is no inducement to any but very weak holders to sell. The yield last month was 4.67 per cent against 4.27 per cent for the total index and the price may be held to discount a recession in earnings after the war. The interests of the investor, in anything but the very short run, are similar to those of the public, namely a mercantile marine of maximum size, operating at the highest pitch of efficiency. It must be kept constantly in mind that there can be no better justification for insisting upon the former requirement than the ability to demonstrate that the latter has been achieved.

Preference Share Rights

Margate Corporation and an adjacent urban district are to exercise their option to acquire the undertaking of the Isle of Thanet Electric Supply Company as from December 31, 1945. The special interest of this transaction lies in the fact that many electric supply companies have now come to the end of their period of guaranteed contract, and are liable to be acquired by local authorities; and the Thanet case has given rise to some doubt about the position of preference shares in the event of repayment. At the time that its proposed acquisition was announced, the Thanet preference shares stood at around 26s., cum some 2s. 9d. net of arrears. The repayment price can, presumably, be no higher than 22s. 9d., since the shares have no right to participation in any surplus break-up values, and it is suggested in some quarters that this certain loss of 2s. 3d. a share is unfair. There would seem, however, to be no grounds for this suggestion. There has been no doubt or secrecy about the right of local authorities to acquire electricity supply companies at

any time beyond a certain date. There is, in every case, the possibility that local authorities will not choose to exercise their right, and there is even the chance that special legislation in the interest of the private companies may be introduced into Parliament at any time. The possibility of some loss if public acquisition was decided upon represented a legitimate risk, and not a certainty, which should have been—and appears in fact to have been—discounted in the price. The high yield of some £5 3s. on the preference shares would seem a reasonable cover for both this risk and the arrears of dividend. Similarly the complaint that preference capital, which is much better placed than equity as regards current earnings, will get much worse treatment than equity at break-up, is completely irrelevant. The relative rights of the two classes of capital under different situations should have been known and allowed for. This case is not comparable even with the Powell Duffryn affair. The acquisition of any electric supply company marks the legitimate termination of its contract, and preference shareholders are entitled to no more and no less than their agreed break-up rights.

Wool Industry Reconstruction

The report issued by the Wool Industry's reconstruction committee, which comprises all sections of the industry and includes trade union representatives, is very much an interim statement of activities and objects. Although the committee recognises that "efficient distribution is complementary to efficient production" it has little to say about how the efficiency of distribution can be improved. Disappointingly few suggestions are put forward about the reorganisation of the industry's structure, though this will be a vital step if productive efficiency is to be increased. The report deals mainly with the problems of machinery and labour supply in the transition period immediately after the war. The committee has undertaken a survey of the industry's estimated needs for machinery replacements and renewals, and also for completely new equipment. In order to avoid a repetition of the "careless policy" adopted after the last war, when mills in France and Belgium stripped by the Germans, were re-equipped with up-to-date British machinery and operated in competition with British manufacturers using more or less obsolete plant, it asks for "a reasonably priority of supply" of new machinery. The industry's own plan for deconcentration has been under discussion by the Board of Trade since March and the committee hopes for an early statement of policy from the Government. The problem of reabsorbing labour may present considerable difficulties—it has been estimated independently that nearly half the prewar labour force has been released for other purposes. The report rightly stresses the importance of demobilising key men, such as overlookers and loom turners, in due proportion to operatives. It recognises that the future of the industry depends as much as anything else on its ability to attract and maintain a sufficient supply of juvenile labour, and the whole question of recruitment and training is now being examined by the Wool Textile Employers' Council. Emphasis is also laid on the importance of research, and it is satisfactory to learn that there is now general agreement in the industry that the wool industry research association should be financed by a statutory levy and not, as in the past, solely by a voluntary fund.



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Anglo-Iranian Assets

The full accounts of the Anglo-Iranian Oil Company add nothing to the information given in the preliminary statement so far as profits are concerned. The figure is arrived at after all appropriations, other than income tax and provision for dividends, including a repetition of the transfer of £500,000 to preference stock reserve. The dividends are included in the accounts gross and the rate of tax is not stated. On the assumption that the proper rate is 10s., the 20 per cent dividend is covered by earnings of some 25.4 per cent compared with 26.9 per cent for 1942 and only 8.4 per cent for 1941. In these years, however, sums of £2,000,000 and £625,000, respectively, were provided for extra depreciation before reaching the earned-for-ordinary figure against nothing in 1943. These figures are of little value in assessing real earnings and it is doubtful whether they give more than the slightest indication of their trend. The only means of assessing the value of the property is to consider the annual statements of the chairman, Sir William Fraser, in conjunction with the changes in the figures of the balance sheet.

The first point is that all assets in enemy-occupied countries are said to be fully covered by the provisions for special depreciation. As a result of these and other appropriations, net liquid assets, excluding inter-company items, have risen from just over £6,000,000 in 1939 to just under £22½ million in 1943. Over the same period, there has been a fall of some £3,250,000 in net advances to subsidiaries. This is a statement of net profit retained in liquid form. There is no means of placing a money value on capital outlays, financed out of retained profit during the period. Sir William has, however, given some indications of the work undertaken during the war period. In his latest statement he makes it clear that only recently has the pre-war plant been worked to capacity, but he also says that it has been necessary to undertake considerable new construction in order to supply high-grade aviation spirit. There has also been an increase in the capacity of the Haifa refinery of the Iraq Petroleum Company. There is in addition any small benefit which may result from the drilling of wells in this country. A year ago, reference was made to certain additions to plant, which may be those already mentioned, and to expenditure on research. There are certain minor offsets against these increases, due to a different method of presenting the accounts, but it is quite clear that the company's strength has been greatly increased during the war. The price of the £1 stock units is some 5½, which is above the best of 1938, but well below the 1937 record, and gives a yield of only some £3 8s. 11d. per cent.

Canadian Pacific Interim Dividend

The need for caution in interpreting the immediate effects in the rise in wage costs to the Canadian Pacific Railway, mentioned here last week, is emphasised by the decision of the directors to pay an interim dividend on the ordinary capital in respect of the current year of 50 cents, or 2 per cent. The payment came up for consideration in August, but action was deferred because of the heavy liability indicated by the wage awards. The decision to pay an interim this year of the same amount as the total

distribution for 1943 looks at first sight rather anomalous. It may well be, however, that the conservative nature of the 1943 payment was dictated by fears of the result of the wages award. Certainly, Mr D. C. Coleman, the chairman, told stockholders that the peak of net revenue would prove to have been passed if the rise in costs continued. As was pointed out last week, it is very difficult to say what the future holds, owing largely to doubts as to the amount of recession from the wartime peak which may occur in Canadian industrial activity. There can be little doubt that expansion will have continued its secular upward trend, but how far this may have been affected by wartime developments is impossible to say with certainty. If, in the event, the holders of ordinary stock receive a substantial increase in dividend this year, it is, in the absence of any statement of policy by the management, not possible to assert that this means more than that the 1944 results have proved rather better than was expected. The price of the \$25 units of ordinary stock recovered on the dividend announcement to 14½.

Stock Exchange Nominations

In pursuance of their policy of encouraging members to join the Forces, the Stock Exchange, London, has, from the outbreak of war, relaxed a number of its regulations. One of these limited the period during which a nomination to membership might be transferred to twelve months from the death or resignation of the member. For the war period this was extended to twelve months after the conclusion of peace. It is now evident that this is far too vague, and the Committee has decided, subject to confirmation, to substitute for it "twelve months after a date (not earlier than March 25, 1945) to be fixed by the Committee." The intention in making this adjustment appears to have been, not only to give definition to, but to shorten, the period of extension. It cannot be doubted, however, that the duty of fixing a date confers on the Committee a very considerable power to control the rate at which the substantial stock of nominations, accumulated during the war, is used up, and also their value. The stock in cold storage is 669, and, if all were taken up, the membership would be raised to 4,240, compared with 4,107 at the end of August, 1939. It seems doubtful whether so large a membership will be necessary after the war as before, but that will depend upon a complex of altered conditions of which a possible fall in turnover is only one. Incidentally, an expansion of 133 in membership, by means alternative to nomination, is probably large for a five-year period, and it is at least possible that this rate of increase will not be maintained.

North-East Coast

Industrialists, trade unionists, business interests, local authorities and individuals of the North-East coast have, on the initiative of Lord Ridley, combined to plan the industrial future of their area, so as to prevent any return to the pre-1939 depressed conditions. At a meeting last Friday, October 6th, the North-East Development Association, which will cover Northumberland, Durham and North Yorkshire, was formally constituted. The objects of the Association, which will act as a coordinating body for the various planning groups now being formed, are, broadly, to represent the needs of the region with a united voice, and to attract new enterprise, in order to arrive at a better balance of employment in an area formerly dependent on heavy industry. First the rearmament programme and then the war have kept the North-East's shipbuilding, coal, general engineering and chemical industries occupied to full capacity, and, though already the effects of programme changes and the running down of war contracts are beginning to be felt, it may be presumed that the reconstruction of Europe and the Japanese war will maintain a steady demand for the output of heavy industry, even though contraction of war-swollen capacity is necessary. But, for various reasons, the area was comparatively late and unlucky in securing new war production, such as aircraft, and it is generally feared that at the end of the war it will be difficult to absorb the workers from depleted heavy industry or the considerable numbers who were transferred to other areas. It is all to the good that local enterprise should take the initiative in facing up to these problems, and it is very creditable that so much agreement on principle should have been reached in an area where there used to be so much disunity. But nothing can be done by one area alone to ensure

full employment. It is essential that the North-East's plans should be fitted into the national framework. The same point applies to the very interesting scheme for West Cumberland, put forward in a memorandum by Colonel W. C. Devereux, and to the ambitious projects of the Medway Towns' Full Employment Council. This still remains a problem for the general economic policy of the Government—and, at the moment, particularly for the Board of Trade, whose plans for industrial location, though sound in principle, are still unclarified in practice, and for Mr Lyttelton, whose statement on the reconversion of industry is shortly to be made.

Agricultural Statistics

For the first time since the war began it is possible to get a clearer view of the changes which have taken place in British agriculture. Statistics have been published in actual figures, instead of, as formerly, in terms of percentage changes. The figures put out this week by the Ministry of Agriculture, based on the returns made on June 4th each year, are given in a wealth of detail for each of the years from 1939 to 1944. Their length forbids their reproduction in full, but some of the more important figures are summarised in the accompanying tables.

UNITED KINGDOM ACREAGE OF CROPS AND GRASS
AT JUNE 4TH
('000 acres)

Crop	1939	1940	1941	1942	1943	1944 (Pre-liminary)	% Change 1944 on 1939
Wheat	1,766	1,809	2,265	2,516	3,461	3,230	+ 82.9
Barley	1,013	1,339	1,475	1,528	1,784	1,980	+ 95.5
Oats	2,427	3,399	3,951	4,133	3,678	3,684	+ 51.8
Rye	18	22	51	70	135	125	+ 594.4
Total Grain	5,308	6,832	8,285	8,793	9,558	9,446	+ 78.0
Potatoes	704	832	1,123	1,304	1,391	1,434	+ 101.8
Sugar Beet	345	329	351	425	417	200	+ 669.2
Flax	26	77	157	148	301	299	+ 0.7
Fruit	301	300	310	302	385	466	+ 66.4
Vegetables	280	282	349	385	375	466	+ 66.4
Total Village	8,813	10,486	12,714	13,666	14,502	14,617	+ 65.9
Total temporary grasses	4,093	3,859	3,526	3,831	4,217	4,752	+ 16.1
Total Arable Land	12,209	14,346	16,240	17,497	18,719	19,369	+ 50.1
Total permanent grass	18,773	17,084	15,114	13,706	12,319	11,698	- 37.7
Rough grazings	16,539	16,639	17,003	16,959	17,117	17,172	+ 3.8
Total crops and grass, excluding rough grazings	31,679	31,430	31,353	31,204	31,038	31,088	- 1.9

ESTIMATED PRODUCTION OF THE PRINCIPAL CROPS
IN THE UNITED KINGDOM
('000 tons)

Crop	1936-8	1939	1940	1941	1942	1943	1944 Pre-liminary Forecast
Wheat	1,651	1,645	1,641	2,018	2,567	3,449	3,142
Barley	765	892	1,104	1,144	1,446	1,641	1,749
Oats	1,940	2,003	2,892	3,246	3,553	3,059	3,051
Total grain	4,442	4,623	5,874	6,872	8,074	8,638	8,384
Sugar beet	2,741	3,529	3,176	3,226	3,924	3,760	3,873
Potatoes	4,873	5,216	6,404	8,010	9,393	9,822	9,859
Turnips, swedes for fodder, and mangolds	15,076	14,169	15,034	17,133	18,650	17,796	17,086
Hay	7,674	7,789	7,010	6,626	6,661	6,673	5,635

LIVESTOCK POPULATION, UNITED KINGDOM, AT JUNE 4TH
('000s)

	1939	1940	1941	1942	1943	1944 (Pre-liminary)	% Change 1944 on 1939
Cows and heifers in milk	2,841	2,849	2,878	2,809	2,910	2,931	+ 3.2
Total cattle	8,872	9,093	8,940	9,075	9,259	9,546	+ 7.6
Sheep and lambs	26,887	26,319	22,257	21,506	20,383	20,340	- 24.4
Pigs	4,394	4,106	2,558	2,143	1,829	1,875	- 57.3
Poultry	74,357	71,243	62,059	57,813	50,729	55,206	- 25.8
Horses	1,709	1,050	1,054	1,006	957	918	- 14.9

These tables do not reveal the whole picture of British wartime farming. The Ministry of Agriculture has promised shortly to make available statistics dealing with other aspects of farming, such as labour and the use of machinery.

More Treasury Bills

The amount of Treasury bills offered for tender this week has been raised to £120 million. The offerings had remained at the previous level of £110 million for 25 consecutive weeks. They may well return to that level after a few weeks at £120 million, for the latest increase must be regarded as a seasonal movement and not as part of the long-term upward trend in the Treasury bill issue maintained since the outbreak of the war. The primary objective of the rise to £120 million is to place in the hands of the banks a larger volume of bills maturing in the early weeks of 1945, when such maturities will provide a useful offset to the heavy seasonal concentration of tax payments. The need for some reinforcement of the banks' bill portfolios is again emphasised by the September clearing bank returns, which show bills discounted to be no higher than they were in September, 1943, despite the increase of £260 million that has meanwhile occurred in the amount of Treasury bills issued through the weekly tender.

Clearing Bank Statements

Recourse to the banks for deficit financing was on a heavy scale last month and in consequence the volume of bank credit again underwent substantial expansion. The deposits of the clearing banks, according to their September statements, were £4,251.1 million, or £90.2 million more than in August. The expansion is more than accounted for by the increase of £106.5 million in the banks' holding of Treasury Deposit Receipts. The weight of TDR borrowing last month again prevented the banks from increasing their bill portfolios or their money at call and short notice. These items fell by £2.1 million and £13.5 million respectively. The holding of bills discounted should increase over the next few weeks as a result of the Treasury's decision to increase the amount of Treasury bills offered through the weekly tenders to £120 million. The banks' loans and advances fell by a further £6.5 million last month to £735.2 million and have thus reverted to approximately the level held in September 1943.

Shorter Notes

Sir Raymond Streat, on behalf of the Cotton Board, has replied to Mr Dalton's statement on the industry's future, welcoming his invitation to collaborate in order to raise competitive efficiency, provide a stable level of employment, and secure a substantial volume of export trade. The Board also expresses appreciation of the Government's concession in the "controversial question of price management." It draws attention to a number of gaps and reservations in the Government's statement, in particular the omission of reference to deconcentration, reallocation of labour and redundancy of plant, and the lack of clarification about taxation policy. The Cotton Board Committee, it is stated, will be kept in frequent session and will deal at a later stage with outstanding points in Mr Dalton's statement.

Nucleus clothing firms in certain areas are to have restored to them the labour they lost in the early part of the year when cuts were made in their "approved labour forces." This step has probably been taken because of current fears that there might be an acute shortage of clothing, particularly of infants and children's clothing. It is true that stocks of clothing have fallen steadily since March, and at the end of August, according to the Wholesale Textile Association, there was a drop of 22 per cent on the year before. Stocks in the hands of retailers showed no appreciable change in children's clothing, but in adult wear they are over 20 per cent below last year.

ROYAL BANK OF CANADA

DIVIDEND No. 229
Notice is hereby given that a DIVIDEND of 1½ per cent., being at the rate of 6 per cent. per annum, upon the paid-up Capital Stock of the Bank, has been DECLARED for the three months ending 30th November, 1944, and will be PAYABLE at the Bank and its branches on and after 1st December, 1944, to shareholders of record 31st October, 1944.
By Order of the Board,
E. B. MCINERNEY, London Manager.
6 Lothbury, London, E.C. 2. 12th October, 1944.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with limited liability).—Dividend notice.—Ordinary capital stock.—At a meeting of the Board of Directors held to-day, a dividend of Two per cent. (fifty cents per share) on the Ordinary capital stock in respect of and out of earnings for the year 1944 was declared payable in Canadian funds on December 1, 1944, to shareholders of record at 3 p.m. on November 1, 1944. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, October 10, 1944.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

BUY
3% SAVINGS BONDS
1965-1975

- ★ May be sold quickly through your Savings Bank
- ★ Purchasable in multiples of £5
- ★ Interest paid half-yearly
- ★ Interest is subject to Income Tax, but tax is not deducted at the source.

Issued by the National Savings Committee, London

COMPANY MEETINGS

CITY OF SAN PAULO
IMPROVEMENTS AND
FREEHOLD LAND COMPANY,
LIMITED

INCREASED TRADING PROFIT

SIR ARTHUR DU CROS' SPEECH

At the thirty-second ordinary general meeting of City of San Paulo Improvements and Freehold Land Company, Limited, on the 9th instant, the chairman (Sir Arthur Du Cros, Bt.) stated that the issued capital now consisted of £344,262 7 per cent. preference stock with £215,164 in 2s. 6d. units of ordinary stock. All arrears of dividend on the preference stock had been settled by the distribution of £150,614 of 5½ per cent. redeemable income stock, since reduced to £142,161, and the £423,535 of 7½ per cent. debenture stock had been replaced by £378,000 of 5½ per cent. debenture stock.

The trading profit in San Paulo amounted to £122,815 compared with £89,016. After meeting interest, sinking fund and all other charges to August 31, 1944, including 12 months' dividend on the 7 per cent. preference stock, which in future would be paid half-yearly, and the 30 per cent. dividend recommended on the ordinary stock to February last, the net result was a balance of £68,052, out of which the preference and ordinary dividends would absorb £38,299, leaving £29,603 to be carried forward. The year's accounts had been burdened with £11,500, which would not occur again.

LAND SALES

During the past three financial years sales of land had trebled at increasing prices. For the six months of the current year sales had continued at a high level. As to possible speculation, sales to any one customer were limited in amount and contracts were not transferable, so that the company held an over-riding control. To prolong life and strengthen the company the stock of land would be fully maintained as suitable opportunities occurred. The demand had increased in sympathy with the growth of San Paulo, its population and industries, and also as a consequence of the war through which internal funds and profits in Brazil had greatly increased, a proportion of which were being invested in real estate.

By the improvement in sales instalment debtors had increased during the year by £333,700, bringing this asset to over one and a half million pounds, secured by land and buildings and carrying interest at 6½ per cent. These debts were similar in nature to the loans made by building societies at home, and there were practically no arrears.

The profits in suspense, representing profit to be collected in future years in respect of sales made in past years, had increased by £283,500 to £989,456, providing a valuable buffer against future trading fluctuations should they occur. Increased sales would continue to provide a cumulative source of income, while if sales decreased the adverse effect would be averaged over from 10 to 16 years.

HOUSING SHORTAGE

The company's business lay in the provision of housing facilities, of which there was a shortage to be overtaken in San Paulo as in other places. New houses were in strong demand. It was the desire and to the interest of the municipal authorities to co-operate with the industry, and they were doing so.

Owing to the higher cost of living the

cost of constructional work and administration expenses are increasing throughout Brazil.

No one could predict the future course of exchange in any country, but Brazilian finance had greatly benefited by the war. The Minister of Finance had stated recently that "the situation in regard to the cruzeiro, with its great gold backing, is

FOLLAND AIRCRAFT LIMITED

PRODUCTION MAINTAINED

MR. A. P. GOOD ON POST-WAR DEVELOPMENTS

The ninth annual general meeting of Folland Aircraft, Limited, was held, on the 12th instant, at Terminal House, Grosvenor Gardens, London, S.W.

Mr Alan P. Good (the chairman) presided.

The secretary (Mr E. N. Egan) having read the notice convening the meeting and the auditors' report,

The chairman said: Gentlemen, under present conditions it is still not possible for me to give a detailed account of the work done, but during the year under review, ended June 30, 1944, as indicated in the directors' report, the company's production has been maintained and the position is considered satisfactory by the board. It is still the company's duty, for the present, to make the maximum contribution possible to the war effort, and I think I should be in order in telling you that during the past two years the output has surpassed all previous figures by a considerable margin and that this increase is being maintained. The accounts do not fully reflect the increases in production which have been achieved because of the policy of Government Departments in relating the profit margin to capital employed rather than to the turnover achieved.

BALANCE-SHEET FIGURES

Referring to the items on the balance-sheet before you, you will note that in pursuance of the policy which your board has enunciated on several occasions previously, the book value of plant, machinery, etc., has been reduced by a further £4,000 and now stands at the very conservative figure of £17,600, which represents less than 6 per cent. of the share capital of the company. The remaining fixed assets—namely, freehold land and buildings—have been written down by a further £4,000 to a figure of £140,000, which figure your board is quite satisfied is considerably less than their present-day worth.

Dealing with the liquid assets you will note that there is an increase in stocks, debtors and work in progress of £266,000, represented in the main by an increase in work in progress resultant on the development of new contracts which the company has undertaken during the year. These increases are partially offset by increased liabilities to trade creditors and bankers of £243,000, but the net liquid assets have now increased to £206,000, or approximately 4s. 2d. per share with the fixed assets of freehold land and buildings amounting to another 2s. 10d. per share.

IMPROVED TRADING PROFITS

The trading profit for the year—arrived at after charging depreciation and providing for excess profits tax—shows an improvement over last year's achievement, the explanation for this lying again in a more satisfactory tax settlement for the past year than had been provided for in the balance-sheet. Naturally arising out of this, however, there is a corresponding increase necessary for income-tax provision to cover liability on the increased residue of profit for the year ended June 30, 1943. Furthermore, it has been necessary to increase the income-tax provision still further beyond the normal, to allow for the attitude of the Inland Revenue authorities

one of the most solid ever existing in Brazil." The fact could not be ignored that through the war the industrialisation of San Paulo and of Brazil had been greatly accelerated.

The report and accounts were unanimously adopted, dividends approved, and the retiring directors and auditors re-elected.

towards the substantial amounts set aside in the accounts for deferred repairs; as you are probably aware, the authorities will not permit these as a deduction for income-tax, but it is permissible to hold over an equivalent amount from the excess profits tax liability.

PLANNING FOR THE FUTURE

While, as I have advised you, the company is at present devoting the whole of its activities in furtherance of the war effort, and while the work in hand at present is of high priority and will probably be required after the termination of the European war, your directors have continually in their minds the necessity for planning for the post-war period. In this connection they have already decided that the company should continue, in the main, with the object for which it was formed, that is, for the design and construction of aircraft.

It is not irrelevant at this time to draw attention to the fact that your managing director has been connected with the design and construction of aircraft from the earliest days of the industry and has a long history of successful designs during the period between the two wars. Your directors, fully alive to the great future of aircraft, have taken steps necessary to strengthen the design staff, and all possible measures are being taken to ensure that your company takes a leading part in the future development and manufacture of aircraft both for military and civil use and in both the land and amphibious classes.

SCOPE FOR DEVELOPMENT

Your directors are watching, with the greatest of interest, the proposals for a large land and sea airbase in close proximity to the company's premises, and in any case you will appreciate that the position of the company's property on Southampton Water offers great scope for potential development in the air age which we feel will follow the cessation of hostilities.

There remains to inform you that your board of directors has been considerably strengthened by the return of Mr C. L. Hill from duties overseas and that on Mr Hill's return your directors decided to retain the valuable experience of his alternate director, Mr R. J. Norton, and have, therefore, co-opted Mr Norton to the board.

TRIBUTE TO STAFF AND WORKPEOPLE

I do not think I should allow the occasion to pass without paying a well-earned tribute to the staff and workpeople of the company who have withstood with resolution the hardships and dangers of five years of war in the front line of the Home Front. From the managing director downwards all have lived and worked through an extremely difficult period, and while it is not possible for you to perceive, from the results which have been laid before you from year to year, the full extent of their strenuous efforts, they have, in no small part contributed to bringing the war to its present satisfactory state.

The report and accounts were unanimously adopted.

ODEON THEATRES,
LIMITED

INCREASED PROFITS

The seventh annual general meeting of Odeon Theatres, Limited, was held, on the 12th instant, in London, Mr J. Arthur Rank (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts: The trading profits of the group amounted to £2,815,930, compared with £2,163,687, an increase of £652,243 which you will, I am sure, agree is most satisfactory even though taxation again absorbs the bulk of the increase. Taking Odeon Theatres, Limited, alone, a trading profit has been earned of £1,228,052. The directors recommend the payment of a dividend on the ordinary shares of 20 per cent., less tax.

In excess of 180,000,000 patrons were admitted to our theatres during the year, an increase of 25,000,000 upon the previous year, but in spite of this large increase, owing to the incidence of heavy taxation, our net profits have only increased by the small sum of £9,346, and we believe we have suffered because the allowance for wear and tear which we receive for taxation purposes is totally inadequate to meet the additional depreciation suffered. We have nevertheless created reserves to cover the cost of making good this exceptional depreciation as soon as we are able.

£8,000,000 IN DIRECT TAXATION

Of gross box office receipts of some £16,000,000, £8,000,000 in direct taxation has to be paid—approximately 50 per cent.; consequently it is my considered view that we must look to an alleviation in the entertainment tax after the end of the present hostilities, particularly when it is borne in mind that pre-war the approximate percentage of our box office receipts which went in entertainment tax was 13 per cent., whereas to-day it is 39 per cent.

I referred last year to the policy of your directors whereby we hope, at the cessation of hostilities, to extend our activities to various countries throughout the world. I would hasten to assure you that we propose to do that, only after careful research to ensure that such investments as we make in those countries will show a reasonable return on the capital employed. I also referred last year to the importance of a strong film production industry to this country, and particularly to a company such as this which is primarily engaged in the exhibition of films. We already have taken one step to protect the future to ensure that the control of the two leading film studios passed into friendly hands. We have made an investment in a company which, through the British and Dominion Corporation, Limited, indirectly owns the Denham and Pinewood Studios, and have done so at a figure which should ensure us a satisfactory return on our investments.

IMPORTANCE OF FREE ENTERPRISE

I look forward to the future and particularly the post-war years; if industry in this country (including the entertainment industry) is allowed to operate under conditions where enterprise receives its just reward, I am convinced that this country can maintain its great place in the commercial activities of the world, but it can only do so if the industrialists of the country, great and small, can operate freely and if their enterprise receives commensurate reward. In your own company, it is our aim to maintain the highest possible standard of service to the public both as to their material comforts in the theatres and to the entertainment we place before them, and we are sure that with such a policy we can face the future with confidence.

The report was adopted.

FURNESS, WITHY AND COMPANY,
LIMITED

POST-WAR PROBLEMS

MR. ERNEST H. MURRANT'S REVIEW

The fifty-third annual general meeting of Furness, Withy and Company, Limited, was held, on the 10th instant, in London, Mr Ernest H. Murrant, M.B.E., presiding.

The chairman, in moving the adoption of the report and accounts, after paying a tribute to the late Lord Essendon, said: After deducting £409,049 for taxation the net profit for the year is £540,668. From this amount we have paid the usual half-yearly dividends on the preference share capital; we have transferred £300,000 to depreciation; we have transferred a small amount of £9,551 to fleet replacement account, in order to round off that item in the balance-sheet; and after providing for the dividend which it is proposed to distribute on the ordinary stock there is an amount of £165,523 to be carried forward.

POST-WAR PROBLEMS

Having regard to the exhilarating successes which the Allied Armed Forces are achieving on all fronts, it is, on the one hand, reasonable to assume that the European war is approaching its climax, and, on the other hand, it brings forward the consideration of post-war problems even though our ships may not be released from requisition, and other forms of control may not be removed, until some time after the cessation of all hostilities. If I may express a personal opinion, it is that there are many grounds for gratification in the sound policy towards shipping problems which has been followed by the Minister of War Transport and his advisers. In detail, however, shipowners have much to be dissatisfied with, but, in general, many of the evils which arose out of the first world war have been avoided. In the result our ships have been permitted to earn no profit, but merely a rate of interest and depreciation, and, in common with all forms of industry, we have been subjected to unprecedented taxation.

On the other side of the picture, British shipping can properly be regarded as one of the most important instruments without which the war might well have led to a very different result, and the Government have every reason to be satisfied that they were able to call upon a large and, on the whole, well-equipped mercantile marine. Both the Government and shipowners will shortly find it necessary to deal with post-war problems, and the fundamentals (leaving apart some very important and special considerations, such as redistribution of tonnage and international collaboration) seem to me to be comparatively easy to state, although perhaps not so easy to solve.

THE GOVERNMENT AND SHIPPING

From the Government's point of view they have had the benefit of the services of our ships without profit to the owners; they will presumably be concerned to see that the industry does not languish, but must be restored to full status and vitality, bearing in mind the requirements of the Empire, the value of shipping services from the point of view of invisible exports, and also its potential value for all other purposes. Indeed, the Government is committed to recognise the necessity of maintaining the British Mercantile Marine in adequate strength and in a position of full competitive efficiency.

Our side of the problem will be to restore our fleets to the extent necessary to cover our trade requirements and in order to maintain the services which are our goodwill, but which we shall have to achieve in face of the knowledge that replacement costs will far exceed the values which have been recovered for ships lost; we shall be faced with the competition which will arise from the fact that there may possibly be more tonnage afloat at the end of the war

than at its commencement, although very differently distributed and very largely of emergency utility types, and with it all we shall be required by our stockholders to earn a reasonable return upon our invested capital, apart from depreciation, administration expenses, and so on. It is obvious, therefore, that a very broad and generous interpretation of the Government's policy towards shipping will be essential bearing in mind also that a considerable volume of merchant tonnage will in fact remain in Government ownership on the conclusion of hostilities.

LOST TONNAGE REPLACEMENT

There is no reason to doubt that the Government will realise the facts of the situation; indeed, the debate in the House of Lords last week yielded clear evidence that the problems as well as the many difficulties are well appreciated. It will be for the Government and shipowners to find a common basis of interpretation of the problems and solution of the difficulties. I suggest that broadly the common basis will be recognition of the fact that additional capital will be required in order to replace lost tonnage and to bridge the difference between receipts for ships lost and the higher level of post-war construction costs, and that, at the least, interest and depreciation must be earned on that additional capital. With good intentions to back the Government's already declared policy, it should not be impossible to crack that nut, even though the volume of post-war international trade remains an uncertain factor and that the flow of that trade may be diverted in some cases from its pre-war channels.

At the date of the current balance-sheets of our own and subsidiary shipping companies we have standing to the credit of those companies as a whole a total sum of £1,146,280 in the Government tonnage replacement account. I have found, while abroad, a great deal of misconception about these amounts, it being thought in some quarters that they represent a kind of gift from the Government to provide free capital for replacing lost ships. The truth, of course, is that the amounts are the property of shipping companies, but are only collectable if and when new ships are acquired, within a specified period of seven years. For that reason the amounts are not included with the assets shown in the balance-sheets, and it is obvious that, large as the figures may appear to be, they will not go very far towards meeting the extra costs, due to conditions directly attributable to the war, of new cargo liners or specialised ships.

BOARD'S POLICY

In accordance with our usual policy, however, we shall not fail, when circumstances permit, to build or acquire new ships for our essential services, and we welcome the indication given by the Minister of War Transport that licences for special types of ships may shortly be more readily obtainable. For this purpose the reserves which we have built up in the fleet replacement account will be needed to the full, but reinforcements will also be required in what will amount to the struggle for liberation and rehabilitation—a phrase which we are accustomed to use in another connection, but which is well adapted to the shipping industry. It is apparent, however, that even when it becomes possible to place contracts for specialised ships, a long period must elapse before such vessels will be ready for service, a period within which we shall need to protect our services with such tonnage as we may have available.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Oct. 5....	4,741	6,318	109.5	134.7	3.16	3.84
" 6....	4,280	5,539	109.5	134.7	3.16	3.84
" 9....	6,246	7,467	109.2	134.8	3.15	3.85
" 10....	4,791	5,643	109.2	134.8	3.15	3.85
" 11....	4,591	5,581	109.3	134.8	3.15	3.85

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

1944	Low Mar. 15	High July 12	Sept. 20, 1944	Sept. 27, 1944	Oct. 4, 1944
37 Industrials.....	95.1 (a)	108.4	103.1	103.7	105.1
32 Rails.....	88.9 (a)	106.8	99.0	100.7	102.0
40 Utilities.....	85.0	92.8 (c)	91.4	91.7	92.0
419 Stocks.....	93.6 (a)	105.7	101.1	101.7	102.9
Av. yield %.....	4.84 (b)	4.43	4.71	4.69	4.63

† Common Stocks. (a) Feb. 9. (b) May 3. (c) August 30.

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Sept. 28....	125.3	637,000	Oct. 2....	126.3	816,000
" 29....	125.7	747,000	" 3....	126.3	746,000
" 30....	126.1	502,000*	" 4....	127.0	821,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending October 14, 1944	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 525.			
Year†	Including Conversions	Excluding Conversions	
1944.....	1,181,517,163	1,164,255,713	
1943.....	1,377,850,830	1,358,222,757	

Destination*

Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944.....	1,161,853,058	2,147,721	254,934	1,158,755,075	2,332,789	3,167,849
1943.....	1,354,998,237	2,585,843	638,677	1,347,059,164	2,127,701	9,035,892

* Conversions excluded. † Includes Government issues to Oct. 4, 1944, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

COST OF LIVING INDEX

(July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	½	12½
Sept., 1939.....	138	162	208	182	179	155
" 1940.....	166	164	295	212	219	187
" 1941.....	166	164	380-385	228	230	199
" 1942.....	160	164	395-400	240	265	200
" 1943.....	166	164	345	244	291	198
July, 1943.....	168	164	345-350	244	286	200
Aug. ".....	167	164	345	253	286	199
Sept. ".....	166	164	345	244	291	198
July, 1944.....	169	164	345	253	291	201
Aug. ".....	170	164	345	263	291	202
Sept. ".....	169	164	345	263	291	202

Source: Ministry of Labour Gazette.

"The Economist" Sensitive Index.—There was no change in the index during the week ended October 10th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	Aug. 1, 1944	Sept. 1, 1944	
Beef, British—	s. d.	s. d.	s. d.	
Ribs.....	1 2½	1 3½	1 3½	11
Thin Flank.....	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs.....	0 9½	1 1	1 1	35
Thin Flank.....	0 4½	0 6	0 6	23
Mutton, British—				
Legs.....	1 3½	1 5½	1 5½	13
Breast.....	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs.....	0 10½	1 0	1 0	16
Breast.....	0 4	0 4	0 4	...
Bacon.....	1 3	1 10½	1 10½	50
Fish.....	0 11½	1 2½	1 2½	29
Flour (per 7 lb.).....	0 8½	0 9	0 9	9
Bread (per 4 lb.).....	2 4	2 10	2 10	27
Tea.....	0 3	0 4	0 4	32
Sugar (gran.).....	0 6½	0 9	0 9	32
Milk (per qt.).....	1 4	1 8	1 8	31
Butter { fresh.....	1 3½	1 8	1 8	31
salt.....	0 10	1 1	1 1	30
Cheese.....	0 6½	0 9	0 9	12
Margarine, special.....	0 11½	0 5	0 5	1
standard.....	0 2	0 1½	0 1½	28
Eggs, fresh (each).....	0 6½	0 8½	0 8½	28
Potatoes (per 7 lbs.).....	0 6½	0 8½	0 8½	28

Source: Ministry of Labour Gazette.

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

	Daily Average Sales			Stocks (at Cost) End August
	June	July	August	
1944				
1943				

	(a) By Commodities			
	1944	1943	1942	1941
Non-food Merchandise—				
Piece-goods.....	+ 1.1	- 6.5	+ 38.0	- 13.2
Women's Wear.....	+ 2.9	+ 11.9	+ 58.4	- 21.8
Men's and Boys' Wear.....	+ 7.5	+ 36.0	+ 117.0	- 21.2
Boots and Shoes.....	+ 16.2	+ 0.2	+ 53.1	- 3.4
Furnishing Departments.....	+ 5.2	+ 16.4	+ 20.3	- 12.2
Hardware.....	+ 2.2	+ 6.4	+ 5.2	- 13.3
Fancy Departments.....	+ 1.6	+ 0.9	+ 0.6	+ 2.1
Sports and Travel.....	+ 4.5	+ 0.8	+ 4.5	+ 7.0
Miscellaneous.....	+ 9.1	+ 5.1	+ 3.7	- 14.7
Total.....	+ 1.4	+ 4.4	+ 25.6	+ 4.4
Food and Perishables.....	+ 4.5	+ 5.2	+ 8.3	+ 13.3
All Departments.....	+ 3.3	+ 4.9	+ 15.2	+ 13.3
(b) Districts				
Scotland.....	+ 6.1	+ 8.5	+ 17.2	- 13.9
North-East.....	+ 7.1	+ 10.3	+ 21.9	- 19.0
North-West.....	+ 4.7	+ 10.1	+ 21.2	- 16.4
Midland and S. Wales.....	+ 4.4	+ 10.5	+ 23.2	- 19.4
South England.....	+ 4.2	+ 8.5	+ 19.3	- 18.5
Central and West-End London.....	+ 12.8	+ 30.3	+ 18.1	- 10.5
Suburban London.....	+ 0.4	+ 2.2	+ 0.4	- 10.6
Unallocated.....	+ 3.7	+ 1.9	+ 23.3	...

Source: Board of Trade Journal.

FINANCE AND BANKING

THE MONEY MARKET.—Credit has been in comparatively good supply in the money market this week. The banks have been required to pay £100,000,000 in TDRs against which effective maturities amounted to about £70,000,000. Of the new money paid in this way £4,500,000 came from "outside" sources, generally thought to be Empire central banks. The banks have been keener buyers of bills than in recent weeks, though they have up to now limited their purchases to November maturities. The Bank of England return this week shows very little movement when compared with the previous week's return. Bankers' deposits at £177,927,000 have risen by £110,000 only and reflect the prevailing ease in credit conditions. The note circulation is £1,745,000 higher at £1,160,446,000, a new record.

MONEY RATES, LONDON.—The following rates remained unchanged between October 5th and October 12th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposits at call, ½%; at notice, ¾%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between October 5th and October 12th (Figures in brackets as par of exchange).
United States. \$ (4.86½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4.86½) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25.22) 17-30-40. French Empire. Francs 197½-200½. Syria. p. 8-81-85. Sweden. Krona (18.159) T.T. 16-85-95. Dutch West Indies. Florin (12.11) 7-58-6. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. \$4-02-04; mail transfers 4-02-04½. Brazil. 83-64½ cr. (buying); mail transfers 83-56½. Uruguay. 7-6597 p. (buying).

(Continued on page 527)

GOVERNMENT RETURNS

For the week ended Oct. 7, 1944, total ordinary revenue was £52,070,000, against ordinary expenditure of £119,721,000 and issues to sinking funds of £355,243. Thus, including sinking fund allocations £7,589,408, the deficit accrued since April 1st is £1,684,400,000 against £1,691,845,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Oct. 9, 1943	April 1 to Oct. 7, 1944	9 Days ended Oct. 9, 1943	Week ended Oct. 7, 1944
ORDINARY REVENUE					
Income Tax.....	130,000	374,666	430,798	15,196	13,988
Corporation Tax.....	80,000	13,244	11,550	880	710
Excise.....	100,000	50,809	56,619	2,298	2,200
Stamps.....	19,000	8,340	6,991	1,190	1,135
Post Office.....	500,000	14,560	17,368	1,190	1,135
P.T. & R. Rev.....	1,000	244,666	261,268	16,513	16,966
Other Ind. Rev.....	228	130	...	...	...
Total Ind. Rev.....	200,000	706,513	784,720	35,877	35,049
Customs.....	564,900	281,261	296,200	15,119	11,992
Excise.....	472,900	239,600	253,400	5,000	3,400
Total Customs & Excise.....	1,037,800	520,861	549,600	20,119	15,392
Motor Duties.....	27,000	3,842	4,037	131	128
P.O. (Net Receipts).....	4,850	1,690	1,690	...	...
Wireless Licences.....	800	470	470	...	...
Crown Lands.....	7,350	2,056	2,410	63	...
Receipts from Sundry Loans.....	24,000	40,442	44,595	801	1,501
Miscell. Receipts.....	310,180	127,587	138,752	56,991	52,070
Total Ord. Rev.....	3,101,800	1,275,874	1,387,522	56,991	52,070
Self-Balancing P.O. & Broadcastg.....	112,370	54,950	58,250	1,500	1,600
Total.....	3,214,170	1,330,824	1,445,772	58,491	53,670

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Oct. 9, 1943	April 1 to Oct. 7, 1944	9 Days ended Oct. 9, 1943	Week ended Oct. 7, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	420,000	203,952	232,944	19,325	18,605
Payments to N. Ireland.....	9,000	3,676	4,307	332	356
Overseas Fund Services.....	7,000	3,540	3,623	2	2
Total.....	436,000	211,169	240,873	19,660	18,963
Supply Services.....	550,139	274,913	282,349	140,364	100,757
Total.....	593,739	296,033	306,433	160,024	119,721
Self-Balancing P.O. & Broadcastg.....	112,370	54,950	58,250	1,500	1,600
Total.....	604,979	301,525	312,258	161,524	121,321

A change has been made in the method of showing excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £361,167 to £2,874,285, the other operations for the week (no longer shown separately) raised the gross National Debt by £70,574,592 to £21,266 million.

NET ISSUES (£ thousands)	
Title Act, 1936.....	1,195
War Damage Act.....	910
P.O. and Telegraph.....	100
Overseas Trade Guarantees.....	2
Total.....	2,207

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1943						
Oct. 9 1944	1170-0		Not available			
July 8	1400-0			" "		
" 15	1420-0			" "		
" 22	1430-0			" "		
" 29	1430-0	2138-9	483-9	1-2	1418-0	5472-0
Aug. 5	1430-0		Not available			
" 12	1430-0			" "		
" 19	1430-0			" "		
" 26	1430-0	2199-0	390-9	1-2	1478-5	5498-4
Sept. 2	1430-0		Not available			
" 9	1430-0			" "		
" 16	1430-0			" "		
" 23	1430-0			" "		
" 30	36-95-3		449-8	21-0	1582-0	5748-1
Oct. 7	1430-0		Not available			

U.S. FEDERAL RESERVE

CENTRAL BANK OF IRELAND				
Million £'s				
	Oct. 2, 1943	Sept. 19, 1944	Sept. 26, 1944	Sept. 3, 1945
ASSETS				
Gold.....	2.65	2.65	2.65	2.65
British Govt. secs.....	21.00	24.60	24.60	24.60
Sterling balances.....	1.55	1.62	1.74	2.00
LIABILITIES				
Notes in circulation.....	25.42	29.37	29.51	29.51

SOUTH AFRICAN RESERVE BANK				
Million £'s				
	Aug. 20, 1943	Aug. 18, 1944	Aug. 25, 1944	Sept. 1, 1944
ASSETS				
Gold coin and bullion	75.78	94.45	94.38	93.55
Bills discounted	11.40	19.70	20.24	21.20
Invest. and other assets	86.79	96.64	89.94	90.68
LIABILITIES				
Notes in circulation	44.24	52.19	52.09	55.45
Deposits : Government	5.94	4.37	4.15	3.69
Bankers'	115.81	141.45	52.09	55.45
Others	4.20	4.60	4.61	4.48
Reserve ratio	44.7%	46.8%	46.3%	46.1%

	Aug. 21,	July 29,	Aug. 12,	Aug. 12,
	1943	1944	1944	1944
ASSETS	201.7	276.5	275.9	275.9
Gold.....	64.7	65.5	63.9	68.0
Clearing and other exch.....	132.4	128.6	128.6	128.6
Treasury bonds.....	402.1	571.5	565.7	559.4
Commercial bills.....	62.3	60.3	50.7	50.9
Securities.....	257.7	200.7	233.3	246.5
Advances.....	722.1	906.6	951.1	956.8
LIABILITIES	223.3	219.7	205.6	206.3
Notes in circulation.....	29.6	26.0	25.5	28.9
Deposits.....	223.3	219.7	205.6	206.3
Clearing and other exch.....	29.6	26.0	25.5	28.9

	Sept. 27, 1943	Sept. 8, 1944	Sept. 15, 1944	Sept. 22, 1944	Sept. 29, 1944
ASSETS					
Gold coin & bullion	444	444	444	444	460
Rupee coin	150	141	141	165	180
Balances abroad	1,082	2,755	2,837	2,901	3,048
Sterling securities	6,418	8,313	8,313	8,343	8,343
Ind. Govt. pur. specs.	734	578	578	578	578
Investments	76	115	116	116	116
LIABILITIES					
Notes in circulation	7,597	9,371	9,382	9,406	9,411
Deposits : Govt.	334	1,635	1,759	1,828	2,033
Banks	733	1,056	1,004	1,013	1,363
Reserve ratio	88.6%	92.4%	92.4%	92.5%	92.4%

	July 21, 1943	June 28, 1944	July 5, 1944	July 12, 1944	July 19, 1944
ASSETS					
Gold.....	1397-9	1412-1	1412-1	1412-1	1412-1
Balances abroad.....	3905-5	5111-8	5125-0	5138-4	5165-5
Discounts.....	229-3	235-6	238-8	235-6	237-7
Securities.....	398-7	396-2	396-3	396-3	395-5
LIABILITIES					
Notes in circulation.....	5636-9	6945-9	7021-5	6986-8	6932-2
Deposits : Govt.....	2703-6	2501-4	2727-0	2685-9	2732-2
Bankers.....	4787-0	6701-6	6466-6	6565-8	6645-5
Others.....	283-9	229-9	248-2	177-7	161-1
Foreign commitments.....	247-4	240-6	240-1	239-5	246-1

000's omitted

SEPTEMBER, 1944	Barclays Bank Ltd.	Coutts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams Deacon's Bank Ltd.	Aggregate
Date	26th	25th	27th	19th	19th	27th	27th	26th	27th	28th	25th	
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, Bank Notes and Balances with the Bank of England.....	88,626	3,835	15,793	7,223	80,251	20,237	98,783	5,401	56,743	58,545	7,717	443,154
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland...	21,404	910	4,092	2,406	18,120	8,184	23,059	264	16,841	18,532	3,046	116,858
Items in Transit.....					8,314							8,314
Money at Call and Short Notice.....	29,303	3,854	6,476	9,011	28,527	9,045	33,542	10,052	29,027	27,193	5,199	191,229
Bills Discounted.....	52,937	1,506	7,347	2,079	39,168	3,348	46,104	828	26,569	27,501	1,148	208,535
Treasury Deposit Receipts.....	308,500	5,500	50,500	11,500	260,000	60,500	339,000	1,000	202,500	182,500	22,000	1,403,500
Investments.....	219,109	15,069	58,505	22,837	213,019	65,990	234,969	24,656	133,192	167,798	27,514	1,182,658
Advances to Customers and other A/c.s.....	157,244	9,088	20,172	13,056	118,652	31,434	160,134	13,648	103,004	97,112	11,645	735,189
Liabilities of Customers for Acceptances, Endorsements, etc.....	15,195	1,220	3,230	5,052	25,125	9,125	13,535	134	10,448	14,931	2,025	100,020
Bank Premises Account.....	7,896	405	1,362	695	6,656	2,881	8,501	470	6,846	4,857	876	41,445
Investments in Affiliated Banks and Subsidiary Companies.....	6,221	...	...	...	3,777	...	8,557	...	2,514	2,993	...	24,062
	906,435	41,387	167,477	73,859	801,609	210,744	966,184	56,453	587,684	601,962	81,170	4,494,964
Ratio of Cash to Current, Deposit and other Accounts.....	10.26	10.05	9.98	10.80	10.69	10.45	10.69	10.32	10.16	10.30	10.12	10.42
LIABILITIES												
Capital Paid up.....	15,858	1,000	2,977	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,198
Reserve Fund.....	11,250	1,000	2,976	850	10,000	3,800	13,411	1,200	9,479	9,320	1,000	64,286
Current, Deposit and other Accounts.....	864,132	38,167	158,294	66,897	750,664	195,646	924,079	52,322	558,278	568,373	76,270	4,251,115
Acceptances, Endorsements, etc.....	15,195	1,220	3,230	5,052	25,125	9,125	13,535	134	10,448	14,931	2,025	100,020
Notes in Circulation.....	...	...	...	...	10	19	...	1,297	...	19	...	1,345
	906,435	41,387	167,477	73,859	801,609	210,744	966,184	56,453	587,684	601,962	81,170	4,494,964

, AUSTRALIA AND NEW ZEALAND

T.T.	London on Australia and N.Z.*						Australia and N.Z. on London					
	Buying			Selling			Buying			Selling		
	Australia		N.Z.		†Australia	†N.Z.	†Australia	†N.Z.	†Australia	†N.Z.	†Australia	†N.Z.
	Ord. Mail	Air Mail (\$)	Ord. Mail	Air Mail (\$)	125	124½	125	124½	125	124½	125	124½
Sight..	126½	126½	126½	126½	125½	124¾	124½	124½	123½	125½	124¾	124¾
30 days	127½	127½	126½	126½	...	...	124½	124½	123½	125½	124¾	124¾
60 days	127½	127½	127½	127½	...	...	123½	123½	123½	125½	124¾	124¾
90 days	128½	128½	127½	127½	...	...	123½	123½	122½	n.q.	124¾	124¾

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bills will be sent by air mail on payment of appropriate postage.

- * All rates (Australia and N.Z.) now based on £100—London. † Plus postage.
- ‡ Via Durban. By America/N.Z. Air Mail (Australia) Demand, 126s; 30 days, 126s; 60 days, 127s; 90 days, 127s. (N.Z.) Demand, 125s; 30 days, 126s; 60 days, 126s; 90 days, 127s (plus postage).
- † Any Mail.

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T.; £101½ (sight); £102½ (30 days); £102½ (60 days); £102½ (90 days). For Rhodesia the corresponding rates are £100½, £100½, £101½, £101½ and £102½.

Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100½ for South Africa and £99½ for Rhodesia.

The following rates, issued by Bank of London and South America, are related to U.S. \$: approximate sterling rates can be calculated from \$-£ rate.

(Monthly Tables)

Colombia *	Open market sight selling rate 175 pesps per 100 U.S. \$ on August 30th.
Ecuador *	Official sight selling rate 14-10 sucres per U.S. \$ on September 21st.
Guatemala *	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
Nicaragua *	Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-033 cordobas per U.S. \$ (excluding 10 per cent tax).
El Salvador *	Sight selling rate New York was 2-50 colones per \$ on September 5th.
Venezuela *	Sight selling rate New York 3-35 bolivares per U.S. \$ on May 30th.
Peru *	Sight selling rate 6-50 soles per U.S. \$ on August 17th, 1944.

* Official exchange controls are operative in these countries.

Changed From			To	Changed From			To
		%	%			%	%
Amsterdam	June 28, '41	3	24	Madrid	July 15, '35	5	14
Athens	Mar. 10, '42	5	6	Montreal	Feb. 8, '44	24	3
Belgrade	Feb. 1, '35	6 1/2	5	Oslo	May 12, '41	4	1
Berlin	April 9, '40	4	3 1/2	Paris	Mar. 17, '41	3 1/2	3
Brussels	Jan. 25, '40	2 1/2	2	Pretoria	June 2, '35	5	3 1/2
Bucharest	Sept. 17, '40	3 1/2	3	Rio de Janeiro	May 31, '36	5	4 1/2
Budapest	Oct. 22, '40	3	3	Rome	May 16, '36	6	5
Calcutta	Nov. 28, '35	3 1/2	3	Sofia	Sept. 16, '41	3 1/2	3
Chile	June 13, '35	4	4 1/2 a	Stockholm	May 29, '36	2	1 1/2
Copenhagen	Oct. 15, '40	4 1/2	6 b	Zurich	Nov. 25, '36	5	3 1/2
Helsingfors	Dec. 3, '34	4	4	Tokio		41	2 1/2
Lisbon	Jan. 12, '44	3	2 1/2	Wellington	July 20, '39	4	3
N.Y. Fed. Res.	Oct. 30, '42	1	1	Dublin	Oct. 26, '39	4	3

(a) For banks and credit institutions. (b) For private persons and firms.

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The Shape of Agriculture

B RITISH agriculture was set, at the beginning of the war, a single objective—to grow as much food as possible. Maximum production, irrespective of cost, became an urgent necessity if starvation was to be avoided and shipping-space freed for materials and munitions. This involved a concentration on those products which yield the highest food value per acre. How well this task has been achieved is illustrated by the comprehensive figures of output, issued for the first time by the Ministry of Agriculture, which were summarised on page 521 of *The Economist* last week. These show that the total “cultivated area,” which excludes rough grazings, has actually—due to military and industrial demands for land—declined during the war by over half a million acres. The enormous expansion of output has therefore been wholly obtained by more intense farming and by ploughing up grassland on a scale unprecedented in this country and possibly elsewhere. In the United Kingdom arable acreage has increased since 1939 by a half, and, if temporary grasses are excluded, the area that has been tilled this year for crops is higher by two-thirds. The crops

themselves have been selected so as to give the greatest food value consistent with what the public can be persuaded to eat. Thus the potato crop, which yields the greatest number of calories to the acre, shows the biggest increase of all major crops and has doubled its acreage. Wheat also covered nearly twice its pre-war acreage in the critical year of 1943, but has given way slightly this year to allow the further expansion of oats and barley. Despite the shortage of imported fertilisers, the yield per acre of most crops has slightly increased. On the other side of the balance sheet there have been considerable falls in the number of livestock. More than half of the nation's pigs, and a quarter each of its sheep and poultry, have vanished. Yet, despite a fall of 38 per cent in the area under permanent grass, there are actually more cattle than there were before the war. More important still, the number of cows and heifers in milk is slightly higher.

These results are a tribute to the success and ingenuity of British farming in expanding food production. Taken together, they amount to a change in shape and a growth in size much greater even than the achievements of the last

war. It is true that they have been accompanied by—and possibly could not have been secured without—an inflation of farming incomes entirely without parallel in any other section of the community. But nevertheless the technical achievement is large. The area under the plough in England and Wales has, in fact, returned to the high level it had reached in 1875. All-out production will need to continue for some time yet to help meet the urgent demand for food from liberated Europe. But sooner or later—and it is fast becoming sooner—British agriculture will have to readjust itself to normal world conditions. The fact that, in the case of agriculture, a siege economy and a peacetime economy pull in completely opposite directions is too well known to require much elaboration. War and blockade temporarily remove the advantages of the international division of labour, which enable a country to buy in the cheapest market and sell in the dearest. These advantages have operated over the last seventy years to make it increasingly possible for Britain to buy its food necessities—such as wheat and meat—cheaply from abroad, thus setting free purchasing power to buy more of the “protective” foods—dairy products and vegetables—whose increased consumption has given, in turn, a new and naturally-protected market for British agriculture. The history of British agriculture since 1875 is thus largely one of the transition from a large-scale and reasonably prosperous arable economy to an increased specialisation in dairying and market gardening, coupled with an all-round reduction in total acreage and in employment on the land.

That this process has been painful to the industry is unquestionable. But that it has been beneficial to the British community as a whole is even less open to doubt. Cheap food, indeed, is the foundation of Britain's wealth. Together with cheap raw materials, it has enabled this small and poorly endowed island to enjoy the second highest standard of living in the world. There is no doubt that a British worker can, in general, produce far more wealth for himself and the community in industry than in agriculture. By the process of the international exchange of goods, he can get just as much food by a fraction of a day's work as would take him all day to produce on British soil. Nor does this system make the country any weaker in wartime. A fraction of the manpower that would be needed on the land if the country were to feed itself can build ships to keep the sea lanes open. Compared with Germany, Britain's chief wartime advantage is that manpower does not have to be allocated to grow the whole of the food supply.

But this classical system, it will be said, has long ago broken down and since British agriculture has, under the uneconomic pressures of war, returned to its size and shape of 1875, many would wish to keep it there and to reverse the trends brought about by international trade. But though many queer things have happened to international trade in recent decades, there has never, in peacetime, been the slightest difficulty in buying cheap foreign food. On the contrary, the farmers' trouble has been that foreign food has got progressively cheaper. It is true that there may be some difficulty in paying for imports after the war. But to abandon the attempt to get it just because it may be difficult to pay for would be economic defeatism of the worst kind—it would bring about just what is feared, since dear food means high wages and high wages mean low exports. It may be proved necessary, if the export problem is handled very badly, to restrict imports of food and thus to abandon the key to prosperity; but if so, it should be the last position to be surrendered and after a long struggle—not the first.

The question, therefore, is not whether the wartime developments should be reversed, but how far the reversal should go, and what form it should take. It is not realistic to suggest that British agriculture should once again be left entirely unprotected against the full blast of foreign competition. That it should receive some degree of assistance is clearly the nation's wish. The grant of any assistance means that the non-agricultural community will be

just that much poorer; no fine words can dodge this obvious fact. Whether the assistance takes the form of tariffs, quotas, subsidies, guaranteed prices above the world level, “equalisation payments,” grants, cheap capital or anything else, it involves a transfer of real income to the farmers from the rest of the community. The rest of the community is willing that this should be so. But the transfer can clearly not be expected to be either unconditional or limited. It will be limited in amount: this means that British agriculture has a clear choice between being large and being prosperous, and will obviously be well-advised to choose the latter. The general aim should be to produce an industry, employing no more men than it did before the war (or even fewer), but providing each of them with a good living.

Moreover, the state clearly has the right as well as the duty to insist that its aid is used for the benefit of the consumer as well as the producer. This means, for one thing, that assistance must not be given in any way which restricts supplies or enhances prices; both quotas and tariffs should be excluded. And for another thing it means that the state must allocate its assistance so as to encourage those products which can be grown most efficiently and at cheapest cost.

The agricultural industry would also be wise to assume that the state's assistance is limited in time. An overwhelmingly urban electorate, when it discovers that its resources are not infinite, may tire very quickly of spending scores of millions on home-grown food that it could get more cheaply from abroad. The only sound permanent basis for British agriculture is to secure so rapid and so great an increase in its technical efficiency—in the output per man employed—that it can before long stand on its own feet. Here again the signpost points to the newer branches and away from arable farming. It is highly doubtful whether British agriculture could ever compete in, say, grain crops with the great open spaces; the climate and the scale of the country are all against it. But in dairy farming and in stock-raising, in fruits and in vegetables, the possibilities are much greater. It is on them that the effort should be concentrated.

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These are the obvious major considerations. The size and the prosperity of British agriculture are linked together in an inverse relationship by the need for state assistance, which is inevitably limited. And within the determined size, every consideration—the most economical use of the assistance available, the claims of nutrition policy and the need for greater efficiency—points in the same direction. This is what renders so fantastic the proposals still being made that some or all of the vast wartime increase in the area under the plough should be preserved. The crops that are most essential during wartime are the very ones whose cost in subsidies to the Exchequer was highest before the war. Wheat, for instance, cost up to £5 million a year and sugar-beet from £5 to £6 million; and the experience of vast wartime subsidies, such as that necessitated by the trebling of the price of wheat, suggests that to grow these crops on a larger scale increases rather than diminishes their average cost. Clearly, agriculture must retrench to something approaching its pre-war pattern as well as its pre-war size. There is a strong case for saying that even that pattern was unduly biased in favour of the arable type of farming which has since expanded. Responsible critics, such as Lord Astor and Mr Seeborn Rowntree in “British Agriculture,” urged before the war that state assistance should be redistributed so as to give greater encouragement to the production of protective foods. Their case is now strengthened. The Hot Springs conference called on all nations to pursue a policy along these lines in order to improve their standard of nutrition. Measures taken towards securing social security and full employment should enable the industrial population to afford a better diet in such things as milk, eggs, vegetables and fruit, in which they are still gravely deficient, and this naturally mounting purchasing power provides by far the best promise of prosperity for British agriculture. This policy would

never, of course, be pushed to the lengths of complete specialisation. Soil fertility must be maintained—although this requires less concession to uneconomic practice than is commonly claimed.

It is natural—and inevitable—that farmers should struggle to preserve their wartime prosperity. This is bound up with a high level of arable production, and any prospect of “going back to grass” on a large scale is regarded as a disaster. The old conviction that “break a pasture, make a man,” but “make a pasture, break a man” is still very strong. Having with much effort retraced the long road of its history from 1875 to 1939, agriculture is now asked to return abruptly to its 1939 position—or further. It is felt to be harshly ironical that the better agriculture succeeds in meeting the nation's urgent wartime needs, the greater must be its loss when peace returns. But agriculture is not alone in this; other industries have also been turned topsy turvy by the war and have created new reconversion problems for them-

selves with every fresh triumph of their wartime efforts.

Agriculture is entitled to sympathetic treatment by the nation and to every assistance in making such transition as is necessary. But this does not alter the necessity for a drastic reconversion of the industry's size and shape. In the long run, too, it would not pay farmers to maintain artificial props for an uneconomic system. Costly burdens which the nation might be prepared to shoulder now in the full tide of its gratitude for agriculture's wartime achievements would only too probably be cast off in five or ten years' time by a more hard-headed public. Farmers would then be left in mid-air, unable to compete with the cheap imports of meat and grain which the nation would rightly insist on obtaining. To put off the evil day of change is not only unwise, it may be disastrous. Agriculture has now a golden opportunity to capitalise the nation's good will towards it by securing a smooth reconversion to a more limited and less costly, but by no means unprofitable, economy.

Russia and the Middle East

IN the course of this war, Russian foreign policy has been dominated by a single consideration—the search for security. Behind the moves of Soviet diplomacy in Eastern Europe lies the desire to secure strategic frontiers, bases and zones of influence behind which Soviet territory may be secure. To a great extent this pursuit of security coincides with another aim, that of recovering the patrimony of the old Czarist Empire. Indeed, the great exiled Russian historian and liberal, Miliukov, prophesied at the beginning of the struggle that Russia's aim would be “to recover the heritage of the old Russian Empire.” But the coincidence is not complete. The Baltic States, Bessarabia and Eastern Poland did form part of Czarist Russia; the Bukovina and Eastern Galicia did not; while the Soviets lay no claim to Central Poland and Finland, formerly under Russian rule. The extent to which the two policies—the pursuit of security and the recovery of the Empire—coincide, springs from the fact that in the Czar's policy, strategic frontiers and zones of influence were also dominant motives.

If the old historical patterns of Russian diplomacy have re-emerged in Europe, one may well ask whether they will not re-appear in other areas in which Russia was traditionally interested. At present, the German menace and the advance of the Red Army concentrate Russian interest on Europe. But historically Europe was not the only object of Russian interest although it did enjoy privacy. For years the world of the nineteenth century held its breath over “the Eastern question”—a question which turned upon Russia's influence in the Black Sea, the Danube Basin and the Straits. Persia and Afghanistan were storm centres of fear and interest. If history is to repeat itself, may it not do so in the Middle East?

There are two obvious reasons why Russia's historical

interest in the Middle East should revive. The first is that the facts of geography do not change. The search for security behind stable strategic frontiers can be as urgent today as it was a hundred years ago. Baku and Batum still lie exposed on the very fringe of Soviet territory. The Caspian Sea still stretches into the heart of Soviet Asia. Indeed, the long-range bomber has made the problem rather more acute. There was a tremor of uneasiness in Russia when in 1939 during the Russo-Finnish war General Weygand's army, half a million strong, was massed in Syria. Impressions such as these can leave an abiding mark. The last decade has, moreover, heightened Russia's concern in the Middle East. For ten years now the centre of Russian industrial gravity has been moving eastwards. The war has given tremendous impetus to the movement. In Soviet Central Asia a great new industrial area has been opened up for whose safety Russia must be at least as much concerned as it has been in the past for the Ukraine.

These are the reasons for Russian interest. Nor are the means of influence lacking. The ideological principles which dictated Russia's dramatic withdrawal from the Middle East in the twenties no longer determine policy. This has now been demonstrated by the Russian demand for oil-concessions in northern Persia. The demand has so far been refused by the Persian Government, at least for the duration of the war. But the Russian reaction to the refusal—it has taken the form of an appeal to Persian public opinion against the Persian Government—leaves no doubt about the determination with which the Russian Government will follow up its new move in Persia. Such a step, which would make Russia a foreign oil concessionary alongside other capitalist, imperialist Powers, would have been unthinkable in the revolutionary phase.

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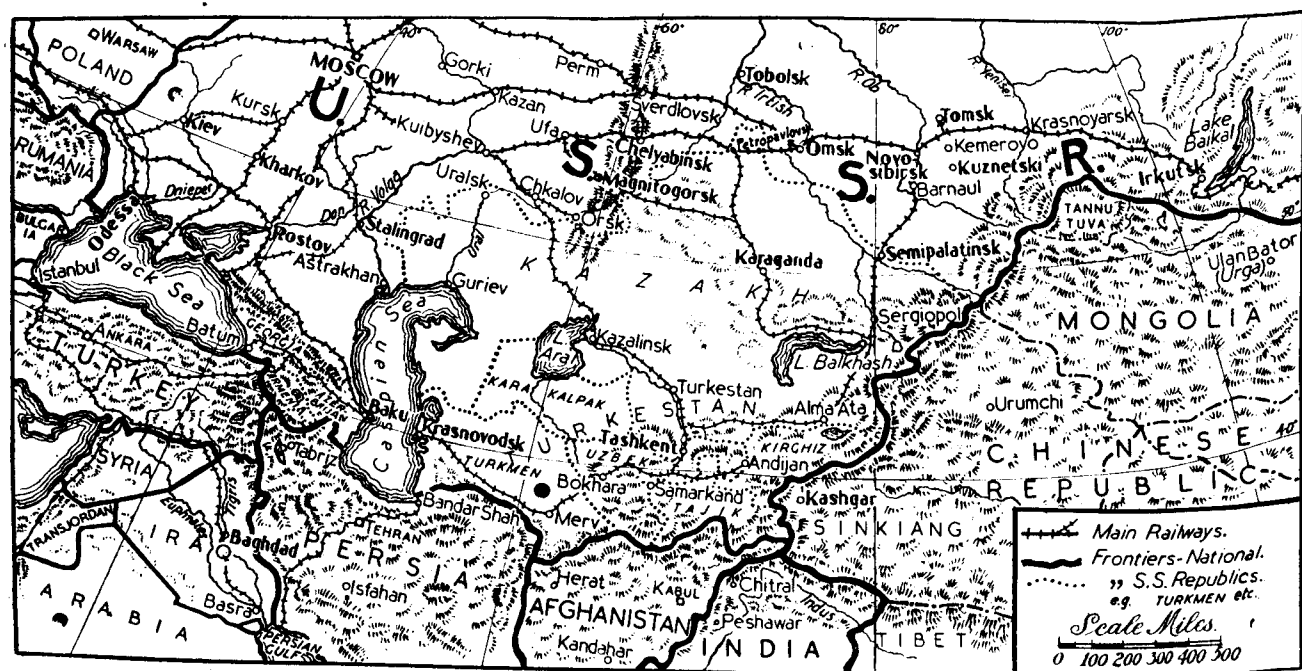
It is a striking illustration of the extent to which post-revolutionary policies are now spreading from Russian internal politics to the foreign field. The change is not only ideological. It is a departure from the earlier policy of autarky. Russia is ready to depart from self-sufficiency at least sufficiently to claim a lien on the world's oil reserves. The emergence from autarky may not be very immediate nor very rapid, but the direction is set and there can be little doubt that in the next twenty years Russian influence in the Middle East will have an economic basis. The industrial areas of Transcaucasia, Kazakstan and the other border republics will be the nearest, if not the most efficient, workshops of the Middle East.

Revolutionary inhibitions have been cast away in other spheres. The revival of the Orthodox Church had made it possible for Russia's diplomatic representatives in the Levant to take on once more the rôle of protectors to the various Orthodox monasteries. Similarly in Persia, the entry of Soviet troops in the North restored "religious and cultural freedom" to the Armenian minority. There has also been a revival in Russia of the Moslem religious community. The Moslem Soviet republics can speak to their brother Moslems in a common idiom. At the same time, in the political sphere, Russia is still profiting from its revolutionary tradition. Unlike the British and the French, the Soviet Government has no political liabilities in the Middle East. Unlike the Americans, it has no record of oil imperialism—so far. In a word, the political record is "clean." Although in recent years, Russian propaganda has soft-pedalled the Arab nationalist *motif*, the Arabs themselves still remember with gratitude the support they received from local Communist groups in the twenties and thirties. It is significant that in their newly-won independence, both the Syrian and the Lebanese Governments requested the Russians to enter into diplomatic relations with them, a request to which the Soviet Government acceded at once. The Lebanese request specifically referred to Russia's generous treatment of all nationalities and to the Soviet's rôle as the revolutionary champion of the oppressed nations.

All these means of influence—economic, religious, political—will undoubtedly be exploited by Russia to ensure that its neighbours to the South are friendly and are not used by a hostile third Power as a base for aggression. If, however, this first-line of defence were to fail, it is obvious that there are other weapons in Russia's armoury. If a real threat arose, then the Russians would undoubtedly seek to reinsure their territory by intervening actively in Middle Eastern politics. The most convenient instruments for such an intervention are the frontier Soviet Asiatic Republics—Armenia, Azerbaijan, Tadzhikistan, Kirghizia and Kazakstan. Like the Ukraine and White Russia, each has now its separate Commissariat of

Foreign Affairs, and the Commissars could, if necessary, raise a number of awkward frontier issues—an unsettled legacy from Czarist days. Since the October Revolution, there have been virtually no eruptions, but the conflict this summer between Sinkiang and the Kirghiz and Kazak republics is a reminder that the frontiers are not finally fixed. In the west, the Tadjiiks are closely related to the people of Afghanistan. Might they not press for "re-union"? Persian Azerbaijan may one day be the seat of an irredentist movement, demanding union with Soviet Azerbaijan. Finally Soviet Armenia might demand the revision of the Treaty of Kars, signed in 1921 by Turkey and Russia, under which the Armenian towns of Erzerum and Trebizond remained with Turkey. There are now few Armenian inhabitants in Turkey's eastern vilayets, but a Soviet move in this area might well take the shape of protective action against pan-Turanianism, a movement of Turkish origin, which aims at unity among the Moslem states of Western Asia, and which might some day try to detach the Soviet Moslem provinces from Russia. It is, after all, only this summer that the Turkish Government had to take strong steps to suppress a German-backed pan-Turanian agitation in Turkey. All irredentist movements along Russia's southern frontiers would be greatly helped by the fact that the way of life of the Soviet Asian peoples is on an incomparably higher level—materially and culturally—than that of their neighbours to the south.

In the post-war world, there is every likelihood that the Russians intend to do no more in the Middle East than exercise the peaceful influence that their power and proximity make inevitable. Europe is likely to remain their chief strategic interest, and if peace and security are assured in Europe, this will probably be the decisive factor in the Middle East as well. There was always a sense in which, in the days of the Czar, the Russians' policy in the Middle East was derivative. They exercised pressure on the dominant Power in the Middle East, Britain, in order to influence British policy in the vital European arena. As the Russian statesman, Skobelev, bluntly put it: "The stronger Russia is in Central Asia, the weaker is England in India and the more will she be conciliatory in Europe." To-day, the same policy is likely to work in a reverse order. Britain and, to some extent, America are the dominant Powers in the Middle East. The better their relations with Russia in Europe, the less likely is Russia to fear for its security in the Middle East. In this question, as in so many others, the secret of peaceful relations lies in Washington, London and Moscow. If they are agreed, particularly in the vital sphere of Europe, there is no reason why stability and progress should not be the Middle Eastern background for a generation.



Ministers of the Crown

PRESSURE is being put upon the Government, from both the Conservative and the Labour sides, for the appointment of a single Minister to have oversight over all matters relating to housing. The demand for the appointment of a new Minister is too often an excuse for laziness in thought; those who cannot think out the solution for a problem demand that someone should be appointed to do the thinking for them. Moreover, the appointment of a new Minister often retards, instead of advancing, the solution of a problem. If he is a Minister without a Ministry, a supervisor or co-ordinator, he may be almost helpless, a convenient receptacle for the responsibility of the Departments without effective power (what-ever may be written on paper) to direct their policies. And if there is a new Ministry, as well as a new Minister, it suffers from the enormous handicap of having to find a new home and recruit a brand-new staff at a time when competent civil servants are at a very high premium. Such a Ministry will be lucky if it does not have all the incompetents of Whitehall wished upon it. It will be still luckier if it can hold its own in the fierce inter-departmental struggle for priorities—priorities for personnel, for money, for the Cabinet's attention or for Parliamentary time. In a very true sense, the time when a question is urgent is precisely the time when a new Ministry should not be created to deal with it.

"There ought to be a separate Ministry," is, in general, a clamour that is as ill-advised as it is fashionable. It may be, nevertheless, that a case can be made out for some administrative reorganisation in the sphere of housing. It is certainly anomalous that land should be the concern of one Ministry, housing of a second and building of a third. But if anything is to be done about it, the obvious remedy would be, not the creation of a fourth Ministry, but the concentration of all these matters in one. Logically, the solution would be to transfer the housing functions of the Ministry of Health (and of the Scottish Department of Health) to the Ministry of Works, and possibly to re-merge in that parent the Ministry of Town and Country Planning.

This would have the advantage of reducing the number of departments by one. For their number is growing alarmingly large. As was pointed out in a Note last week, there are now 41 posts of Cabinet rank (one being vacant). This does not include the Law Officers, on the one hand, nor, on the other hand, does it include Lord Halifax, who also enjoys the personal status of a member of the War Cabinet when he is in this country. In 1937, before the approach of war began creating offices, there were 21 members of the Cabinet.

The present total is, of course, partly inflated by purely temporary offices, which can be expected to disappear. There are, for example, four Ministers Resident, in the Middle East, in the Mediterranean, in West Africa and (for Supply) in Washington. These will go—though there is a very strong case for keeping the Ambassador in Washington in the Cabinet. Then there are the war-time Ministries—Production, Reconstruction, Supply, Aircraft Production, Food, Information, Economic Warfare. Some of these will certainly go, though the Ministry of Food should be retained, and a Minister of Reconstruction may well remain for many years. In addition, there is a strong case (though there would also be strong opposition) for a permanent Ministry of Supply, to organise the ordering of supplies of all kinds for the Government. Out of the seven wartime Ministries, it may be that there will be a net loss of only four.

What may be called the "natural" shrinkage of the swollen wartime Cabinet might therefore amount to no more than a very few members. Moreover, there may well be pressure for further creations. It is not yet apparently decided whether all forms of transport are to remain under one Ministry; if not, there will be pressure for a Ministry

of Merchant Marine. This is not an argument that would generally commend itself; but there is much more to be said for a division of the powers of the Board of Trade. That department is at present one of the weakest in the whole structure of government, and the prospect of the functions in respect of industry and materials now exercised by the Ministries of Supply and Aircraft Production being handed back to its nerveless hands is a most unattractive one. The Board of Trade might well confine itself to the external trade of the country, as in some measure a counterpart to the Foreign Economic Administration in Washington, while a new Ministry of Industry was created to evolve and to administer the Government's industrial policy. Another proposal for splitting up an existing Ministry which would have some support would be to separate the oversight of the National Health Service from the local government functions of the present, misleadingly titled, Ministry of Health. The combination in one Ministry of these two functions is largely accidental and may well be becoming positively harmful. Lastly, there is a demand, which has been voiced in the House of Commons this week, for a Secretary, or Secretary of State, for Wales, on the lines of the Secretaryship of State for Scotland.

Not all, or even perhaps any, of these proposals will be adopted, but it would clearly be rash to assume that the post-war Cabinet, even after the immediate inflation of wartime has disappeared, will be much smaller than 35 in number. And indeed the pressure of circumstances makes a large number of Ministries inevitable. It is an essential part of the British system of government that a Parliamentary Minister must take responsibility for all departmental acts. That means that all important—and many unimportant—matters must at least be mentioned to him and receive his signature. In a large Ministry, either the Minister becomes an overworked automaton or else his desk becomes a bottleneck. The system cannot work unless the Minister can understand and follow all that is done in his name.

But at the same time a Cabinet of 35 Members is clearly unworkable. It is not merely the number of individuals who have to find seats round the table at 10 Downing Street—indeed that is the smaller part of the problem. The real difficulty is a more mechanical one. Every department is under the obligation to consult, and has the right to be consulted by, every other department on whom its interests even remotely impinge. The time and effort that have to go into this process of consultation necessarily vary pretty nearly as the square of the number of departments. As it is, a civil servant often spends more time in telling others what he is doing, and in finding out what others are doing, than he spends in getting on with his job.

Here, then, is a dilemma. A large number of departments is inevitable and in some ways an advantage. But a Cabinet of 35 is unworkable. It cannot be said that the expedients devised to overcome this dilemma during the war provide much guidance for the future. The largest spheres of policy have been dominated by the Prime Minister and, in all matters, there has been a very much greater common desire to get on with the job than can be relied upon when the objectives are less

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clear and the perils less menacing. There has been a structure of standing Cabinet Committees—the Defence Committee, the Lord President's Committee, the Reconstruction Committee. But these Committees have been attended by almost the whole Cabinet—and even so any contentious matter has gone up to the Cabinet itself. Nor is the small War Cabinet a reality. Contrary to the popular belief, there has probably not been a single occasion when these eight Ministers, and these eight alone, have sat down to reach decisions; the other Ministers concerned are almost invariably there. Membership of the War Cabinet is a largely honorific rank.

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The political scientist's solution is what has come to be known as the Haldane Plan—that is, a Cabinet exclusively composed of non-departmental Ministers, each responsible for a group of departments. Something of this sort is clearly necessary and inevitable. But nobody should delude himself with the belief that it would be an easy system to work. One variant of the plan, which is often put forward, would create super-Ministries as well as super-Ministers. But this is clearly impossible to work. If the super-Ministry has powers over its subordinate Ministries—if the super-Minister is responsible to Parliament for what is done in his sphere—then it will become a gigantic bottleneck. But if the subordinate Ministers retain their responsibility, the super-Ministry is powerless, since it has no executive control.

NOTES OF THE WEEK

Progress Report from Moscow

The talks in Moscow between the British and Soviet Governments are lengthening to the duration of three ordinary Conferences. This is not surprising, for the times, the urgency and the size of the agenda are all extraordinary. Many of the most pressing political problems are now at their eleventh hour. Either they will be settled this autumn or they may never be settled at all. The three most urgent are the Balkans, Poland and Germany. The evidence suggests that on the first issue good progress has been made. The awkward issues between Greece and Bulgaria have been shelved by the Allied armistice being made conditional upon a Bulgarian withdrawal from Greek territory. Thus the Moscow Conference has reinforced a lot of solid, unsensational co-operation already accomplished. For example, the British representative on the Allied Control Commission in Roumania has started work in Bucharest. The relief of Greece, Yugoslavia and Albania is to be UNRRA's responsibility under Sir George Matthews as Balkan Regional Commissioner. There is little suggestion here of exclusive spheres or of exceptionally difficult inter-Allied adjustments. The last issue, Germany, has apparently not yet been discussed. This may well be due to the frontier question. The whole issue of territorial change at the expense of Germany was raised in the first instance almost as a by-product of the Polish dispute. By far the largest modifications are suggested in Eastern Germany to the "benefit" of Poland as compensation for the territory beyond the Curzon Line. The Polish question is thus antecedent to any settlement of terms for Germany. It is not surprising that Poland has so far held the centre of the stage.

* * *

Polish Tangle

So far, little headway seems to have been made in the difficult negotiations concerning Poland. The conversations between the British delegation and M. Mikolajczyk have been almost continuous, interspersed with Anglo-Russian discussions. On one occasion, a tripartite conference took place in Marshal Stalin's presence. But no decisive point has been reached. Of the two obstacles to understanding—the existence of two Governments and the conflicting territorial claims—territory is apparently proving far more troublesome. The Russians seem to be ready to accept M. Mikolajczyk's proposal that a new Polish Government be formed, based on the three parties in his coalition, together with the Communists on an equal basis. In these conditions, the National Committee would quietly

The way out of this *impasse* is probably to regard the non-departmental members of the Cabinet not at all as super-Ministers issuing instructions to subordinates but as so many Prime-Ministers-in-commission. Each of them should preside over a Cabinet Committee of Ministers, using only such devices to secure agreement as a Prime Minister uses in Cabinet. It would be a necessary corollary that a new version of the doctrine of collective responsibility would have to be built up, and that decisions of such a Committee, once reached, should be binding upon all the Ministers concerned and be supported by them. Appeal to the full Cabinet might, for example, be allowed only with the consent of the presiding Minister. But two further conditions would be necessary for such a system to work at all well. One would be that each Cabinet Minister was assisted by a staff of expert advisers—that is, the existence of several Prime Ministers would require several Cabinet offices. This would be supremely necessary in the case of economic policy, which requires, in a high degree, both central planning and widely diffused extension. And the other condition would be that enough statesmen of the requisite calibre should be available. This is perhaps the hardest requirement of all. The Cabinet Minister of these days, unless he is a man of extraordinary personality, tends to become an overworked departmental figurehead, with hardly a thought or a moment that he can call his own. The broad view and the large vision will have to be restored to the politicians before they can be restored to statecraft.

disappear. It has not been able to rally much Polish support. Andrej Witos, the Committee's vice-chairman and Commissioner for Agriculture, has been dismissed on the grounds that he has failed to carry through the land reform. If a regime fails to give land to a land-hungry peasantry there must be some very strong reason for the failure. The Polish peasant is, apparently, a legalist. He does not want land under a false title. If he has not cooperated in the land reform, it is probably because he distrusts the authority of the distributing government. Realism as well as Allied solidarity might thus dictate a flexible Russian attitude on the question of the rival governments. But it appears that the territorial compromise suggested by M. Mikolajczyk is not so acceptable. He is ready to fix a temporary line of demarcation roughly following the Curzon Line, but asks that the final territorial settlement should be postponed until after the war—both in Western and Eastern Poland. The Russians agreed to this in 1941. Today they have reversed their attitude and demand a final settlement now. M. Mikolajczyk has no power to agree to such a solution. There at the moment the question rests. It is to be hoped that British and American diplomacy can help to break this potential deadlock.

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Compensation for Land

The Government is still in trouble over the Town and Country Planning Bill. The Prime Minister's suggestion of a separate Compensation Bill was manifestly unwelcome to the House of Commons when it was made a fortnight ago, and the Cabinet accordingly made an effort to produce a compromise which could be embodied in the present Bill. The new clauses remove some of the extraordinary vagueness which might have rendered the original proposals unworkable, and they make a number of other valuable changes of detail. But no major concession is included. Departure from the 1939 price is now to be permitted only for building and not for land, only for owner-occupiers and only up to 30 per cent above the 1939 level (unless this proportion is raised by Order.) This is not satisfactory to the Tory critics, from whom came threats in Thursday's heated debate to vote against the Bill. The hope of getting it through this week is fading, and the proposal of a separate compensation Bill is being heard again. The Bill is, of course, very urgently needed, and the temptation is strong to say that anything that approximates to justice would be better than further delay. But the critics have a quite unanswerable case. The new clauses concede that the 1939 price would be unjust to the owner-occupier,

who could not find alternative accommodation for anything like the same amount of money—who would, in other words, be partially expropriated. But if the 1939 price is an expropriation of owner-occupiers, why is it any less expropriation of other owners? And if the 1939 price is fair for buildings, why is it unfair for land? And since the value of money has fallen by more than 30 per cent, why should justice be limited to this arbitrary figure? The whole episode is an example of the growing tendency to argue that robbery is not robbery if the victim is rich. Indeed, it is a particularly bad example, since it is not the whole class of property-owners who are to be expropriated, but only those members of the class who are unfortunate enough to own property in blitzed areas. There has been a great outcry about "speculators." But if speculation has been rife (of which no evidence has been adduced) it could be dealt with directly by a separate clause prescribing special treatment for property that has changed hands during the war. Another principle that has been forgotten during the outcry is that it is better that a few should get more than justice than that any citizen should get less. What makes the whole business more puzzling and provoking is that there is an obvious and easy way out of the difficulty, which was suggested by *The Economist* when the Bill was first published months ago. This is to base compensation on 1939 prices, and to write all these prices up by a uniform percentage to allow for the fall in the value of money. This is what was done in the War Damage Act. It would secure 1939 values, which, as those rare individuals who have read the Uthwatt Report know, is what that body recommended, carefully distinguishing it from 1939 prices. It is, of course, true that the more money is paid out in compensation the greater becomes the need of the local authorities for more generous assistance—but that is an argument for more assistance, not for less fairness. The responsibility for the muddle and the delay and for the present emergency rests squarely on the Government. And the Minister has not improved his standing by accepting a number of amendments on matters other than compensation, all of which will be restrictive and obstructive in their effect.

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International Air Transport

A White Paper (Cmd. 6561) sets forth the general principles whose acceptance Lord Swinton, the Minister of Civil Aviation, will propose as the basis of a new air convention at the international conference which is to be opened in the United States on November 1st. These concern the international rather than the domestic policy of the British Government. Lord Swinton is to be guided by two main principles. First, he will not ask for the complete internationalisation of air transport—which is impracticable at this stage—but he will propose a fairly wide definition of the freedom of the air. This freedom is not to be confined to the right of innocent passage through the air space of individual states and to the right to land for non-traffic purposes; it would include the right to set down passengers, mail and freight in any country from the country of the origin of the service, and to take on traffic in any country destined for the country of the origin of the aircraft. Trading between intermediate countries and the right to engage in the cabotage of another country would be a matter for separate negotiation. This would mean, for example, that a British air line could carry traffic between this and any other country, but that it could not, without special arrangements, take on traffic in Belgium on its way to Hungary, or, on the way back, from Hungary to Belgium. Secondly, Lord Swinton will propose that the world's air transport capacity should be adjusted to the volume of traffic on international routes; that the traffic should be shared by the members of the convention by determining the frequency of each nation's services; that fares should be internationally controlled in relation to standards of speed and accommodation; and that wasteful competitive practices should be avoided, especially by the control of subsidies. (In addition, there are a number of technical matters, such as safety regulations, which must obviously be embodied in any air convention.) These proposals would be translated into practice by an International Air Authority, working through an Operational Executive, with regional panels.

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Principles and Practice

These principles constitute an approach, or an attitude, to the problem rather than a detailed plan. Hence the anxiety expressed by some Members of Parliament in the

House of Commons on Wednesday. Everything will depend on how the principles are to be applied. The International Air Authority, for example, would wield very great powers through its control over the allocation of frequencies to member countries and over the rates of carriage on international routes. While it would consist of representatives of the member countries, nothing is said in the White Paper about the method by which voting power is to be determined, except that it should be on an "equitable basis." Again, the basis on which frequencies are to be distributed by the Authority among the various countries wishing to take part in any given service are not defined; it is merely proposed that the Authority should ensure "equitable participation." Nor is there any definition of what should constitute an international route and, hence, of the field over which the International Air Authority is to hold sway. Further, the principles governing the freedom of the air can have little meaning in the absence of a precise definition of what constitutes the territory of a state. On a narrow definition of a "state," this country's right to reserve cabotage would be confined to the United Kingdom. And on the method by which participation is to be determined will depend the attitude of some of the smaller countries. These are some of the crucial points. They are not raised by way of criticism of the Government's proposals, but merely as an indication of the complex problems that await solution at the Conference. It would have been impracticable for the Government to fill in the details of its proposals; they have been purposely left undefined, and there will be hard bargaining at the Conference. It is by no means certain, for example, that the United States will agree to the principle of the international allocation of frequencies *cum* rate-fixing, although individual countries would have the choice to operate the services allocated to them by chosen instruments or by several concerns in competition. Nor is it likely that the smaller countries will readily abandon the bargaining power that their present right to refuse traffic landing facilities confers.

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Battle for Hungary

The battle for Hungary is nearing a decisive stage. On the eastern fringe of the Hungarian plain a heavy tank battle still seems to be raging round Debrecen, where the Germans are delaying the Russian advance towards Budapest. The Russians have now suddenly emerged in strength from all the passes through the eastern and central Carpathians, have taken the Carpatho Ukraine and joined hands with the Slovak insurgents. The German positions in eastern Hungary have thus been virtually outflanked, and the Russians are now certain to invade Hungary from the north. In the south their advance by now must have gone considerably north of Szeged in the direction of Budapest. The battle for the Hungarian capital, however, has not yet begun. This may well be a difficult and protracted battle. Budapest, like Warsaw, presents the attacker with the task of a difficult river crossing; and the city can be made into a fortress by the Germans. The Russian Command will probably prefer to encircle Budapest by crossing the Danube on the flanks rather than storm it from the east only. Meanwhile recent political events have upset every German calculation. The

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

request for an armistice made public by Horthy, the *coup d'état* which succeeded in deposing the Regent and substituting for him the leader of the Arrow Cross, Szalasy, the disintegration of the Hungarian Army, and the surrender of its Commander-in-Chief General Miklos to the Russians amount, in fact, to the actual desertion of Hungary. The Wehrmacht has had to foot the bill. New divisions had to be sent to Budapest to help Szalasy into power, and to keep the capital safe for the Wehrmacht. The Germans will try to make the battle for Budapest a great delaying action to cover the approaches to Vienna. Beyond Budapest, up the Danube, the flat land is again favourable to tank warfare, and only the Bratislava gap, not too formidable a barrier, will stand between the Russians and Vienna. The repercussions of the battle of Hungary on the situation on the Polish front is probably less direct than some military writers have suggested. The threat that the Russians might outflank the German positions in central Poland from Hungary or Austria and Czechoslovakia is pretty remote. So far there has been no close connection between the fighting in the two countries. However, the conclusion of the battle of Hungary may certainly speed up an all-out Russian offensive in Poland, and make the defence of Silesia by the Germans extremely difficult, if not impossible.

The TUC and the Press

A dispute has arisen between the Trades Union Congress and most of the press. Last year the TUC passed a resolution to the effect that, in future, only journalists belonging to an affiliated trade union (that is, to the National Union of Journalists and not to the Institute of Journalists) would be admitted to report its proceedings. The same action was recommended to the constituent unions. This year the press tickets for the Conference were made subject to the condition that the holder must also hold an NUJ card. Beyond question almost all of the journalists concerned are members of the NUJ, but there is a point of principle involved—namely, that no body should be allowed to dictate who should be sent by the press to report its proceedings. It is perhaps a little grandiloquent to dress this up in the somewhat overworn toga of the freedom of the press, but it is an essential principle nevertheless. Most of the papers have declined to be represented at the Congress, though the agencies are there and the papers are printing their reports. This, of course, is a very weak gesture which will be wholly ineffective. The Congress, after listening to some very silly ranting by Sir Walter Citrine, has refused to budge. It has, indeed, nothing to lose so long as the papers are so pusillanimous. If they really believe in their principle, they should boycott the Congress completely, agencies and all. Labour leaders, especially the secretary of the TUC, are not notably averse to publicity, and really forthright action would bring them to their senses. As it is, they have been given the opportunity of a cheap victory over the "Press lords." Sir Walter Citrine was quite wrong in supposing that the presence of a representative of *The Economist* at Blackpool implied any approval of the TUC's position. We would have joined in an effective protest; but half-measures are pointless.

Control of Labour

For the past year, the General Council of the TUC has been examining the structure of its affiliated unions and considering how to consolidate and modernise their organisation. This was one of the most debated issues at the 1942 and the 1943 Congresses, and it was therefore disappointing that the General Council interim report on "Trade Union Structure and Closer Unity," which may have far-reaching effects on industrial organisation, should have been accepted with virtually no discussion. The General Council, recognising that "the trade union movement in a changing world cannot retain its pre-war conception of organisation if it is to prosper and efficiently fulfil its ideological and practical function," has put forward proposals for encouraging amalgamation and bringing about closer unity. This is consistent with recent trends in the trade union movement, but the process of consolidation may take a long time. Trade union membership is now close on 7,000,000. If the union catering for Civil Servants were affiliated it would increase the total membership by 700,000. Their exclusion under the Trade Disputes Act is still a very sore point, and the General Council has been instructed to renew its efforts to secure a repeal of the prohibitive clauses. The trade unions' view is that the claim should be conceded in return for their

having given up many traditional practices and rights in wartime. Foremost of these is, of course, the right to strike—though practice has fallen far short of principle. The need to minimise strikes will be as necessary in the immediate post-war years as it is now. The threatened strike in the Yorkshire coalfield over what seems a comparatively minor issue is a bad augury for future industrial peace. Regulation 1AA, aimed against instigators of strikes, came to the fore at the Congress, and a resolution calling for its withdrawal was defeated by a narrow majority. The General Council insists that the unions will not tolerate the retention of compulsory arbitration after the war. But the unions have not so far committed themselves about the extent to which they will accept control over labour in other respects after the war.

Grave Words from France

General de Gaulle's speech on October 14th contained two grave warnings. One was addressed to the French people, the other to the Allies of France. In both, General de Gaulle stated many sound and necessary things; and in both he tended to overstate his case. Describing the present situation of France, he said:

We are just emerging from the abyss. It is now for us to grasp the rope and hoist ourselves up the slope by the sheer strength of our wrists.

Nothing could describe more graphically France's present plight and the tasks ahead of the nation; and perhaps no other words could reflect more adequately the amount of will-power that General de Gaulle himself can be expected to put into the job of rebuilding France. In domestic affairs the chief task of the moment, as he sees quite correctly, is to put an end to the pluralism of power. This can only be done by achieving a unified and stable administration, army and judicial system. All these are elementary tasks, but they probably cannot be accomplished at a stroke. The old Vichy administration has broken down. What little remains is inevitably challenged by the Committees of Liberation. The old army, too, has broken down, and the irregular Forces of the Interior have come into the open. A new administration and a new army can probably be set up only by the merging of the old and the new elements. The process is admittedly a difficult one, and—for its peaceful conclusion—it requires time, patience and good will on all sides. The cleavages between Frenchmen are deep, and they can be overcome only gradually. General de Gaulle has undoubtedly been right in insisting on the urgency of establishing "national order." But the timing of the process is delicate. If it is done too brusquely, there may well be internal convulsions and civil strife, which would bedevil the politics of the Fourth Republic for many years to come.

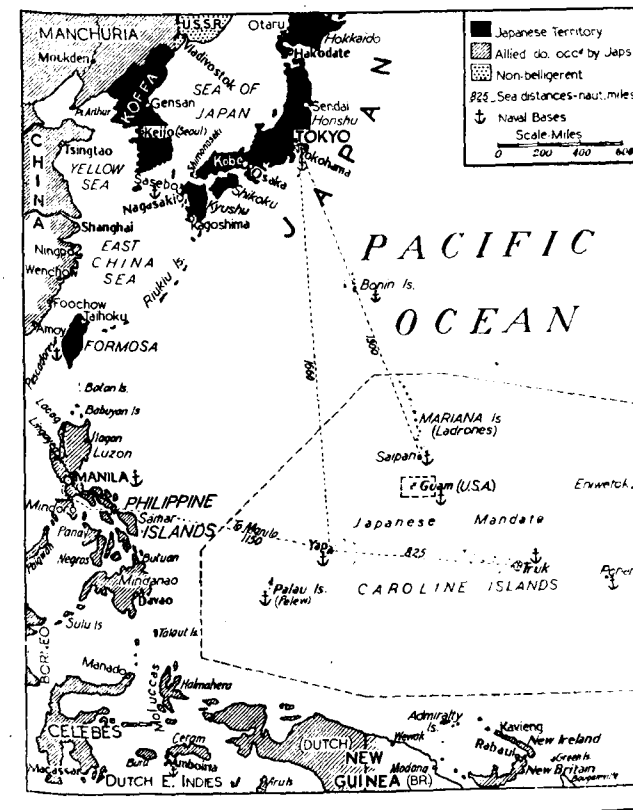
Entente Cordiale

General de Gaulle's second warning was addressed to his Allies. He protested against their apparent "relegation of France to the background." His indignation at this neglect has been understood and echoed by public opinion both in France and in this country. Whatever may be the motives of the British Government in refusing formally to recognise the French Provisional Government, Parliament and press have left no doubt about their attitude. A situation in which China is to be present in the councils of the Great Allied Powers and France absent is frankly ludicrous. Similarly, the absence of France from the European Advisory Council is an inexcusable political scandal, especially now that the problems of Germany's immediate future are being discussed and settled. But here again General de Gaulle has gone too far in airing an undoubted and justifiable grievance; he even seems to have added one or two imaginary grievances of his own. It was grossly unfair to suggest that the selfishness of the Allied Powers is responsible for the present economic difficulties in France, especially when the General himself pointed to "the belligerents' primary obligation to feed the devouring battle." Such acts of economic policy as the striking over-valuation of the French franc or the speedy despatch of supplies to the freed areas of France immediately after their liberation make nonsense of the accusation. It ought to be obvious to General de Gaulle that by making such baseless insinuations he is likely to antagonise Allied opinion which is otherwise so willing to support his just demands. He is also lending some colour to the criticism of those who suggest that he is more interested in creating a mood of

self-centred nationalism in France than in promoting a full revival of the Entente Cordiale.

Pacific Strategy

The massed fleets of the United States in Pacific waters have opened a new phase in the struggle against Japan. Hitherto they have been attacking the outer ring of the Japanese defence system, the Mandated Islands—Marianas and Carolines—the island of Palau and Halmahera in the Moluccas. Each operation, though costly, has been successful, and the outer line is now completely broken. Indeed, American aircraft can now operate from reconquered territory. The phase which is opening now is, however, much more formidable. A new island shield protects Japan's



sea-lanes in the East China and South China seas—the Riukiu Islands, Formosa, the Philippines and Celebes. Of these, only the Riukiu group are on the scale of Saipan and Guam. The others are all large territories, supporting strong land garrisons; and the Riukiu Islands, though smaller, are very near to the main Japanese bases. The problem facing Admiral Nimitz is therefore to land forces on these islands in sufficient strength to master the large Japanese garrisons, and to do it in what are virtually Japanese home waters. Against him are the garrisons, the land-based aircraft and, somewhere in the background, waiting for its own moment to strike, the main Japanese fleet. That the moment, in the opinion of the Naval Command, has not yet come is illustrated by the evasive tactics of the Japanese naval elements off Formosa. In Admiral Nimitz's favour is the fact that the American fleet is larger, more up to date and more flexible, and also that American superiority in the air is overwhelming. These two factors have made possible a revolutionary development in air-sea tactics. The recent heavy air attacks on Formosa have been launched from aircraft carriers in such strength that ground based aircraft could not ward off the blow. In the main, the Americans are bombing airfields to ensure that any Japanese counter-offensive from the air is impossible when the day for invasion dawns.

Stake in Formosa

The loss of Formosa would be primarily a military disaster for the Japanese. The island has important air and naval bases to guard the entrance into the East China Sea and to reinforce the Japanese hold on the Chinese coasts between Shanghai and Canton. Incidentally, the recent occupation of Foochow by Japanese troops shows the importance the Japanese High Command sets upon con-

trol in this area. But other interests, principally economic, would be involved in a Formosan campaign. The island of Taiwan—the Chinese and Japanese name for Formosa—has been for many years a very important source of food for Japan. Just before the war, over 90 per cent of Formosa's foreign trade was with Japan and Japanese-occupied China. Nearly 50 per cent of its gross value of production was exported, and in 1939 about 65 per cent of these exports were made up of rice and sugar. Imports were on a smaller scale than exports—about 69 per cent in 1939—and even so were made up to a great extent of equipment for the military installations and harbours, railway lines and other producer goods which were of little benefit to the inhabitants. Some critics reckon that, in spite of a very great increase in Formosa's agricultural output during the years of Japanese occupation, it is likely that the standard of living of the five or six million Chinese inhabitants has actually fallen. In short, the Formosan economy is an exaggerated example of colonial exploitation. The economic deficit was not offset by any political or social advantages. The Japanese conquered the island in 1895, but it was not fully pacified until 1902. There were rebellions against the conquerors in 1907, 1912 and again in 1915. Between the wars, the Formosans had a brief period of semi-liberalism. The Chinese petitioned the Japanese Diet in 1921 for autonomy and a parliament. No notice was taken of this petition, but in the twenties, at least, the Japanese school policy was for a time more generous and two movements grew up, the moderate conservative Taiwan Cultural Society and a Marxist movement which was strong among young people and the agricultural co-operatives. In 1928, however, the "liberal" era came to an end. The Taiwan Proletarian Youth League was suppressed in 1931 and the Cultural Society in 1937. They have continued to exist underground, but probably in a fairly weak and vestigial form. An American landing might, however, be able to count on something of a Fifth Column.

The Spanish Facade

The impact of the Allied victories in western Europe on the internal situation in Spain has been strong, but so far

A NATIONAL HEALTH SERVICE

Lord Dawson

ON OUR VOLUNTARY HOSPITALS

• The voluntary hospitals have certain qualities, due to their history and traditions, that cannot be erected *de novo*. Experience and authority have gathered round the teaching hospitals. There is something in their tradition which cannot be reproduced. As well try to copy Westminster Abbey without its spirit. •

Following Lord Dawson's tribute the Minister of Health says, "The Voluntary Hospitals... are a typical and successful product of this country's methods." There is now in view a bold forward step—a Health Service for everybody—and the Voluntary Hospitals, as always in the past, are eager to play their full part.

In the centuries of their existence the Voluntary Hospitals, now numbering over 1,000, have had a single mission—the welfare of the patient, nothing else. Every part of their service to the people—the training of all doctors, and more than half the nurses; the long, inspiring story of research, discovery, improved treatment, healing, more hospitals, better hospitals, freedom of choice of hospital—each has had its source in that one ideal passionately and com-

passionately pursued. The Voluntary Hospitals are run for human beings by human beings. This is why, perhaps, the Voluntary Hospitals have gained the affection, loyalty and support—which they will certainly need in the future as much as in the past—of so many millions of people. It is always 'our hospital.'

As their contribution to the war effort, the great resources of the Voluntary Hospitals in staff, buildings and equipment have been made available to the Government. Thousands of their doctors and nurses are in the Forces.

In the future, the Voluntary Hospitals look forward to making their own unique contribution to the building of a healthier Britain, as partners in the plans for the Nation's Health Service.

ISSUED BY THE BRITISH HOSPITALS ASSOCIATION
12 GROSVENOR CRESCENT S.W.1

not strong enough to upset the façade of stability which the Franco regime shows to the world. But it is only a façade. The Monarchists have in the past been more discreet in their expressions of sympathy with the Axis. As a result, they are gaining influence while the camp followers of the Falange are falling away. But both ruling factions have been unable to reconcile the people to the régime. There are still more than a million Spaniards in prisons and concentration camps, a sure proof that the victors of 1939 still fear their vanquished opponents. The victories of the democracies have increased that fear. Allied statesmen may claim that the war has lost much of its ideological character; but Franco's opponents look on the Civil War as the first round in the world war, and expect to share in the Allies' victory. However, the opposition is stronger in numbers than in leaders. It lacks above all any real capacity for action. True, unrest has increased recently. The various maquis in Spain itself have become more active. Catalonia is growing restive. The exiles, who have played a prominent role in the F.F.I. in southern France, thunder against Franco from Radio Toulouse, and some of their guerilla bands have even crossed the French-Spanish frontiers and fought skirmishes with Franco's police and army. But so far these activities have failed to break the inertia of the Spanish people. Indeed, against the background of inexorable repression, they look very quixotic. Far from becoming a real challenge to Franco, they have tended to demonstrate the weakness of the opposition.

No force inside Spain can break the political deadlock—at least for the time being. Franco cannot hope to win popular support; nor can the opposition be carried back to power by its own momentum. Both sides are looking abroad hopefully or uneasily for the political stimulus or support they need. Both sides in Spain are looking anxiously across the frontier into France. Meanwhile, Franco is playing upon the fear of Communism both inside and outside Spain, and underlining his "mission" to maintain law and order. At the same time, his new Foreign Minister, Lequerica, is assiduously working the regime's "passage home." Spanish airports have been put at the disposal of American air companies. Freedom of movement for German agents has been restricted. The columns of the controlled Press overflow with pro-Allied sentiment. These efforts have had some success. Mr Churchill has spoken kind words to General Franco. Friendly statements were recently made by Mr Hayes, the United States Ambassador. These pointers restore somewhat the waning self-confidence of the rulers; and they bewilder and confuse the opposition. Franco can console himself that the Nemesis of history is, after all, less frightening than he may have feared. And the Republicans are perplexed by the prospect that the Caudillo may stay when Führer and Duce have gone.

Insurance and Assistance

When the Unemployment Insurance (Increase of Benefits) Bill was before the House of Commons last week Mr Bevin stated quite flatly that neither he nor any member of the Government has accepted the principle that subsistence can be satisfied by insurance. The new rates of benefit, which in some cases bring the sums payable up to the level of those proposed under the social security scheme, are not to be regarded as providing adequate amounts for subsistence.

Insurance has always been regarded, not as subsistence, but as a contribution towards it. That is the whole basis of the Insurance Acts.

It follows, therefore, that the term social security, as applied in Great Britain, is a misnomer. The scheme will provide a national minimum, but a minimum that is below the subsistence level. Subsistence is, in fact, to consist of insurance plus assistance, the only difference between the new system and the old, from this point of view, being that the insurance element will be larger. It also follows that the cost of full social security is unknown because it is impossible to ascertain how many people will apply for assistance to bring them up to the subsistence level. It will be remembered that in 1940, when supplementary pensions were introduced, the number of old-age pensioners who applied for them, and were accepted, vastly exceeded official estimates, which were presumably based on the number who were being given poor law relief. Under the social

security scheme the great body of the sick will also have the right to apply for national assistance instead of "going on the rates," and it can be taken for granted that their numbers will be correspondingly large. What, then, becomes of the social security budget when there are two large unknown factors in it—the level of prices, which determines the cost of subsistence, and the number of applicants who will satisfy the conditions for assistance?

Trade Unions and the Peace

The Trade Union Council has adopted by 5,560,000 votes to 1,350,000 the report of the Anglo-Soviet Trade Union Committee dealing with the post-war treatment of Germany. This committee's resolution states categorically that "the German people cannot be absolved from all responsibility" for the crimes of the Nazis, and condemns "the appeasement policy of those who are endeavouring to mitigate the punishment of the Hitlerite criminals." Thus the Trade Union Council seems to have turned a somersault. Last year, without even a card vote being taken, it passed an amendment deleting a passage in a resolution which fixed the war guilt on the whole German people, and instead affirmed the Nazi regime's responsibility for war crimes. The industrial wing of the Labour movement has now adopted the views of the political wing expressed in the Labour Party's resolution at its 1943 conference and its recent statement of foreign policy. Opinion among the Trade Unions, however, is divided on the issue. The debate was most heated and showed not only division of opinion, but a great deal of confused thinking. One section is worried by the fear of a repetition of the events of 1918 and 1919, and is anxious to help democratic opinion in Germany to assert itself. This view was expressed by the Chairman, Mr Ebby Edwards, in his opening speech, and supported by such unions as the National Union of Distributive Workers, the Amalgamated Engineers' Union and the Transport and General Workers' Union. But the miners, the railwaymen and the general and municipal workers were strongly in favour of the report. The Trade Union Council has further committed itself to the principle of reparations and the view that Germany should make good the material damage caused by its armies. The British side of the joint Trade Union committee, however, proposes that there should be an inter-Allied commission to fix the distribution of labour between the different countries and the period for which it should be used, to lay down hours, wages and conditions of labour, and to prevent any degeneration into slave labour. The fear that German labour might be used in competition with British labour, and that German goods, like coal, would be sent to this country as reparations was uppermost in the minds of those who, remembering the effects of reparations after the last war, opposed their exaction this time.

NHI in Retrospect

Professor Hermann Levy points out, in his latest study of British social insurance,* that full social insurance exists nowhere to-day because in no country can a person, for instance, obtain full compensation for loss of earnings during sickness. It has been quite impossible to obtain adequate contributions from employers and employed or, through the state, from the taxpayer. But other countries do attempt to retain the insurance element by basing compensation upon earnings. The flat rate system, as practised in Britain, is only intended to secure a minimum standard of living—now officially recognised as below the subsistence level—during incapacity. Professor Levy devotes his arduous researches into the history of National Health Insurance in this country to proving how much better is the Continental system of compensation in proportion to earnings. He certainly makes out a very strong case for it. But he has lost his case, for the new social insurance, like the old NHI, but unlike the old workmen's compensation, will be based on flat-rate benefits. Only war pensioners will continue to have any graduation of benefits, it being based in this case on the amount of the disability.

Professor Levy would agree that it is permissible to regard cash benefits, which do not give full compensation for loss

*National Health Insurance. By Hermann Levy. National Institute of Economic and Social Research. Cambridge University Press. 366 pages. 7s. 6d.

of earnings, as reasonable, provided that they bear some relation to earnings. But he states, rightly, that partial medical benefit cannot be accepted.

Medical benefit which is only partly effective is wholly inadequate.

A large part of his book is taken up with exposing the inadequacy of health benefits under NHI. All that an insured person can count on is treatment by a general practitioner and a supply of drugs. But the former, largely because of the conditions under which a panel doctor is compelled to work, falls short of the standard of treatment given to a private patient, and the prescription of a drug—or even of cotton wool, as appears from one of Professor Levy's illustrations—may be queried on the grounds of expense. Thus, even these limited medical benefits are, in Professor Levy's opinion, only partial. Yet there is no provision under NHI for hospital and specialist treatment, nursing, surgical appliances, or dental and ophthalmic treatment, except by way of additional benefits, the distribution of which depends on the financial position of the approved societies; and the extent to which they are granted can be gauged from the fact that the total expenditure on them in 1938 amounted to only £2,580,000, against the £10,535,000 which was spent on ordinary medical benefit. Most of the defects exposed in Professor Levy's valuable study are common knowledge; in any case, NHI is dying, and is to be replaced by social insurance and a national medical service. But those responsible for framing the new schemes will find many an object lesson in his book.

Magistrates' Courts

For good or for evil, the rôle of the amateur in public affairs is getting smaller, and the emphasis is now on experts, technicians and professionals. But the system of lay justice still prevails in magistrates' courts, which, as the Home Secretary pointed out in a speech to the Magistrates' Association last week, in addition to dealing with all the minor delinquencies, deal with nine out of ten of the indictable offences and have a large volume of work of a quasi-civil character, such as affiliation orders and matrimonial cases. A year ago, the Hereford case showed how lay magistrates need, in their turn, to be assisted by the expert, and Mr Morrison emphasised the growing importance of the work of the magistrates' clerk. A Departmental Committee on Justices' Clerks, under the chairmanship of Lord Roche, has reported in favour of an extension of the system of whole-time clerks, which is at present confined to only about a hundred of the thousand magistrates' courts in England and Wales. The other expert who, Mr Morrison said, is essential to help the lay magistrates is the probation officer, whose work is closely related to that of the clerk. In cases of juvenile delinquents, in particular, the probation officer is an essential link between the Bench and the accused. All too often the Bench is composed of magistrates living in an entirely different social sphere from those whose cases they are dealing with. They thus have no idea of the social conditions which affect the life of the young offender. Nor, although they are now asking for the power to impose severer punishments, do most of them trouble to find out the effects of the punishments they can already inflict on the lives and outlook of those they sentence.

Terrorism in Palestine

After five years of more or less outward calm, Palestine has once again come to the fore as a scene of revolt against British rule. The official announcement last week from the Officer Administering the Government of Palestine and the C-in-C, Middle Eastern Forces, stated that since early this year

Palestine . . . has been the scene of a series of outrages, crimes of violence by Jewish terrorists acting with the deliberate intention of bringing about by force developments favourable to the realisation of their political aims. . . .

The crimes include the assassination of members of the security services, the destruction of Government buildings valued at "scores of thousands of pounds," and an unsuccessful attempt to assassinate the High Commissioner. It is probably not a coincidence that this announcement was made so soon after the decision to agree to the formation of a Jewish brigade. The latter was refused for so long—and is unwanted by the majority of Jews, who prefer to fight side by side with their own compatriots—that the

consent at this stage of the war is possibly a concession calculated to win the co-operation of Jews who have extreme political ambitions, but deplore the methods of the terrorists. If this is so, it is unfortunate that the wording of the announcement on terrorism reads as if the Palestine administration held the whole Jewish people, in whatever country, responsible for it. There is a universal tendency to regard the "good" Jew as the exception and the "bad" Jew as the rule, and it is sad to see an administration which claims to be impartial between Jew and Arab fostering the fallacy. It is hardly the way to win the collaboration of the Jewish community in Palestine in putting an end to the terrorism of the few.

Equal Pay

The Royal Commission on Equal Pay held its first meeting in London this week. The members were announced in the House of Commons by Mr Attlee last Thursday and the commission's terms of reference summarised as follows:—

To examine the existing relationship between the remuneration of men and women in the public services, in industry and in other forms of employment; to consider the social, economic and financial implications of the claim for equal pay for equal work.

The selection of members for this subject presented the difficult problem of combining impartiality in the commission with representation of two diametrically opposed approaches to the problem—that which stressed the justice of the claim and that which stressed its practical disadvantages. The list of commissioners satisfies both needs. The chairman, Mr Justice Asquith, will ensure that the question of altering the law of responsibility for the family, should the claim for equal pay be allowed, will be fully considered. At present, the father of a family is fully responsible, by law and convention, for providing food, shelter and clothing for his wife and children. If equal pay for equal work were to become the general rule, this would be a good opportunity to match the new economic rights of women with some increase in their financial responsibilities before the law. In discussing the economic problems of enforcing equal pay, the Commission will have both the advice of a seasoned economist, Professor Dennis Robertson, and of a representative, the Hon. Jasper Ridley, of the two categories of employers, the banks and the insurance offices, which are most widely known for paying their women staff at a lower rate. In addition, the Commission includes Dame Anne Loughlin, first woman chairman of the TUC; Dr Janet Vaughan, for the professions; Mr John Brown, heavy industries trade unionist; Miss Nettlefold, woman company director; Mr C. S. Robinson, representing the government in its rôle of employer; and Lady Limerick, member of the LCC for South Kensington and of the Ministry of Labour's Women's Consultative Committee.

Freedom of Comment

The Economist of August 5th contained an article entitled "Britain and Argentina," in which comments were made on the policy of the United Kingdom and of the United States towards Argentina. Some of these comments were critical of American policy, and therefore distasteful to Americans. What is of relevance to the rest of the story is not whether the views expressed were correct, but that they were the honest views of *The Economist*, arrived at after some study and thought and reflecting (as has since become apparent) the opinions of a large section of the informed British public. Reuters cabled the article to its clients overseas, among them the newspapers of Argentina, who printed extracts from it. For this action Reuters received a protest from the American Chamber of Commerce in Buenos Aires, not on the ground that the text was inaccurate but that it was objectionable to them. And, to cap all, the Buenos Aires manager of one of the American news agencies has undertaken that his news service to Argentina shall no longer be polluted with extracts from *The Economist*. No further comment need be made upon this remarkable episode than to hope that it is not a typical example of what the American Congress meant by its demand (usually thought to be directed against the British) for an international guarantee of the "world-wide right of interchange of news by news-gathering and news-distributing agencies, . . . by any means, without discrimination as to sources, distribution, rates or charges."

AMERICAN SURVEY

The Public and Foreign Trade

(From a Correspondent in North Carolina)

AT the moment when American post-war policy in international trade is in process of determination, public opinion is in a somewhat curious state. There has never been so much general enthusiasm for the removal of trade barriers and the expansion of world trade. There has never been less apparent popular support for the protective tariff, and its proponents have never been less vocal. There is even an exaggerated recognition of the rôles played by the U.S. protective tariff in the development of trade barriers throughout the world.

There is, however, not much realisation of the basic changes which have taken place in the nature of international trade since 1914. The extent to which international trade is no longer between the private individuals or corporations of one country and those of another, but is also between governments and their agencies, which may deal either with their opposite numbers or with private individuals and corporations, is pretty generally overlooked. American public opinion, likewise, has not recognised the necessity for confronting the dilemma posed by the attempt to free international trade from national controls while national governments continue to control domestic price levels and to carry out their own particular domestic economic programmes.

The decline in public support for the protective tariff is due in part to the growing importance of that sector of American industry which has convinced itself by decades of successful experience that it can compete in world markets without benefit of either tariffs or subsidies. This is particularly true of the producers of automotive equipment and of machinery of all sorts. These industrialists are quite aware that increased sales of goods by foreigners in the United States would increase foreign purchasing power for their products. Consequently, manufacturers of products in this category are increasingly becoming supporters of free trade.

Not the least curious aspect of public opinion in the United States is the evidence which it offers that the earnest indoctrination of generations of college students by their professors is at last bearing fruit of sorts. American professors of economics have taught with reflected missionary zeal the British classical doctrine of free trade. On a people living in a continental economy this doctrinal garment has not hitherto rested easily. The case is different now. It is no longer considered quite respectable, even in industrial circles, to advocate the protective tariff. It is ironical that the achievement of this pedagogical triumph of the acceptance of the principles of free trade by the more literate public should come at a time when these doctrines in their simplest nineteenth-century form have been pretty generally emasculated in fact and repudiated in principle by the rest of the world.

Thus there is in the United States, at least momentarily, wide enthusiasm for the benefits to be derived from foreign trade. These benefits are rarely thought of in terms of the receipt of larger quantities of imports. Americans instinctively are inclined to think of world trade as a means of getting rid of surpluses. Everybody is concerned with the disposal of forthcoming agricultural surpluses as well as with the disposal of the already vastly expanded production of airplanes, machine tools, aluminium and magnesium. Foreign trade is often offered as a sovereign remedy for unemployment through getting rid of "these burdensome surpluses." Foreign trade is supposed to solve, in some vaguely magical way, "the problem of over-production." The effect of domestic full employment in increasing both imports and exports is, however, as yet an intellectual novelty.

Few are willing to spend much time on the question of what specific imports the United States should accept in increased quantities when it comes actually to lowering

tariffs. There is likewise little apparent concern about what goods and services should be received in payment for these "surpluses" of which foreign trade is to rid the country. There is, indeed, a quaint nation professed by a good many enthusiasts for international trade that there is no need to worry about that if arrangements are made to lend or invest enough, indefinitely, to supply as many dollars as foreigners might wish to use for the purchase of American goods and services.

Exchange controls, import quotas, bulk purchases by government, bilateral agreements and cartels (but not commodity agreements!) are pretty generally discussed as though they were invented by Hitler. It follows that all nations are expected, upon the defeat of Hitler, to remove these controls with the same enthusiasm which the French Forces of the Interior demonstrated in rising against the German forces occupying Paris. Little consideration is given to the argument that these national controls of foreign trade originated, in part, because of fundamental difficulties in the maintenance of equilibrium in the international balance of payments. There is little realisation that these controls in various countries were part of the effort by national governments to maintain domestic employment and that the effort often met with a considerable degree of success, even aside from the "export of unemployment" to other countries.

In this state of public opinion it is not easy for American bankers, for example, when they try to make up their minds whether to support or oppose ratification of the International Monetary Fund, to understand why any country would wish to retain some features of exchange control or wish to abolish them only gradually. It is likewise not apparent to them why it is at all necessary to allow a country, once its currency is stabilised at a "sound ratio," to devalue that currency in order to remedy a fundamental disequilibrium. This state of mind in financial circles adds up to the nostalgic conviction that "The way to remove trade barriers is to remove them and not to create a lot of new and complicated institutions which would merely substitute international controls of trade for national controls."

There is undoubtedly widespread willingness in the United States to make what is somewhat sentimentally expressed as "sacrifices and contributions for the promotion of international peace and prosperity." This willingness is substantial enough to furnish at least the minimum popular support necessary for UNRRA, the International Monetary Fund and the International Bank for Reconstruction and Development if these are presented to the public as prerequisites for the resumption of normal international economic activity.

This willingness has, however, sometimes been interpreted and publicised to mean that the American public, convinced of American capacity to produce more than can be domestically consumed, is prepared to extend Lend-Lease or to make other loans available indefinitely to other countries. In this way, so the story goes, there need never be any shortage of United States dollars to hamper the self-expression of mankind in international trade.

There is little ground upon which to base expectancy for the fulfilment of any such hope. As soon as public opinion realised that this unlimited supply of United States dollars would have to be furnished by the American taxpayers or through the issue of purchasing power by the Treasury which would otherwise be available for domestic uses, the political reaction would be virulent.

This reaction would be strengthened by general public realisation of how low the standard of living among a large section of the American people really is. The sooner it is understood in all countries that the provision of adequate domestic purchasing power for the products of industry must be the corner stone of national economic policy and that real equilibrium in the international balance of payments must be based thereon, the brighter the prospects for an expanded world trade will be.

American Notes

Foreign Policy in Politics

The importance of the decision of the *New York Times* to support Mr Roosevelt for a fourth term—though it deserted him for Mr Willkie in 1940—and the arguments which have prompted that decision can hardly be over-estimated. This is not only because of the influence of the *Times*, though this is more nearly national than that of any other newspaper, but because of the key it provides to the "hard thinking" which must now be engaging many independent voters. The issue of foreign policy is the touchstone by which the *Times* has tested the claims of Mr Dewey and Mr Roosevelt; and it has been led to support the President by its conviction that, on foreign issues, the Republican party is still so deeply divided that Governor Dewey, if he were elected, would find

that his mandate was obscure, his purposes were questioned and his authority was inadequate to the great demands which history would make upon it.

On the other hand, the world-wide prestige and the long experience of Mr Roosevelt might prove to be one of the most important cohesive forces

in binding together the new world organisation in its first experimental years.

It can hardly be a coincidence that such frank doubts of Mr Dewey's ability to carry his party with him on the pre-eminent issues of foreign policy follow so closely upon the removal of Mr Willkie from his accepted position as guardian of Republican internationalism. In the minds of many voters Mr Willkie must have been regarded as the main guarantee against the ascendancy of its isolationists and nationalists in the Republican party. With this safeguard removed, many of Mr Willkie's friends and followers may, reluctantly, conclude, like the *Times*, that Mr Roosevelt will prove a more effective executor of responsible American participation in world affairs than Mr Dewey. In California, Mr Crum, the leader of the "Willkie Republicans," already has announced his intention of voting for Mr Roosevelt. Governor Dewey has, with great pains, endeavoured to establish the contention that in the field of foreign affairs there is such a basis of agreement and co-operation between the two parties that no issue exists. His endorsement of the Dumbarton Oaks plan followed within a few hours of its publication. It now looks as though this thesis may have received a mortal blow. In his foreign policy speech this week Governor Dewey will probably attempt to re-establish his claim to be very whit as enlightened on foreign issues as the President; but it may be too late to halt the exodus of Willkie Republicans.

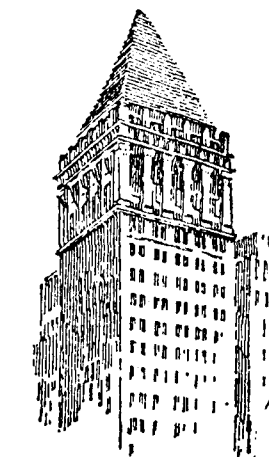
The Last Lap

Prophecies of a small Presidential poll have been jolted this week by registration figures running in many cases not far behind those of 1940, and in some cases actually ahead. In New York City, the key city in a key state, registrations, which are now closed, totalled 3,216,000, only 174,000 below

those of 1940. This did not include 335,000 applications for soldiers' ballots which, if they are returned in time, will bring the total above that of 1940. Reports suggest, indeed, that despite the awkwardness of the state laws, soldier participation may be on a heavy, if not a decisive, scale. For this credit must go to the efficiency of the Services in distributing the more than 4 million ballots which have been requested. At home, the responsibility for getting out the registrations seems to have been borne largely by voluntary workers; and they in turn have been stimulated by a growing bitterness of feeling which has been particularly noticeable in the Democratic camp. In families which have been respectable Republicans for generations there are new splits between the younger and older members; and there are picturesque accounts of a taxi-drivers' unofficial campaign, which includes the refusal to carry passengers who look as though they might vote for Mr Dewey. The Gallup poll suggests that the race will be even closer than it looked last month. The popular vote now divides 51 per cent to Mr Roosevelt and 49 per cent to Governor Dewey; but it also reports a significant gain of 20 electoral votes for the Republicans and a loss of 41 for Mr Roosevelt since September. The tally by states now gives Mr Roosevelt 243 electoral votes against 228 for Mr Dewey, with 268 necessary for election. This prospect of something like a dead heat no doubt is responsible for the vigour with which both parties have been cultivating the foreign minority groups. In this process Governor Dewey has a freer hand than the President, and in the past week he has denounced the "unfair treatment of Poland by her Allies," demanded unrestricted immigration into Palestine for the Jews, and warmly endorsed Italy as "friend and ally." This policy of easy promise is not without its dangers, suggesting as it does the irresponsibility of opposition; and it may lose as well as gain votes. In his recent speeches Governor Dewey has returned to his rôle of prosecuting attorney; and has made a part of his arraignment the accusation of Communism which other Republicans have found so profitable a line of attack. This is a charge easier to sustain than might be thought, for in the American political vocabulary Communism is often synonymous with Government ownership; and it exploits the growing hostility to Russia so evident in the United States. Mr Roosevelt has been keeping himself in reserve, but with his speech on foreign policy scheduled for next week he is expected to lift the campaign from the rather dreary level of accusation and denial which has characterised it so far.

Cutting the Knot

There is rather less confidence to-day than existed in the early summer that the Senate will accept the ideas embodied in the Dumbarton Oaks draft. This is implicit in President Roosevelt's caustic remark that some people prefer to stir up dissension over such details as whether silk hats or low-neck dresses would be worn rather than concentrating on major objectives. The objections are not quite as trivial as that. The unfinished business of Dumbarton Oaks—the right of a Great Power to sit in judgment in its own dispute—bulks larger in some minds than



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the area of agreement already won; and as Senator Ball has pointed out, the line that America must know the details of the peace before it agrees to support it is the foundation of the isolationist strategists, who do not dare to launch a direct attack. It is said that in order to circumvent those who would like to limit the extent of American participation, the Administration may submit the proposals piecemeal. In this connection the suggestions of Senator Connally and Senator Austin in the October bulletin of the Peace Society are receiving serious attention. They proposed that while American participation in the new league should be made the subject of a treaty to be ratified by the Senate, the authority of the American member of the Council should later be the subject of a statute which would require only a majority vote of both Houses. Senator Connally is the Administration spokesman on foreign policy, Senator Austin one of the most far-sighted members on the Republican side. Any plan which bears their name cannot lightly be dismissed; and there is undeniable ingenuity in their scheme for getting around the need of Senate ratification for the most controversial aspect of the Dumbarton Oaks plan. At the same time it is sometimes easier to get an unpalatable dose down at one gulp; and a policy of little by little may offer prolonged opportunities for obstruction. It is by no means certain that it would not be as easy to obtain a two-thirds majority in the Senate now as a majority in both Houses in six months' time, when the opposition has had time to organise.

Escape Me Never

A great crowd surging and swaying in Times Square; mounted policemen on parade; traffic lanes choked; ecstatic cries, frustrated groans, and periodic shouts of "Give her

air—she's fainted again" might lead an intelligent Polynesian to suppose that election fever had reached its height. But the scenes of mass enthusiasm daily staged in the heart of New York have nothing to do with either candidate or either party; neither with the war in Europe nor the war in the Pacific. These public raptures are excited by the "personal appearances" at stated hours each day of Mr Frank Sinatra, a singer of sentimental ballads. Being a modest young man, Mr Sinatra would probably concede that Mr Roosevelt has greater charm, that Mr Dewey has a richer voice, that Governor Bricker cuts a finer figure of a man, and that Senator Truman is far more folksy. Yet every hour young women are swooning at the very sight of Mr Sinatra—and none of the national candidates has yet achieved that result. His wizardry mainly affects 'teen-age girls, the bobby sockers or soxers, as they are called on the front page of every American newspaper. Innumerable young American males angrily demand, "What has he got that we haven't?" and professors of psychology interviewed by the press obligingly grapple with the problem. Their theory that Mr Sinatra appeals to the mothering instinct is coldly received by older matrons, who point out that young men of slight build, commonplace looks and a talent for warbling can be found to mother in any city block or village Main Street, and it is not necessary to pay to see them. The Sinatra cult will always be worth a footnote in social histories of the Greatest War. There was an agitated buzz at Republican Party Headquarters the other day when Mr Sinatra called at the White House to give the President assurance of his support in the election. The alarm was short-lived, for it was realised that Mr Sinatra's political influence can hardly be effective at least until 1948, when his army of delirious admirers reach voting age. By that time they presumably will be thinking of some other heart-breaker.

THE WORLD OVERSEAS

Germany's Food Situation

GERMANY'S harvest is almost in, but the distribution of cereals and root crops in preparation for the winter is still in full swing. Once again, the country is almost cut off from foreign food supplies. There are no longer any additional foodstuffs available from Russia, the Balkan countries and western Europe, and the surpluses from Western Poland, Czechoslovakia and Denmark have no appreciable effect at a time when at least eight million prisoners of war and foreign workers have to be fed from German supplies. In fact, the military and political situation has forced the authorities to give foreign workers employed in German agriculture and industry the same rations as German workers.

What has been harvested in Germany this autumn will have to last for human consumption and for feeding livestock until the new harvest begins in 1945. The question arises, therefore, whether Germany will be able to carry on the war this winter with the foodstuffs available.

Germany began the new agricultural season with a reduction in the weekly bread ration for normal consumers from 5½ pounds to 4.9 pounds. The potato ration, which was severely cut last year, has been fixed preliminarily at 7.7 pounds per week. The fat and meat rations have so far remained unchanged. Since the food situation must be judged by the changes in rations rather than by official crop announcements, the new bread ration indicates clearly that this year's cereal harvest is smaller than in 1943 when the potato crop was almost catastrophically low—barely sufficient for the needs of human consumption. During the 1943-44 season, the shortage of potatoes and vegetables was compensated by larger bread rations. In 1944-45, potatoes will again replace bread. It looks as if there will be no change in the supply of calories if adequate supplies of vegetables, meat and fats can be maintained.

The real difficulty, which will be apparent in the agricultural industry rather than in consumers' supplies, is, however, beginning. Cereals, root crops and vegetables and even fats and meat rations will probably be maintained on the present basis for the whole winter. But this is only

possible by sacrificing more of the pig population because of the shortage of feeding stuffs. In 1943 and 1944 there was a steady decline in the production and supplies of feeding stuffs. Almost one-half of the pig population had to be slaughtered last year, and in 1944 the milk yield has tended to fall, although the number of dairy cows increased. This is the result of dwindling supplies from foreign countries and of concentrating on the cultivation of oilseeds and vegetables for human consumption.

During 1943-44, the acreage under oilseeds was extended by 25 per cent to 1,500,000 acres, but the harvest will be no larger than in 1943 because of reduced yields. The cultivation of oilseeds demands very intensive work. Additional labour had to be used and other crops had to be neglected. This one example shows the peculiar difficulties of Germany's agriculture—even if the weather is ignored. During the whole war there has never been any possibility of increasing the overall agricultural output. The steadily growing difficulties in the supply of machinery, tractors, fuel and fertilisers have made the employment of more labour necessary. For years prisoners of war and foreign workers have replaced peasants and agricultural workers who were called up. Yet it was only possible to maintain pre-war cultivation.

Now, even in Germany, the available land is being reduced in the frontier regions of the east and the west and by the big dispersal of war factories all over the country. The full impact of German defeats and withdrawals is not yet shown in the accounts of this year's harvest. In East Prussia, as well as in the western provinces, the harvest was not only delayed by unfavourable weather conditions, but also by the call-up of every available man and woman for digging trenches.

The statement that medium cereal and potato crops have been harvested may be quite true if they are measured in tons, but there is reason to believe that the quality of the crops is rather below average. The evacuation of frontier regions and the heavy burden placed on the railways by war transport have, in addition, undoubtedly affected the

very complicated storage system which has been changed almost every year. One year additional storage capacity was needed for cereals and in another year for potatoes, according to the changes of the weather and the harvests.

German agriculture and the food processing industries have revealed during these five war years more changes than during a whole generation in peace-time. In 1943-44 the potato-processing industry, manufacturing alcohol, potato-flakes and flour, starches and so on, was almost at a standstill. The potatoes were used for human consumption. A considerable part of the sugar-beet crop had to be diverted to the production of alcohol, which was badly needed as motor fuel and for a great number of industries. New processes had also to be found for making sugar-beet suitable as fodder for pigs. A year earlier the baking industry had to learn to make bread from a mixture of rye, wheat and barley. It was relatively easy to expand the acreage under oilseeds, but the hardening of some of the vegetable oils so that they can be used as substitutes for butter, margarine or lard has not been solved satisfactorily.

Similar problems had to be solved with almost all other foodstuffs. Mass feeding is being practised on a very large scale. New cooking facilities had to be manufactured, some of them mobile to meet the requirements of bombed-out people. For a long time Germans have been eating potatoes in their jackets, and in large kitchens the potatoes are sometimes peeled by flames in order to save as much as possible of the potato. It is clear from all these more or less elaborate processes that the utmost economy in foodstuffs has been necessary during the whole war. With each new season the percentage of bulky foodstuffs, like vegetables, cereals and potatoes, in the diet has increased. All foodstuffs, particularly bread, fats and meat, are, however, distributed in a very complicated system of differential rations, which even today allow adequate rations for the Wehrmacht and for certain important categories of workers. The overall supply situation suggests that there will be no sudden deterioration in rations if it is assumed that the fighting remains more or less static.

This Year's Plan

The first stages of the agricultural plan for 1944-45 are now being carried out under extreme difficulties. There is first of all, because of military retreats, a reduction in the area to be sown and planted. Next, the fertilizer quotas, especially nitrogen and phosphates, have again been reduced. No relief is expected and indeed possible in the labour shortage. The peasants are overworked but are still under effective control, which is partly mitigated by a system of privileges and premiums. Allotment gardening and the breeding of backyard poultry and rabbits by townspeople have either declined, because of bomb damage and overwork at factories, or have been restricted in order to save feeding stuffs. Generally speaking, there is little possibility of eking out rations by buying in the black market or by allotment gardening. The fact is that the Germans have almost nothing beyond their rations, which have become increasingly monotonous. Fruit, tobacco and alcohol are rare commodities. The cigarette ration, for example, has been reduced to two cigarettes per day. Citrus fruit, raisins, olives from Spain, Italy and the Balkans have disappeared.

The present distribution of supplies depends on a very complicated system of control and zoning. If the administrative machinery is disrupted, the system of delivery and the supplies for the towns will at once be affected. Local stocks are soon exhausted as bombing has shown. Each new advance of the Allied armies enforces changes in this system. A shortage of railway trucks may undo the careful plan for the distribution of potatoes and other foodstuffs.

At the moment of defeat Germany should be supplied with foodstuffs sufficient for continuing the present rations, but it is very doubtful whether the distributive machinery would still be in working order. Severe shortages, mostly of a local character, will be unavoidable, and the mass movements of foreign workers and of Germans trying to get back to their former places of residence will make any adequate distribution of available supplies impossible. The harvest of 1945 will certainly be smaller than in 1944 even if the weather should be favourable. It cannot be doubted that the agricultural administration will kill off a considerable part of the livestock in order to maintain the meat ration during the winter. The soil will show signs of exhaustion, because of the shortage of fertilizers and machinery, and for some years yields will be low. In fact, German agriculture will probably experience even greater difficulties than after 1918 when for more than four years production remained at a very low level.

Japan's War Economy

[BY A CORRESPONDENT]

A GERMAN newspaper correspondent, writing from Tokyo, has called the attacks on the Mariana islands, with which this year's American offensive started, the "Stalingrad" of the Japanese people. Early this year, an "austerity" campaign was opened in Japan which can certainly be compared with the German anti-complacency measures after the first serious reverses of the Wehrmacht. The Japanese tea-houses and theatres, as well as all "luxury" shops, have been closed; no railway tickets may be sold for pleasure trips; students are liable to do labour service; the evacuation of children and others who have no business in the big towns is recommended by the authorities. More significant still is the mobilisation of the country's woman power which began only a few months ago. At least 60 per cent of all employees in banks, insurance houses, catering establishments and post offices have to be women or girls; the minimum quota for the motor, rubber and oil industries is 30 per cent; and for other engineering and shipbuilding establishments 10 per cent. Last year's programme for telescoping all unessential industries seems to have been carried through by June this year; and a survey which was published towards the end of 1943 shows that at that time as many as two-thirds of all textile factories had already either been closed or put at the disposal of other factories or industries. The number of clothing coupons, which were barely sufficient in 1943, have now again been cut by 50 per cent for all persons up to 30 years of age, and by 60 per cent for the older generation, whose members are supposed to have larger pre-war stocks. Clothing habits have already been greatly affected by these new measures. Kimonoes are out of fashion as they require too much material; the Japanese girl, 1944 edition, wears a utility suit with trousers.

The industrial strategy of Japan is best illustrated by the list of "key industries" which have first priority with regard to the supply of labour and raw materials; among these are the aircraft industry including the manufacture of all accessories and of auxiliary machinery, and those producing light metals, iron and steel, aircraft fuel and lubrication oil, as well as coal mining, munition production and shipbuilding. The first place among "essential" industries was formerly taken by shipbuilding, but, to-day, aircraft production is by far the most vital industry. The Japanese claimed early this year that the volume of aircraft production had doubled during the preceding twelve months; more recently, a spokesman of the Ministry for Production boasted that the output of aircraft is now larger in Japan than in any other country with the exception of the USA. Considerable attention is also given to mining activities, particularly in Japan itself and in the Chinese and Manchurian territories near the Japanese islands. Recent production programmes provide for an increase by 60 per cent in the output of iron ores, and by 30 per cent in the output of copper ores, although some of the new ores will probably be low grade. The mining company of the Mitsui Trust has recently doubled its share capital, largely in order to expand its coal mining.

A new industrial hierarchy is being built up, under the control of the Ministry for Production, itself a fairly new Government department, but with the active collaboration of the big industrialists, whose economic and social power is bound to be further increased by these new measures. The general managers or other leading employees of certain big establishments in a number of "key" industries have been nominated as Government trustees for production; Government orders are given directly to these "trustees," who are responsible not only for the output in their own works, but also for a number of companion factories which are being combined with the big works for the purpose of war production.

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Various technical reforms have recently been introduced. It was claimed a few months ago that a simplification and rationalisation of the types used in the machine-tool industry had led to savings of raw materials ranging from 30 to 50 per cent, within the preceding six months. Shift work is being introduced in an increasing number of key factories, often against considerable technical obstacles. The rigid price-control measures which sometimes acted as a brake on output, even though they could not stop an increase in wholesale prices by some 40 per cent between 1939 and 1943, have now been considerably loosened; the control of prices has been decentralised; the prices of light metals and other essential products have been increased; and, most significant, a system of special premiums has been introduced which are being awarded to industrial establishments for any outstanding successes in production. These new concessions may, of course, further endanger the price-mechanism; and it is perhaps significant that, according to a recent report, the Japanese now also contemplate a general increase in wage-rates.

Price-premiums for special achievements are also among the measures designed to raise the agricultural output, particularly the output of rice and other staple foodstuffs. The Japanese Government has completely stopped the importation of rice, mainly in view of the shortage of shipping space. Minimum quotas of rice have been fixed for every peasant, for the first time this year, which have to be delivered to the marketing authorities. In addition, peasants have been urged to cultivate wheat, barley or oats during those months of the year when their rice-fields would otherwise be unused; this year's harvest of grains other than rice has been as high as 27 million koku (one koku equals 4.96 bushels), compared with a harvest goal of 70 million koku of rice; consequently the "rice" ration of the town population now consists of a mixture of rice and other cereals. Potatoes are also cultivated in larger quantities than before; but otherwise vegetable-growing in the villages is to be discontinued or to be very considerably reduced. The cultivation of green vegetables is stimulated, however, in the form of allotment-gardening by the townspeople themselves, so that valuable peasant labour and transport may be saved for more essential purposes. More important from the point of view of the farming population is the fact that fruit-growing and silkworm cultivation are also discouraged by the Government.

Mexican Development

[FROM A CORRESPONDENT IN CALIFORNIA]

THE war has advanced Mexico's industries greatly. For the first time the country has its own blast furnaces, tin-plate and sheet mills. The steel industry has doubled. Chemicals are made in more than 100 factories, large and small, established since 1942. Wool, leather and textiles are being exported. Dehydration plants multiply. Recently, manufacturing has been contributing some 1½ million pesos to Mexico's yearly production as compared with about 700 million pesos from agriculture and another 700 million from mining.

New foreign capital has gone into these industries. A year ago it was arriving at the rate of some \$600,000 weekly; between October, 1940, and February, 1943, it totalled some \$100 million. Commercial deposits nearly trebled in three years. Investments have centred mostly in the industrial areas, including Monterrey, Guadalajara, Tampico, Veracruz, Cordoba, Merida, Puebla, and, of course, booming Mexico City. The new money has been helping to finance lumber, mining, shoe manufacturing, construction companies, swanky night clubs, magazines and business papers, homes, apartments, and expansion and improvements in previously established Mexican firms.

But since the Mexican Government's decree of July, 1944, placing most foreign investment under Government control, many foreign businessmen feel uneasy. Recently, North American bankers have been pooling funds for Mexican ventures. Yet Mexicans say they welcome foreign money seeking enterprises in partnership with Mexican capital and Mexican participation in administration.

To-morrow's investments will concentrate on Mexico's two greatest needs; better land-use and transportation. Industries now rest on a crumbling agriculture. The land and its use are the country's greatest weakness and greatest potential strength. If Mexico masters her Good Earth, she may move far toward self-sufficiency. If she fails, she faces only trouble. Her two major post-war tasks are greatly to

increase acreage yields, and to get supplies and labour to the farms and take crops out—which means roads and railways. In some states 64 per cent of all communities can to-day be reached only by mule trails unfit even for ox carts. Though Mexico is larger than Germany, France, Spain, and Italy combined, she will never till more than one-eighth of her total area. And even this will require millions in investment for reservoirs, hydroelectric dams and plants, irrigation canals, drainage ditches and the clearing of immense jungles. In 1930, only some 56,000 square miles of the country was fit for ploughing, and of this only 3.6 per cent was tilled—an area a little larger than Eire, some 17½ million acres. This cropland might support Mexico's people fairly well, were the peasants not bound to Stone Age methods of farming. But their primitive techniques have combined with the land's ill-distributed rainfall and depleted soils to create what may easily become a major land crisis.

The peon, a notorious soil robber, has for generations used the crudest tools of his ancestors to plant tiny patches of corn and beans year after year. Soil conservation and machinery are new and strange to him. Mexican farmers have mostly worked the pleasant central plateau, to which they are biologically adapted. To-day the central states hold about 45 per cent of all Mexico's farmers, but only 15 per cent of the total available cropland. Bad farming on exhausted land has led to steadily dwindling crop yields.

To-day Mexico's yields are among the world's lowest. Each year about as much acreage is planted to maize, the country's greatest diet staple, as to all other crops combined. Yet out of 45 maize-growing countries, Mexico ranks 38th in yield. Bean yields average from a quarter to a fifth of those obtained in the United States. Mexico has been ranking 59th out of 62 countries in yield of wheat land. Cotton yields have been low, though the acreage has increased.

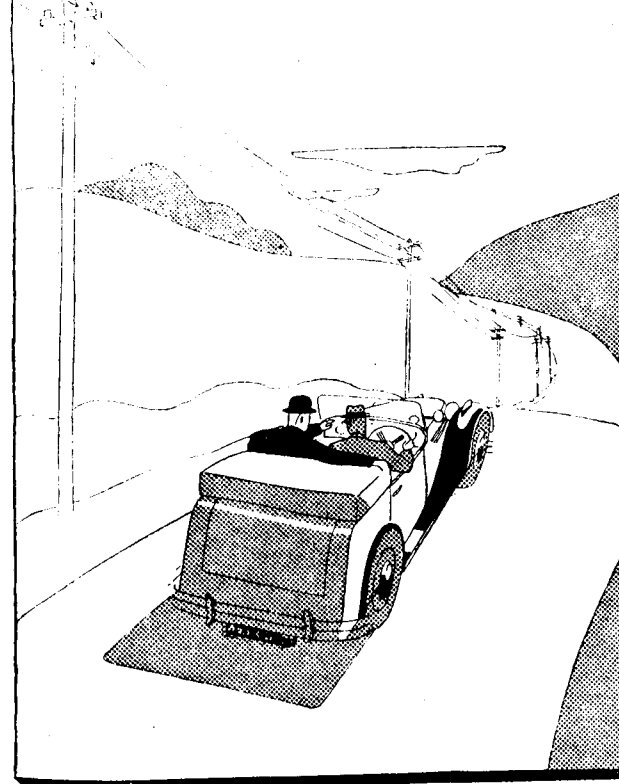
Inadequate financing and equipment, small holdings that cannot be profitably mechanized, and primitive farming have combined to perpetuate agricultural decay. To offset some of these disadvantages the Government has recently been redistributing acreage formerly controlled by large land owners under the "ejidal" system which provides grants of land to villages for family or collective use. The Government has been hoping to bring much irrigable land under cultivation. Late in 1943 about 10 per cent of cultivated land was irrigated. By 1946 Mexicans hope to have 2½ million acres irrigated, thus bringing closer to reality the hopes expressed by President Camacho: "The future of our agriculture lies in the fertile land along the coasts. The displacement of our population toward the coasts will relieve the congestion of the central plateau, which has been exhausted by the colonial policy of abandonment to the traditional maize farming of the Indians."

To this end, the Government has in view some of the best lands on the West Coast. To-day this area's only important irrigation system is around the Angostura Dam in northern Sonora, which can irrigate some 140,000 hectares, chiefly benefiting the important Yaqui Valley. Other projects are planned to irrigate cotton land in Lower California, a valley along the Rio Fuerte which is potentially capable of rivaling the Imperial Valley over the border, and the rich Laguna Valley.

All this will help. But land reclamation must be accompanied by a revolution in transportation, which has all but broken down. Since the time of Diaz, who built 18,640 kilometres of railroad during his 30-year reign, Mexico has added only some 700-odd kilometres to her main lines. The potential wealth of some of her richest states lies untouched and almost unknown for lack of rails. Mexican experts estimate that for every peso invested in the railroad industry up to 1900, some 13 pesos were added to the total public wealth. To bring every spot within 40 kilometres of a railway, the country must have at least 50,000 kilometres of main line tracks. Rehabilitation has begun, but on an insignificant scale—recently the Federal Government provided some 350,000 pesos to recondition rights of way and rolling stock on its Kansas City, Mexico and Orient Railway, connecting Chihuahua and Sonora, and linking with American railroads at the border.

The Government—and only the Government—can make headway in Mexico's two great post-war problems. But can it find the money for such vast rehabilitation? If not, the last hope is barter. The brilliant and busy Constantine Oumansky has recently opened Soviet headquarters for the Western Hemisphere in Mexico City. It may be that Russia will help.

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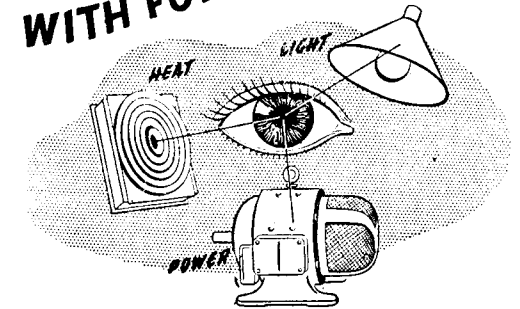


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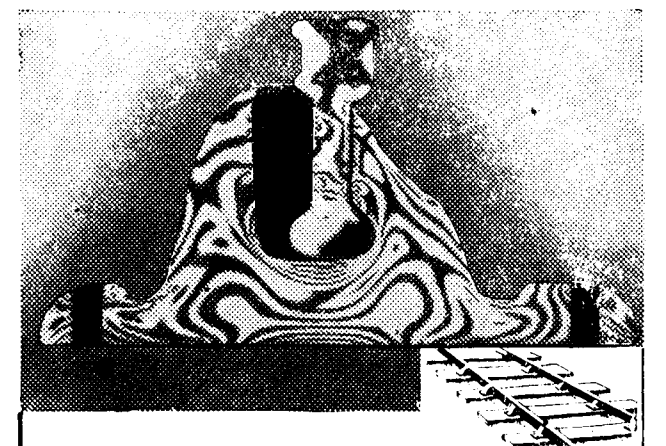
PRACTICAL SUGGESTIONS. See that every point of usage of heat, light, and power is a Fuel Watcher's responsibility to prevent waste. Make sure that your system covers each department. Post in each department practical directions for the economical usage of steam and water, gas, electricity, oil, and compressed air *in that department.* Encourage suggestions and schemes from all your Fuel Watchers for even greater savings of coal, steam, hot water, gas or electricity, oil, and compressed air. Give every suggestion *personal consideration.*

Together, a good Fuel Watching System and the intelligent use of your Fuel Efficiency Bulletins cannot fail to yield immediate and very welcome economies of coal gas, and electricity.



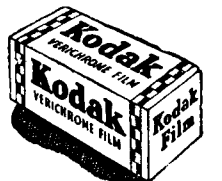
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THE BUSINESS WORLD

Unilever Accounts

THE publication of a consolidated balance sheet by Lever Brothers and Unilever, Limited, marks another milestone on the road towards informative accounts. The company controls concerns covering every stage of operation from raw material production to final retail selling. These concerns carry on business in a number of different currency areas, and the consolidation of accounts expressed in currencies which may vary in value against one another obviously presents problems and may call for considerable discretion in interpretation of the result.

If, realising these limitations, as they do, the board of Lever Brothers and Unilever, Limited, think it worth while, even under some pressure from public opinion, to publish a consolidated balance sheet, the arguments against the publication of similar figures by less complex groups are reduced to vanishing point—that is unless they are frankly based on a belief in obscurity for its own sake. It may be of significance that the chairman of the company is a member of the Cohen Committee. In view of the considerations stated, the directors point out that the balance sheet can only be taken as a general guide. Its value is further weakened by the absence of similar accounts—or, indeed, any—for the Dutch associate (usually known as “Unilever NV”) to distinguish it from the British company “Unilever, Limited”) and by the fact that the figures of the United Africa group are partly estimated, since their accounts are made up to end-August. These are mainly matters over which the board have little control. It is more interesting to consider how far they have gone in those where they are free to act.

As will be seen from the accounts, set out in detail on page 555, the general presentation of the balance sheet is in accordance with the main lines of the recommendations of the Institute of Chartered Accountants. Reserves are properly grouped and separated from provisions. The latter, however, are mainly included under a general heading with current liabilities. For the most part all the items under this main head fall to be dealt with during the current year. But two of them, replacement of ships and exchange differences, are of a completely different character. Their meaning is clearly explained in the body of the report, as it should be, but it is arguable that it is over-conservative to deduct them from liquid assets in calculating net working capital. The former is depreciation in suspense, to be used to write down new ships to pre-war valuations as and when they come into service. The latter is a reserve against exchange fluctuations.

The remaining items of the accounts are more or less self-explanatory, except for fixed assets, which, perforce, raise a problem of some complexity. Not only is there no subdivision of tangible assets, but these are lumped into one figure with goodwill and, according to the rubric, “premiums less discounts and capital reserves” of the consolidated companies. Included in these deductions is £1,669,161, representing a reserve of the parent company resulting from a valuation of shares in subsidiary and allied concerns in 1937.

(It may be remarked, parenthetically, that the parent company appears to have changed its practice about the treatment of share premiums—or at least their presentation in the accounts. The balance-sheet shows, as a capital reserve, premiums on shares issued. Some of these were issued in exchange for holdings in subsidiaries. But during last year, when Batchelor's Peas was taken over, largely, by such an exchange, there was no increase in premiums disclosed. Had an issue for cash been made and the cash used to buy shares in Batchelor's Peas, the inclusion of the premium would have been obligatory. The effect of either procedure is the same. Should not its reflection in the accounts be identical?)

On the composite basis of valuation set out above, the fixed assets of “Unilever, Ltd.” stand at £82,939,273. This is neither what they cost originally, nor what they cost “Unilever, Ltd.” to acquire. Nor has it any relation to replacement cost or earning power. It contains elements of each, except replacement cost, but it would be a puzzle to give a single definition of its meaning. A certain amount of standardisation of practice is believed to exist within the group, but it seems that this starts from basic figures arrived at by a variety of different practices. If it is conceded that a complete revaluation is too large a task, that strengthens the argument for a much greater uniformity of practice in the future. It is easy to believe that the publication of values of groups of assets might be misleading if the individual accounts are so variously compiled. It is also true, as the report states, that the prime consideration is earning power. It is, however, still the case that it would be a valuable addition to economic knowledge to know the nature of the assets which form the physical foundation of the earning power.

Similar considerations apply, *mutatis mutandis*, to the composition of the deduction shown for “depreciation and obsolescence.” It will be noted that the balance-sheet figure shows a rise of £2,526,000 on the year, whereas the total depreciation provided in the consolidated profit-and-loss account of the group is only £1,977,633. The difference between these figures arises from the inclusion of the depreciation reserves of Batchelor's Peas and Frosted Fruits, from the consolidation of the accounts of the North African interests, from transfers to write down the value of ships completed during the year out of insurance received in excess of book values, and possibly from other sources. The net effect is that total long-term assets, even before deducting the depreciation provided from 1943 profits, show a small fall in spite of the acquisition of the two companies mentioned and of capital expenditure of £586,597.

The conclusion is that the consolidated balance sheet is less informative and satisfactory than the consolidated profit and loss account—which need not, and does not—inherently inherit troubles from the past. The board has, however, made clear its limitations and the meaning of some of its items, and that is itself a big step forward.

The aggregate profits of the group, before charging a slightly larger sum than in 1942 for repairs and renewals, show a fall of over £1 million to £191 million odd in 1943. There is, however, a profit of about £1 million derived from the revaluation of the French franc. The amount of NDC, EPT and income-tax provided for the current year is slightly lower, but the additional tax provision, including adjustments in respect of earlier years, is much lower. Thanks to this, to somewhat smaller costs for war damage and to the saving in interest resulting from debenture conversions, the net amount available for the ordinary capital and co-partnership certificates is up by almost 50 per cent.

The 49.1 per cent earned for ordinary, shown on page 555, is a measure of earning power, not necessarily of the amount accruing to the benefit of the equity. If the comparison is carried back rather earlier, the figure, on this basis, was 54.8 per cent for 1939 and 49.5 per cent for 1940. Thus earning power is still below the level of the first 15 months of the war. In these two years appropriations for the purpose of funding staff pensions reduced the amount accruing directly to the ordinary to 36.6 and 28.4 per cent respectively. Further, all these calculations are based on figures prior to the provisions made against the contingency that “Limited” may have to provide dividends on the ordinary capital of “NV” for the period of the occupation. What the profits attributable to that group have been is not yet known. Nor is it possible to say how far they may be regarded as necessary to cover damage and other losses. All that can be said is that taxed reserves exceeding 26 per

cent of “Limited” ordinary capital may conceivably be drawn away for this purpose.

As to the future, there is prospect of small further reductions in cost from the disappearance of War Damage contributions and, in due time, from reductions in debenture interest and taxation. Each recent year has brought a reduction in the contribution of home trading profit to the total. Mr Geoffrey Heyworth, chairman of the parent company, puts the overseas figure at 44 per cent for 1943 against 37 per cent for 1942 and 30 per cent for 1941. Evidently a recovery towards pre-war conditions at home would have a great effect on earnings.

Tourism in Britain

UNTIL recently, to mention tourists or tourist traffic was to recall to British minds visits to the Continent, drinking in French cafés, winter sports in Switzerland, walking in Germany, tzigane music in Hungary, and similar delights. On the Continent, the word tourist connoted a profitable livelihood for hotel and café keepers, for luxury shopkeepers and for all the other participants in a flourishing industry. But few people in this country ever thought of tourism as an industry or realised that Great Britain was itself a tourist market, in which the services comprising the tourist trade were bought and sold.

There were two reasons for this state of affairs, the most important being the lack of information. Every component of export trade is measured with some degree of precision. But in the balance of payments, tourist traffic appears only as a net (unfavourable) balance, and even then it is concealed in a miscellaneous item, aggregated with such very different things as the sale of second-hand ships. The other reason is the general offhand British attitude to the foreigner. That people speaking a foreign tongue should be regarded as oddities is perhaps hardly to be wondered at in a country where a resident of ten years' duration in a village is still graded a “foreigner,” and the term is used with some disparagement. Casualness towards visitors from other countries is noticeable in small ways. Compared with European countries, few shops exhibit notices like *ici on parle Français*, or *hier spricht man Deutsch*, and certain common notices are never displayed in other languages, even in the centre of London, as is the case abroad. The Publicity Bureaux in several of the resort towns are pale reflections of the *syndicats d'initiative* which, on the Continent, cater for the well-being and entertainment of the visitor.

It has lately been realised that Britain's tourist industry was in fact a considerable source of income. The cinderella among exports is at last receiving some recognition. Its post-war prospects are being discussed in the light of the uncertain future of this country's balance of payments, the need for maintaining every existing foreign market, for developing new ones, and for acquiring foreign exchange.

Among recent discussions on the importance of the tourist trade, Mr R. G. Pinney's study, *Britain—Destination of Tourists*,* is the most detailed. His task has been difficult because of the lack of statistics, but his estimates reveal the remarkable fact that Britain's tourist industry before the war was

of first-class proportions, comparable in value with that of the USA and nearly half as large as that of France—the country “with the largest credit estimate” from tourism. It compared in value with the exports of the United Kingdom's woollen industry or of her coal.

The estimates made by Mr Pinney, who follows Sir F. W. Ogilvie's methods, show that the expenditure of visitors to the United Kingdom between 1926 and 1938 fluctuated between some £24 and £33 million per annum. In 1937, coronation year, tourist expenditure reached a peak of £33,299,455, which compared with the following receipts from other exports in the same year: cotton yarn and manufactures, £68,509,000; machinery, £49,741,000; iron and steel and manufactures, £48,370,000; vehicles of all kind, £39,924,000; coal, £39,654,000; woollen and worsted yarns

* *Britain—Destination of Tourists*. R. G. Pinney. Travel and Industrial Development Association. 106 pp. 2s.

There will, however, be many problems to be faced and a great accumulation of arrears of capital outlays to be met. Final decisions cannot be reached until it is possible to plan on a world wide scale in conjunction with “NV,” but preliminary plans are under consideration. Only one specific new development is mentioned, namely the establishment of a plywood industry in Nigeria, as one item in a plan for the industrialisation of the Colonies. While the outlook would seem to be for a material recovery in retained earnings, the shareholder will do well to remember that “Limited”, more perhaps than any other large British concern, not only draws its profit from the sale of necessities to the public, but has also a moral responsibility for the development of some of the territories in which it operates.

and manufactures, £35,503,000; and chemicals, drugs and dyes, £24,653,000. The importance of the tourist industry can be judged from these figures of visible exports.

A remarkable fact is that the tourist industry does compare so favourably with the main visible exports, when the effort made to sell those goods is measured against the passive attitude of the trades concerned towards the revenue derived from its customers from overseas. But it compares unfavourably with the income derived from tourists by other countries; in France, for example, it amounted to some £100 million in a good year. This difference, perhaps, is the measure of lost opportunities. Before the war there was insufficient impetus behind the diverse interests which stood to gain from a larger tourist trade for action to be concerted, and the extra business for each would have been only a small part of their total receipts.

Although there was no encouragement to them to come, and no very warm hand of welcome greeted them when they arrived, foreign visitors came in fairly stable numbers (the average before the war was about three-quarters of a million). This augurs well for the future. If so much has been got with so little effort, it is not unreasonable to suppose that a greater effort will produce a much larger revenue.

A firm which sells goods has the advantage that it can show samples of them. The product can be looked at and handled by the prospective customer before he buys it. He can even order an article which is different from the sample and more to his own taste. There are no samples which the man who proposes to sell Britain can take abroad to the prospective customer. His task is not to be envied. He has to sell a personality, a tradition, a way of life—and he has to try to sell a climate. To say these things is not to imply that Britain has a limited appeal as a holiday centre. It has its own beauties, historic buildings and charm, as well as what may be termed the usual “holiday attractions.” Happily, large tracts of the countryside have been preserved and made available to the public by the activities of the National Trust. The language is widely spoken and understood by foreigners, so that the lack of disposition of the Englishmen to speak foreign languages is not a real barrier, as the English tourist in Europe has discovered. In any case, a considerable part of the market must be among the English-speaking peoples of the Dominions and the United States. There can be something in every aspect of Britain which can be made to appeal to the potential visitor.

Some agency or organisation is required to do the selling, because, as experience shows, the task cannot be left to individual enterprise. The range of trades which share the money the tourist spends is wide. Transport services, hotels, restaurants, entertainments, shops and consumer services will all gain directly, and indirectly the additional income brought in by visitors is like a stone thrown into a pool. The goods they buy and take home to be admired by friends can assist visible exports indirectly by increasing the demand for British goods. Tourism also provides employment. In 1931, hotels, restaurants, inns, lodging and boarding houses employed 264,578 men and 365,446 women—of whom a sizeable proportion must have owed their living to the foreign tourist. Since so many will gain from the attraction of tourists, there is a strong case for the acceptance by the Government of the responsibility for a body established to undertake the work of presenting

the attractions of this country as a field for the holiday-maker from overseas. Such a body could be organised on the lines of the British Council or the Council for the Encouragement of Music and the Arts.

While the Travel Association offers itself for the job of official national tourist organisation, it recognises that it needs to be reorganised to fulfil this task. In the past it has derived by far the greater part of its income from commercial sources. It was not therefore able to be impartial. For example, its hotel guide contained only the names of subscribers. As in certain other countries, the new tourist body ought to be granted sufficient money from public funds to make it independent of the need for such bias, although it might expect to receive donations from the industries which will gain most from its activities—transport services, hotels and restaurants.

*

A national tourist organisation can draw on the experience of other countries in planning its activities. It could maintain a statistical and research department, co-ordinate the component parts of the tourist industry, maintain offices overseas, and publicity would bulk large in its work. It could co-operate with such voluntary bodies as the Workers' Travel Association, and the travel department of the National Union of Students, to their mutual benefit.

It is not enough to set up administrative machinery to deal with any problem, least of all in the case of the tourist industry. The best salesman cannot sell unattractive goods. However well the publicity is done, there are a number of factors which tend to lessen Britain's appeal to the foreign tourist, and action should be taken to modify or remove them. Visa charges and petty restrictions could

be removed. The improvement of hotels is widely quoted as an essential prerequisite. The Catering Commission has the development of the tourist trade in mind in its work, and its report on this subject is expected shortly. The implementations of its recommendations for the rehabilitation of hotels will benefit the tourist as much as the home traveller. The quality of the service provided by trained, adequately paid staffs will raise the general standards in hotels—provided the need for the training is taken as seriously as the need for adequate payment. There seems little doubt that the austere licensing laws are a powerful deterrent to visitors from countries free of them, as the Royal Commission on Licensing realised. Probably the weather is a deterrent to a visitor from a more clement climate, but this cannot be changed either for his benefit or for ours. There may, nonetheless, be a charm even in an old-fashioned London fog, which could be glamourised. The Travel Association should adopt the Duke of Wellington's attitude to the English climate: "In summer it's perfect; and in winter no country has a better."

In all the discussions on how to increase tourist traffic, it should be remembered that Britain will not derive much advantage from aping what other successful tourist markets have to offer. It is the differences from the traveller's own country which should be brought to his notice, and for which, presumably, he makes his journey. He should be encouraged to make his visit to England an adventure. He can watch a new way of life, eat new food and drink unfamiliar drinks. The insularity of the average European could be overcome by the proper publicity approach. In his travels in Europe he has encountered a good deal of "sameness." The difference between England and any other European country is greater than the difference between any two continental ones. If this idea can be sold successfully, Britain's tourist industry will flourish.

Business Notes

More Belgian Decrees

The immediate results of the Belgian deflationary plan have been far more favourable than could have been expected. The exchange of notes and the somewhat arbitrary limitation of new notes made immediately available were bound to have a profound effect on the everyday economic life of the country. They brought the volume of current transactions down to a mere trickle; during the five days of last week when the old notes still retained their fully legal tender attribute, inevitable confusion prevailed. All this, however, was a five-day wonder during which the new notes circulated with the old, but at highly differential rates of exchange. By the beginning of this week the new notes provided the only valid circulating medium and the drastic reduction in the volume of currency had already struck a death blow at the Belgian black market and was providing strong inducement to the farmer to disband the foodstuffs which he had been holding back owing to his distrust of the old notes. The Belgian Government have kept a weather eye open for the inevitable attempts of the population to discover every legal (and some illegal) evasions of the decrees. One of the main loopholes was found to be the purchase of postage and revenue stamps. The latter are widely used for tax payments and are available in large denominations. Their sale has been stopped and all holdings of revenue stamps have now to be declared and justified to the authorities. The plan for investigating and taxing war profits has been furthered by a decree making it compulsory to declare to the Government all security holdings. Since all dealings in real property have to be registered in Belgium, that register, together with the declaration of securities, the deposit of old notes and the blocking of bank accounts will provide the authorities with most of the relevant data they require for pursuing their investigations.

* * *

Flight From the Franc

The application of the Belgian monetary decrees has been watched with great interest in France. There has been an appreciable movement out of notes into other types of property. The most evident reflection of this movement has been the sudden rally in the Paris bourse which followed a persistent decline that began with the reopening

of the market after the liberation of the city. With a note circulation of about 600 milliard francs, or approximately four times the pre-war figure, this movement out of the currency is having appreciable effect on prices and renders the rate of exchange of 200 francs to the £ increasingly artificial. Evidence of this artificiality is provided by the valuation in Paris of securities also quoted on foreign security markets. Old Consols are currently quoted in Paris at 42,500 francs per £100 bond, or £212½ as compared with the London quotation of £80. In other words, the true rate of exchange on this basis of the relative valuation of Consols would be about 530 francs to the £. Central Mining bearer shares are quoted in Paris at 7,500 francs, or £37½ (at the official rate of exchange) as compared with a quotation of £20 in London. In the black market gold has risen by 10 to 15 per cent since the publication of the Government's decree requiring the declaration of all privately-held metal to the authorities. This flight from notes, however, does not necessarily—or only—reflect a belief that the French authorities will follow the lead of Belgium. Rather on the contrary, it is becoming increasingly clear that the present state of the French administrative machine, never over-strong in financial matters, would not permit a compulsory conversion of the currency. This is most unfortunate, for it greatly complicates the task of avoiding inflation, and it is fear of inflation that is the chief explanation of the rise on the Bourse. Already a "scissors crisis" is developing—wages and material prices are higher than the controlled prices of finished goods—and if the authorities cannot bring the former down, they will sooner or later be compelled to let the latter rise. Thus all the old familiar problems are rising again. Some experts are believed to be considering an enforced limitation of expenditure—a sort of universal points ration—but it is very doubtful whether this would be any easier to enforce than a conversion of the currency.

* * *

Business and Transport

The Joint Committee of the Association of British Chambers of Commerce and of the Federation of British Industries which has been examining the future of inland goods transport advocates a solution in terms of price competition on the basis of equal opportunity between

financially independent means of transport. Its report, published on October 13th, emphasises the need for efficient and economical transport after the war. In its view these objectives can best be attained by the observance of these main principles. First, there should be "as great a degree of co-ordination as possible among the various forms of transport" as means of "avoiding unnecessary overlapping of services and uneconomic competition." Secondly, co-ordination should be achieved by "securing for traders adequate alternative facilities, care being taken that the resultant competition is on fair terms." Thirdly, the trader should have an "unfettered right to select the form of transport which he approves." The Committee insists that all forms of transport—not merely the railways—should publish their rates and that there should be a tribunal—similar to that created by the Railways Act, 1921—with jurisdiction over all forms of transport. To give effect to its proposals the Committee recommends that a public inquiry should be held, "either by a Parliamentary Committee or some other appropriate body, into the existing regulations governing all forms of transport."

*

If the choice were between the ideal form of price competition and either a private monopoly and outright nationalisation, price competition would be the best solution. But, in the peculiar conditions of British inland transport, price competition is a doubtful remedy, not merely because of the very great difficulties in the way of creating the conditions of competition on equal terms, but also because this might give rise to cut-throat competition in the strict sense—that is, to services so cheap that they do not maintain or replace—still less improve—the existing capital equipment of the industry. Capital consumption of this sort is not, in the long run, in the interest either of the consumer or of the community. In the event, of course, this type of competition would lead to a private cartel before it had gone very far. It is easy to understand the reluctance of British business to depart from the principle of competition; but it is difficult to see how the objective of the lowest possible total real transport costs can be attained on the basis of the Committee's proposals. It asks for "co-ordination" and the elimination of unnecessary overlapping of services; but how can this be squared with the maintenance of adequate alternative facilities and of the freedom of choice of the traders? In the matter of both capital and operational expenditure the lowest total transport costs can only be secured by technical integration. But this is excluded from the terms of reference of the proposed committee of inquiry. Technical integration, as was suggested in a series of articles in *The Economist* on September 2nd, 9th and 16th, would involve a departure from the principle of price competition as defined by the Committee; but it need not involve either the creation of a private monopoly or outright nationalisation. The urgent need is for a small independent expert committee to examine the technical conditions of integration; without the facts, expertly analysed, the formulation of rational transport policy is impossible.

* * *

Railways Plan for Air Transport

While the Government has now stated its attitude on the international aspect of civil aviation in a White Paper, discussed on page 535, its domestic policy is still unclear. True, one of the outstanding problems—that of the Departmental control of civil aviation after the war—has been settled, at least partially, by the appointment of Lord Swinton as Minister of Civil Aviation. Civil aviation is not to be administered by the Air Ministry after the war, though it is not yet clear whether it will be given independent status or, what is perhaps more logical, whether it is to be administered by an all-embracing Ministry of Transport. The fact that Lord Swinton has equality of access to the Ministry of Aircraft Production with the Secretary of State for Air will presumably mean that his demands will not have to pass the scrutiny of a jealous air-marshal and should allay fears—hitherto, perhaps, not without justification—that inadequate attention is being given to the production of civil aircraft. On the other outstanding problem—that of participation—the Government has not yet stated its policy. In spite of this uncertainty, however, private enterprise is formulating its plans. The railway companies have completed their plans for a network of services for Great Britain and Europe. They propose to form a new company to operate the network; to offer participation to other air

operators and to the short sea shipping interests who operated regular surface routes before the war similar to the railways' own cross Channel services; to give the public "complete interavailability" of tickets on their land, sea and air network; and to buy British equipment as soon as this is available. Moreover, the railway companies propose to operate their main and subsidiary routes without subsidy, on the assumption that, by agreement between Governments, no subsidies will be granted to other operators in the European field. These plans have evidently reached an advanced stage; they emphasise the urgency of a decision by the Government on the conditions of participation in the development of British air transport.

* * *

Preliminary Statements

The confusion into which some expert commentators fell, on reading the first "preliminary statement" of profits and dividend, released by Electric and Musical Industries last week, has raised again the question of what the ideal premonitory company announcement ought to contain. In this particular instance, a latent ambiguity in wording caused many commentators to confuse group profits with parent company profits and to diagnose a fall when, actually, a rise had occurred, as compared with the preceding year. The matter was put right by a supplementary statement on the company's behalf, but not before dealings had taken place in the market on the basis of the original, and erroneous, impression. The entire position and status of "preliminary statements" would, indeed, be all the better for some measure of regularisation aiming, if not at uniformity, at least at comparability. Unlike the formal annual reports and balance-sheets, of which they are the precursors, preliminary statements are not official documents carrying the direct authority of boards of directors. Presumably, the latter authorise their publication in every case, but the precise form they assume appears to be determined largely by company secretaries, acting frequently in co-operation with some advertising or other agency, through which the information is transmitted to the press and the "translux"

Consolidated Main Reef Mines and Estate, Limited.

(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1944

Capital £1,247,602 in £1 Shares, all issued, fully paid.

DIRECTORATE.

DR. H. PIROW (Chairman). A. A. AURET
MAJOR C. S. GOLDMAN. G. CARLETON JONES
W. H. A. LAWRENCE. A. G. PETYT. R. S. G. STOKES

Tonnage Milled, 2,343,000.

		Per ton milled.
Total Working Revenue	£2,646,142 16 6	£1 2 7
Total Working Expenditure	2,288,415 12 1	0 19 6
Working Profit	£357,727 4 5	£0 3 1
Total Profit for the Year	£369,523 6 1	
Balance unappropriated at 30th June, 1943	418,232 17 3	
Forfeited Dividends Account	1,080 17 0	
	£788,837 0 4	

This amount has been dealt with as follows:—

Expenditure on Capital Account for the year	£5,973 14 11
Miners' Pensions — Provision on account of Outstanding Liability as at 31st July, 1943	13,151 16 1
Transferred to Contingency Reserve	2,100 0 0
Taxation	131,348 15 9
	152,574 0 9

	£636,262 13 7
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Dividends declared during the year:—	
No. 68 of 8½ per cent., and No. 69 of 8½ per cent.	218,330 7 0
Leaving a balance unappropriated of	£417,932 6 7

Available Ore Reserve re-estimated as at 30th June, 1944:—			
	Tons.	Value, Dwt.	Width, Inches.
Main Reef	861,000	3.5	56.2
Main Reef Leader	2,336,000	4.3	53.5
South Reef	1,859,000	3.8	48.7
Bird Reef	2,433,000	2.7	69.8
Total	7,489,000	3.6	56.7

There are in addition 1,076,000 tons of payable ore valued at 4.4 dwt. per ton contained in shaft and safety pillars not at present available for stoping.

Compared with the previous year, the available reserve shows a decrease of 1,386,100 tons, the estimated stoping width is 0.7 inch less, and the average value is unaltered.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & Co., No. 4 London-wall-buildings, London, E.C.2.

service of the Stock Exchange. Traditionally, they are a species of advance intimation of the figures which investors are most anxious to learn from the forthcoming report—the rate of dividend and, frequently, the amount of the year's profit. In practice, they have come to be the force which moves market prices, subject to only a relatively small margin of adjustment when the finer points in a company's position—e.g., its liquidity or the view of its prospects taken in the official directors' statement—become public knowledge on publication of the complete accounts. Someone always loses, consequently, if the impression given by the preliminary statement is not, in fact, the right one—since, between the statement and the report, fairly extensive dealings may take place at prices which are too high or too low. The opportunities for "rigging the market" by unprincipled persons are sufficiently obvious to have induced the Stock Exchange, some years ago, to issue an official appeal to all companies to ensure the publication of preliminary statements giving, as a minimum, comparable profits and dividend figures for a couple of years. The initial response was gratifying, but good intentions have not always been maintained, and the purely technical difficulties of ensuring comparability, it must be admitted, have increased since the war. Uncertainty over the taxation position of individual companies has been a frequent source of difficulty. The tendency, again, to furnish consolidated figures for holding companies, progressive and praiseworthy though it is, has introduced another complicating factor; for the "financial area" covered by "profits" may vary between one year and another. Even dividend rates can be a source of confusion if an "interim" in one year is wrongly contrasted with a "final" in another. Obviously, there can be no set form for preliminary statements, but it might serve a useful purpose if the Stock Exchange authorities were to repeat their former request and make it clear that comparability, whatever basis is chosen for calculation, is the prime and essential virtue.

Electrical and Musical Industries

The corrected preliminary statement of Electrical and Musical Industries shows that while the parent company's profit is £22,000 higher at £149,230, the group's profit is only slightly up at £182,024, against £174,357. The ordinary dividend is to be maintained at 8 per cent. Despite the trouble and embarrassment caused by the ambiguous way in which these figures were first presented, they cannot—in any case—be regarded as a very valuable source of information about the company's prospects. Electrical and Musical Industries, as a big concern dealing largely in conventional amenities, has undergone a large-scale conversion to war-time products. For this reason, its present position is an uncertain pointer to future prospects. The difficulties of reconversion will be correspondingly great. But there can be little doubt that post-war demand for its normal products will be very high. These consist largely of gramophone and radio equipment, in which the company supplies a large share of the domestic market as well as possessing valuable foreign interests and connections. Demand for these goods is not so likely to slacken—though there may be increased competition—when restocking has been completed, as for those of most other industries. The company's business in electrical household appliances also has good prospects; while its considerable accumulated experience in the supply of television apparatus opens up new possibilities of production. The low yield of £2 6s. 10d. per cent, cum dividend, on ordinary shares is a reflection of the high hopes of investors of the company's chances.

Russian Oil Mission in Teheran

The arrival of a Russian oil mission to Teheran in September marked an important new phase in Russia's

trade policy and—generally—in her economic relations with her Middle Eastern neighbour. The mission, headed by M. Kavtaradze, an under-secretary of the Soviet Foreign Office, applied to the Teheran Government for a concession in the Kevirkhurian area in northern Persia. At the same time, a commission of Russian experts submitted a scheme for prospecting the oil reserves in the whole of northern Persia with a view to future exploitation by Russia. So far the Russian request has met with a blunt refusal from the Teheran Government, but the refusal has been qualified by the phrase: "For the duration of the war." The reluctance of the Persian Government, and even more so of Persian nationalist opinion, to admit foreign concessionaires is well known; but this reluctance has on some occasions been overcome, both by economic need and diplomatic pressure. That the Russians will not shrink from bringing strong diplomatic pressure to bear upon Teheran can be taken for granted, and M. Kavtaradze has been emphatic in pointing out to the Persians that at any rate they themselves would not be able to exploit their oil reserves and that the Russian concession would help in the industrialisation of northern Persia and in freeing its people from the fear of post-war unemployment and poverty. These arguments may, of course, carry more conviction with the Persians after the war than they have carried so far.

Russia as Oil Exporter?

The Russian keenness on acquiring oil concessions in Persia has probably come as a surprise to the world. It will be remembered that in 1921 Russia annulled her Treaty with Persia of 1907 under which northern Persia became Russia's exclusive sphere of interest. The roads, railways, power stations, harbour installations and land property owned by the Russian Government and by Russian nationals were then declared to be the "property of the Persian people" and were renounced by the Russians without compensation. Even the Russo-Persian Bank in Teheran became Persian property. The present Russian move in Persia seems to foreshadow some return to the economic policy of 1907. The question will be asked, what has impelled the Russians to go back to that policy? It is certainly not any shortage of oil reserves inside Russia. The Russian oil industry has not been affected by any war-time devastations, except perhaps for the minor oilfields of Grozny, which were under German occupation for a few weeks in 1942. The Transcaucasian industry has worked to full capacity in the years of the war, and new oil centres have been greatly developed in the "second Baku" (between the Urals and the Volga), in the subarctic Pechora basin, as well as in some areas of Asiatic Russia. (The only war-time shortage has been in high-octane fuel, which has been imported from the United States.) Immediately after the war the Russian domestic oil output will almost certainly greatly exceed the domestic demand, because the mechanical equipment of Russian agriculture (the largest oil consumer in the country) has been severely depleted. Presumably the Russians' interest in Persian oil is due to their desire to be among the world's great oil exporters. Apart from the political advantages that go with such a rôle, the export of oil would assist Russia in overcoming the pressure on her balance of payments that is bound to arise in connection with her projected imports of machinery in the years of post-war reconstruction.

Welsh Day

For the first time, the House of Commons devoted a whole day, last Tuesday, to a debate on Welsh affairs. The main burden of the day was that Wales needs special consideration, and only one voice—that of Mr. Aneurin Bevan—was raised to point out that Welsh problems cannot be isolated from the general ones of, for example, coal mining, or agriculture. If there is any industrial distinction between Wales and England, it is that industry in South Wales before the war was mainly basic and heavy, so that the population suffered particularly when these became depressed. South Wales has been scheduled as a development area (they used to be called special areas) and its prospects are as good as those of any other area similarly placed. During the war the Government has built six factories in South Wales and one in the North. Wales has shared the general industrial prosperity and diversity of industry. The Government factories in Wales will be leased on the terms already announced for the disposal of

Government factories in general, and will be used to create a better industrial balance in the area. The President of the Board of Trade, in winding up the debate, announced that the Government plan for South Wales was to increase factory space, to extend the range of industry, and to provide special opportunities for light industries. He declared that the plan was already being implemented. Improved communications are vital to these industries and plans are now being worked out by the Ministry of War Transport. They include the improvement of facilities in South Wales, the extension of the navigability of the River Severn, the building of the Severn Bridge, and better communications between South Wales and the Midlands. Mr Dalton's speech probably foreshadowed the outlines of the Government policy for all the development areas. It is proposed to seek legislative powers for the Board of Trade similar to those formerly exercised by the Commissioners for the Special Areas, and a Bill is to be introduced to this effect. With additional powers the Board will be able to exercise strong influence to direct new factories and new industries where they are most needed.

Recording Industrial Health

The value of the Industrial Health Research Board's eighty-fifth report, *The Recording of Sickness Absence in Industry* (HMSO, 4d.), which was reviewed in *The Economist* of September 9th, has been emphasised by *Healthy Industry*, a memorandum prepared by the Automatic Telephones and Electric Co., Ltd., with the object of describing the firm's experience in recording absence from work, and in running a health department. The report is intended to assist other firms, and it contains valuable practical and detailed advice on recording. The two publications should be read in conjunction. It is interesting to note how closely the Automatic Telephone system follows that advocated by the IHRB. *Healthy Industry* adds considerable weight to the Board's report, since it points out, from a business standpoint, the advantages to be gained from a factory health service. The survey declares that concern with employees' health is

... in reality a matter of good management, and not a charitable or paternalistic gratuity.

A year's working of the department is described in detail. Particularly interesting is the work done by the medical officer on minor industrial disease; in specific instances his advice minimised their occurrence, or even prevented them entirely. In industry generally sickness records would assist research in revealing industrial diseases hitherto unrecognised. The author of *Healthy Industry* makes the point that it is unlikely that sickness records will be kept for their own sake or for that of an outside statistical body. Automatic Telephones have made a valuable contribution to industrial health in drawing attention to the use and usefulness of recording sickness, and to the need for more industrial health services.

Goldmining Problems

The annual reports of a number of Rand goldmining companies have followed close on the heels of the confused news regarding labour agreements and renewed disputes. In present conditions, working costs are rising and profits falling. Consolidated Main Reef Mines and Estate managed to maintain its output by using low-grade ore from old development dumps; nevertheless, costs only fell by 7d. per ton, against a fall of 2s. 1d. in revenue—thus reducing the operating profit by a third. The most encouraging report has come from "Blyvoors," who are said to possess the technically ideal mine, which, if the high payability of the ore is maintained, should be able to mill 200,000 tons monthly at low cost. But it is not, in any case, technical problems which are giving most trouble to the industry. It is the shortage of labour, which is keenly felt by all the mines. Development of new ore reserves has been reduced or postponed for several years, due to the need for economy in both stores and labour. Now it can be put off no longer. But even the return of peace will not bring with it a sufficient supply of native labour. The development of the Rhodesian copper industry, among other factors, is a handicap to recruiting outside the Union. Within the Union, a greater variety of alternative occupations may pro-

gressively become available to native labour; and a higher level of education and of political consciousness will make its attitude less pliable than in the past. Counting in the cost of housing and welfare schemes in terms of which their wages are chiefly paid, natives working in the mines receive one-tenth the remuneration of European employees. The latter may be expected to receive before long a large part of the wage increases they are now demanding. In these circumstances, the case for a considerable increase in the native mineworkers' low standard of living is very strong in itself—and it may prove to be the only way to secure sufficient labour. A large part of the cost would necessarily fall on the Union Government's share of gold-mining profits—but the cost of even a large rise in native wages would be by no means prohibitive, and part of it might be indirectly found by intensifying efforts to secure a more balanced economy in the Union. Meanwhile, the goldmining industry's headache—where to find the labour for essential developments—looks like continuing unrelieved.

Warrants to Bearer

The possibility of the restoration to British companies, after the war, of the power to issue share warrants to bearer, appears to be receding. The consensus of opinion among witnesses before the Cohen Committee has been that the utmost publicity of the identity of a company's members is necessary both on financial and social grounds, though views have varied widely as to the degree of disclosure which is desirable and practicable. Imperial and Chemical Industries is the latest of many interests which have testified before the Committee to maintain that there should be compulsory disclosure of the beneficial ownership of shares and debentures, "provided a reasonably convenient and workable scheme can be devised." As the largest joint stock concern registered under the Companies Act, with 200,000 Ordinary shareholdings, the ICI should be in a position to speak with some authority on the point,

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED.

(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1944.

Issued Capital, £1,400,000, in 2,800,000 Shares of 10s. each.

DIRECTORATE.

Dr. H. PIROW (Chairman). S. C. BLACK. MAJOR C. S. GOLDMAN. G. CARLETON JONES. JOHN MARTIN. R. S. G. STOKES.

Tonnage milled, 1,894,000.

				Per ton milled.
Total Working Revenue...	£1,785,279	1 11		£0 18 10
Total Working Expenditure ...	1,639,570	17 10		0 17 4
Working Profit ...	£145,708	4 1		£0 1 6
Total Profit for the Year ...				£150,027 17 4
Balance unappropriated at 30th June, 1943 ...				239,854 1 5
Forfeited Dividends Account ...				1,458 10 4
				£391,340 9 1

This amount has been dealt with as follows:—

Miners' Phthisis—Provision on account of Outstanding Liability as at 31st July, 1943 ...	£39,611	12 1
Transferred to Contingency Reserve ...	4,750	0 0
Taxation ...	34,895	18 6
		79,357 10 7

Dividends declared during the year—No. 75 of 5 per cent. and No. 76 of 2½ per cent. ...

105,000 0 0.

Leaving a balance unappropriated of ...

£206,982 18 6

Ore Reserve re-estimated as at 30th June, 1944:—

	Available.			Unavailable.			Total.		
	Tons.	Val. Dwt.	Per Width	Tons.	Val. Dwt.	Per Width	Tons.	Val. Dwt.	Per Width
South Reef and Marker ...	772,800	2.6	46.9	61,300	3.5	43.4	834,100	2.7	46.7
N.A. 6 & 7 ...	211,700	2.7	41.9	72,700	3.8	41.6	284,400	3.0	41.8
N.A. 3, 4 & 5 ...	67,900	2.5	41.5	73,900	2.5	43.8	141,800	2.5	42.7
N.A. 1 & 2 ...	810,400	2.9	47.0	85,500	3.1	51.3	895,900	2.9	47.3
Main Reef Ldr. ...	308,300	4.0	47.0	88,200	4.7	59.2	396,500	4.2	49.2
Black Reef ...	17,100	6.0	76.0	—	—	—	17,100	6.0	76.0
Total ...	2,188,200	3.0	46.4	361,600	3.5	47.7	2,549,800	3.0	46.6

Compared with the estimate made a year previously, the total reserve shows a decrease of 1,336,200 tons, the value being higher by 0.2 dwt. and the width lower by 0.8 inch.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4, London Wall Buildings, E.C.2.

ESTABLISHED 1824

SCOTTISH UNION AND NATIONAL

INSURANCE COMPANY

ASSETS EXCEED £19,000,000

FIRE LIFE ACCIDENT MARINE.

Edinburgh: 25, St. Andrew Square.

London: Northgate House, 20/24, Moorgate, E.C.2.

and 45, Pall Mall, S.W.1.

and it is significant that its recommendation envisages the application of the principle of disclosure of nominee holdings to private as well as public companies. What is even more important, however, is the way in which the ICI's memorandum definitely ties up nominee disclosure with the suggested permanent prohibition of the issue of share warrants to bearer. The coupling of the two is strictly logical. Nominee holdings are, of course, a method of securing, under a system of registration of shareholders' identity (which does not, under English law, permit the entry of a trust on the register), that anonymity which the issue of share warrants to bearer automatically confers. The whole idea of hiding beneficial ownership runs counter to the evolution of popular conceptions on disclosure, and the restoration of facilities for the issue of bearer warrants, after the war, would render nugatory any steps in the direction of freer publicity which the Company Law Committee, and, subsequently, Parliament, might contemplate. Admittedly, however, some price would have to be paid by way of reduced negotiability of the documents of title in which the Stock Exchange deals. Warrants to bearer are much more popular in overseas centres than in Britain, and if London aspires to regain, in due course, some part of its former status as an international market, the question may assume additional importance. Whether any compromise is possible—under which, for example, the identity of beneficial holders may have to be furnished, on challenge, when a coupon is being cashed—is a matter which it might be worth while exploring further.

Harrisons and Crosfield

Harrisons and Crosfield accounts for the year ending June 30, 1944, show results which, considering the wartime limitations on a merchanting concern much of whose business is in the East, must be judged highly successful. Profits are £17,000 higher at £258,932. They are struck after providing for all expenses including depreciation and taxation, which are—unfortunately—still not shown; but there is the assurance of the chairman, Mr Eric Miller, that taxation has been very heavy in every country of operation, and that in some cases it has been duplicated, in others levied with retrospective effect. The same distributions are made as last year, the deferred ordinary dividend being maintained at the rate of 10 per cent, which compares with distributions of from 20 to 25 per cent in the pre-war decade. At its current price of 90s., deferred ordinary stock yields only £2 4s. 5d. ex dividend, an indication of the high hopes that are set on the company's post-war prospects. Such hopes need certainly not be discouraged by the company's handling of its wartime difficulties. The needs of total war production have doubtless enabled a firm with interests and centres all over the world, and handling the export and import of a wide variety of products, to regain in other spheres much of the loss caused by its reduced function as rubber and tea agents. Liquid resources were sufficient to set aside in 1942 a reserve of £350,000, enough to cover the whole value of investments in Japanese-occupied territory. Clearly, these investments are not now likely to prove a total loss. To any sum that may be freed from this reserve for the purpose of rebuilding business in occupied countries, there has been added this year a special provision of £50,000 earmarked for this purpose. The prudence of making this allocation instead of raising the dividend cannot be doubted. Harrison's and Crosfield are now strongly armed for a post-war expansion of business. The company is keenly

interested in the future demand for natural rubber. Mr Miller re-emphasised its indispensability for motor car tyres and hoped greatly to increase its use as a road-surfacing medium. He also stressed the need, in all types of post-war development for increased partnership and co-operation between merchant and manufacturer.

Australia's Sterling

The report of the Commonwealth Bank of Australia for the year to June 30, 1944, points out that over this period the sterling reserves and money at short call in London increased (in terms of Australian pounds) from £78.5 million to £168.8 million. Unlike certain other accumulators of abnormal sterling balances, Australia appears to be observing the phenomenon with equanimity. This is indicated by the Commonwealth Bank's comments on the proposals for an International Monetary Fund:

In any post-war reorganisation dominated by the larger industrial nations there is the possibility that the special requirements of primary producing countries will not be fully safeguarded, Australia, because the major part of her export income is provided by commodities which are sensitive to seasonal changes and liable to considerable fluctuations in world prices, is in a relatively vulnerable position. She must, therefore, always endeavour to maintain an external reserve which is high in comparison with her total volume of trade in order to protect her internal price and income structure against the full impact of external influences.

In its comments on Australian public finances the report criticises the relatively poor support for Government loans by the public, "whose incomes and cash resources are now very substantial." The criticism gains point from the announcement made last week by the Commonwealth Treasurer that only £85,000,000 has so far been subscribed to the £160,000,000 Second Victory Loan and that this progress is "very much short of expectations."

Premium Bonds for Palestine

The fight against inflation in Palestine is to be waged with the help of a premium bond issue, following the precedent for such a course set by India and Cyprus last year. An initial issue of £1,000,000, consisting of 100,000 bonds of £10 each, is proposed. The bonds will carry interest at the rate of 1 per cent. Premia will be paid quarterly, the first bond drawn each quarter being redeemed for £1,000, while 158 other bonds will carry prizes for smaller amounts. The Colonial Secretary, announcing the issue in the House of Commons last week, stated that "after the most careful consideration of all methods to raise in Palestine as much money as possible by local borrowing, it was decided that premium bonds would make the strongest appeal to the population of Palestine." The premium bond issue in India has not fulfilled the expectations of some of its more hopeful sponsors. The precious metals are still providing a more attractive magnet for the hoarded savings of the people than any piece of paper issued by the Government.

Shift-working in Cotton Industry

The Legislative Council of the United Textile Trades' Unions, in a statement prepared after discussion of Mr Hugh Dalton's five-point plan for the cotton industry, has "recognised that changes are taking place in the mechanisation of the cotton industry." The statement adds that whenever the industry is in a position to instal the modern type of machinery, the operatives' representatives will give the fullest consideration to the question of shift-working unions. The importance of this announcement lies in the fact that strong opposition against shift-working has been put forward in the past by the textile trades unions at conferences. The Legislative Council says further that "it will be realised that the cotton operatives have a right to express themselves on this matter." This suggests that the Council is prepared to let the operatives have the final say, whether there shall be shift-working or not, whatever the view taken by the operatives' representatives as a whole. Does this mean that cotton operatives have recognised that shift-working is an essential prerequisite of the effective utilisation of expensive machinery?

(Continued on page 555)

COMPANY MEETINGS

LEVER BROTHERS & UNILEVER LIMITED

HOME AND OVERSEAS TRADING

MR GEOFFREY HEYWORTH'S REVIEW

The annual general meeting of Lever Brothers & Unilever, Limited, will be held, on the 24th instant, at Lever House, Blackfriars, E.C.

The following is the review of Mr Geoffrey Heyworth (the chairman), which, at the meeting, it is proposed will be taken as read:

Much of the company's activities are still bound up with Governmental war requirements, and for that reason the information given in this review, to enliven the bare figures of the published accounts, can only be on general lines.

TRADING—HOME

Soap Trade.—Rationing of domestic and toilet soaps has continued in Great Britain and Northern Ireland, raw materials being limited to 80 per cent. of pre-war consumption. Supplies of packing materials continued to be scarce, necessitating considerable effort in collecting empty containers for re-use.

Margarine Trade.—The margarine industry of the country continues to be carried on under the control of the Ministry of Food, and there have been no material changes during the year. The company continues to play an important part in the provision of vitamins for this product.

Seed Crushing.—This industry also continues under the control of the Ministry of Food. The total crushing in the country was somewhat less than in 1942; our companies maintained their share of it. The same has been the case with oils refined and hardened. Deliveries of animal feeding compounds were greater than in the previous year.

Other Foods.—The most important event was the purchase of Batchelor's Peas, Limited, with the object of broadening the company's interest in the canning industry.

The operations of the food companies generally continued to be governed by the various controls. The volume was less than in the previous year. Dehydration of vegetables was undertaken for Government account.

TRADING—OVERSEAS

The contribution of overseas interests to the combined trading profits was 44 per cent. (37 per cent.).

Availability of supplies and restrictions on output were the main determinants of the volume of our overseas manufacturing businesses, which are located in eleven different Empire countries. Each presented new problems of its own, which were solved satisfactorily by the management on the spot. In total, soap sales were slightly less and edible sales slightly more than in 1942.

An interest in a soap and edible business has been acquired in Rhodesia which will permit the supply of specialties to this market on more favourable terms.

The United Africa Company by its activities in common with other traders on the West Coast has ensured the supply of West African products essential for war purposes, with results which have earned the commendation of the Governments concerned. Subsidiary companies in East Africa, Iraq and Syria have played a correspondingly important role. The United Africa Company and its subsidiaries look forward to taking part in any industrialisation of the colonies which may receive the

approval of the Government and appear to be economically sound; amongst the projects under consideration is the establishment of a plywood industry in Nigeria. In British West Africa the company's pension arrangements have been extended to the permanent African staff at an annual cost of £40,000.

CAPITAL EXPENDITURE

This has been virtually at a standstill except for essential renewals. An urgent programme of renewals, modernisation and extensions involving very large capital outlay at home and overseas is accumulating for attention after the war.

STAFF

Although the flow of staff to the Armed and Civil Defence Forces lessened during the year, it averaged nonetheless 180 a month. Of our regular peace-time employees in the United Kingdom, 11,600 were in the Forces or full-time National Service on June 30, 1944, as were 5,400 of the war-time staff. 327 had been killed or had died on Service; 230 were prisoners of war; 80 had earned decorations apart from Mentions in Despatches. The scheme which was instituted at the beginning of the war of paying allowances to staff on National Service has been continued.

The total personnel employed by the company and its subsidiary and allied companies in Great Britain and Northern Ireland at the end of the year was over 43,000, exclusive of those on National Service, and about the same number were employed overseas.

The capital accumulated in the pension and provident funds increased during the year to £13,485,000. Except for £797,000, this capital is invested outside the business.

In view of the importance which the board attaches to all matters affecting the well-being of the employees in both works and offices, they have appointed a director, Mr H. H. Bagnall, to be in charge of a new personnel department.

MEMBERS

The number of stockholders at December 31, 1943, was 196,438 and of debenture holders 5,044.

POST-WAR PROBLEMS

Progress has been made in determining the general lines of the company's organisation for ensuring expeditious handling of post-war problems at home and overseas.

Discussions with Lever Brothers and Unilever N.V. will be necessary before final decisions can be reached, but the time may be fast approaching when these will be possible. The more detailed study and planning that is required cannot be adequately tackled by the senior personnel remaining with the business; it is therefore hoped that the release of key personnel at present on National Service will soon be feasible.

THE CURRENT YEAR

Sufficient is known of the trend of earnings during the current year to show that they will not differ materially from those of 1943.

GREAT UNIVERSAL STORES, LIMITED

YEAR OF FURTHER PROGRESS

The twenty-sixth ordinary general meeting of the Great Universal Stores, Limited, was held, on the 12th instant, in London.

Sir Archibald Mitchelson, Bt. (the chairman), presided, and in the course of his speech said: "The combined trading profit for the year amounts to £889,754, compared with £722,648 in the previous year. Your directors are pleased to recommend a final dividend of 8 per cent., free of tax, making a total for the year of 11 per cent., free of tax, which compared with 10 per cent., free of tax, last year."

It is a matter of much satisfaction to me, after a connection with your company extending over some ten years, to be able to place on record that its success has been mainly due to a policy of giving the greatest possible value in price and quality to our many hundreds of thousands of customers. Our rising earnings resulted, and continue to result, from a narrow margin of profit secured on a very large turnover; this is an undeniable boon to the vast body which buys our goods.

Our trading profit has once more shown an increase, and if in future we add to this figure the profits we expect from our Jays and Campbells group, you will arrive at a sum in excess of a million pounds, a great achievement for your company and its subsidiaries. It will be even more satisfactory to you to learn that this upward progress of our business has been well maintained during the first half of our current financial year, which gives me every reason to say that, all being well, the results of the year ending next March should equal, if not exceed, those of the year under review.

We see no need and we have no present intention to make any share issue. If at some later stage a new share issue were to become desirable, the board would naturally only decide upon it at such a time and upon such terms as would be as advantageous as possible to Great Universal Stores stockholders.

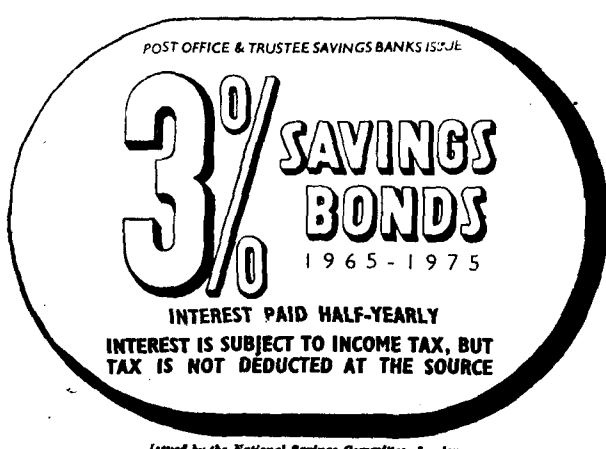
THE JAYS AND CAMPBELLS' ACQUISITION

In reference to the acquisition of the Jays and Campbells group, the new share capital of £1,000,000 to be submitted to to-day's extraordinary meeting includes £68,750, or 275,000 ss. shares, upon which the vendors of all the ordinary shares of Jays and Campbells were given an option, as part of the purchase consideration payable by Great Universal Stores. None of the 275,000 shares, upon which these vendors hold the option, can be issued to them without the permission of the Treasury.

The average profit of Jays and Campbells for the past eight years, before providing for taxation and depreciation, was approximately £400,000; for 1942-43 it was returned at about £300,000, a reduction which was due to the fact that the company made drastic cuts in the value of stock-in-trade in connection with the introduction of utility furniture.

The reason we purchased Jays and Campbells was that we considered that this undertaking, with almost 200 depots assisted by the merchandising experience of the G.U.S. group, should play an important and profitable part in helping to furnish some of the four million new homes that it is proposed to build to meet the present housing shortage. On the basis of current earnings this investment should add approximately £200,000 to the group's annual gross trading profit without making any further increase in the ordinary share capital of G.U.S. We are of the definite opinion that this acquisition is one of the best and most promising carried through by Great Universal Stores.

The report was adopted, and at a subsequent extraordinary general meeting a resolution was passed increasing the capital by a further £1,000,000, divided into 4,000,000 ordinary shares of 5s. each



RANSOME AND MARLES BEARING COMPANY, LIMITED

SIR ALBERT BENNETT'S STATEMENT

The twenty-eighth ordinary general meeting of Ransome and Marles Bearing Company, Limited, was held, on the 12th instant, at the registered office of the company, Newark, Notts, Sir Albert Bennett, Bt., the chairman, presiding.

The directors' report showed that the net profit for the year, after providing for all revenue charges, including taxation and depreciation, £62,205, amounted to £123,134, which, with the balance of £79,928 brought forward from the previous year, made a total of £202,062.

The following is the statement by the chairman circulated with the report and accounts: Our various plants have been fully occupied during the past year. I am glad to say that there is a great improvement in the liquidity of the balance sheet as compared with that of a year ago. As the time for a return to normal trading draws nearer, this becomes of great importance. While we have no great change-over in production to face, there will be a considerable amount of readjustment to be done. There will also be a transition period before industrial programmes generally can get into their stride, and it is at present impossible to estimate how long this period will last.

You will observe that the board recommend a further transfer to contingencies reserve which will bring this up to £100,000. This should be adequate to meet the cost of the change-over and avoid the necessity of charging such expenses against post-war trading.

THE FUTURE

With regard to future prospects, there is nothing I can add to the remarks which I made last year and which I want to emphasise. I said then that our industry is dependent on the whole field of industrial activity as our products are mainly required for incorporation in capital goods, such as new factories, ships, machine tools, machinery, aircraft, and motor vehicles. There is little doubt that the need for such products in all parts of the world will be very great, but the fulfilment of the need will depend on the financial resources available to industry, and also upon international financial arrangements which will enable a free exchange of goods. It may well be found that the finances of many British industries have been seriously affected by the drastic curtailment of retainable profits during the war.

I also said last year that I hoped that if the war ended suddenly, industry would not find itself with no definite guidance as to Government policy. I may be unduly pessimistic but I am afraid this is exactly what will happen. There is a multiplicity of White Papers and theoretical plans, but I fail to see anything concrete emerging from them. If this is so, the consequences will be serious.

TRIBUTE TO STAFF

I have again to express our thanks to our staff and workpeople for their efforts during the year. I am sure that we would like to extend our congratulations to all those members of the company who are serving in the Forces on the magnificent victories which have been achieved and to express our hope for their safe and speedy return, and our sympathy to the relatives of those who have fallen.

The report and accounts were adopted and a final dividend of 11 per cent., making with the interim dividend of 9 per cent. a total of 20 per cent. for the year, less tax, was approved.

The retiring director, Mr F. W. Baker, was re-elected, and the auditors, Messrs Tansley Witt and Company, reappointed.

DEBENHAMS, LIMITED

FINANCIAL POSITION STRENGTHENED

SIR FREDERICK RICHMOND'S STATEMENT

The ordinary general meeting of Debenhams, Limited, will be held at Wigmore Hall, Wigmore Street, London, W., on the 26th instant.

The following is the statement by the chairman, Sir Frederick Richmond, Bt., circulated with the report and accounts:—

The statement of accounts now presented shows that the balance of the profit and loss account is £780,231, and that after charging debenture interest, trustees' fees and directors' fees, there is a surplus of £692,074, an increase of £64,469, a substantial portion of which is due to a saving of £50,915 in debenture interest in consequence of the conversion scheme which was carried through last year. After adding £305,961 brought forward and providing £379,000 for the preference dividends, there is an available sum of £619,035, which the directors recommend be allocated as follows:—To reserve for taxation £125,000, to reserve fund £50,000, to pay a dividend of 25 per cent. on the ordinary shares £125,000, to carry forward £319,035.

The period covered by the accounts was a difficult one for distributing businesses. All the familiar war-time restrictions—scarcity of merchandise, coupon rationing, price control regulations, loss of staff, etc., etc.—were again present, and they do not become any easier as time goes on. The results are better than I had anticipated in my statement last year, and I trust you have found them satisfactory. Speaking for myself, I think it is a matter for congratulation that, after five years of the most devastating war in history, we have been able to maintain and even to strengthen our financial position.

SUCCESS OF ALLIED COMPANIES

Our three principal London establishments (Debenhams and Freebody, Marshall and Snelgrove and Harvey Nichols and Company Limited) all recorded an increase in sales during the period under review, i.e., the twelve months ended on July 31st last. This increase was almost entirely achieved in the first half of the trading year, because in the second half the turnover was adversely affected by the flying bomb menace. Fortunately, we have been able to keep expenses well under control, and the net results show an improvement over the preceding year. Having regard to the fact that these businesses are prevented from trading in many classes of goods on a pre-war profit basis and that a higher proportion of utility merchandise has been handled, we have good reason to view the results with satisfaction. There can be no doubt that the shopping public have become much more discriminating than they were owing to the necessity of obtaining the fullest possible value for their coupons, and it is not unreasonable to suppose that the preference for quality thus engendered will in very many cases outlast the war, to the permanent advantage of businesses like the three I have just mentioned, which have a world-wide reputation for high-class merchandise. Personally, I have little doubt that our West End businesses will always have a useful and, in all probability, an indispensable function to fulfil, and that they may look to the future with confidence.

PROVINCIAL BUSINESSES

Turning to the subsidiary and allied businesses in London and the provinces, we find their experiences varied considerably, as was only to be expected. While the higher-grade establishments were successful for the most part in increasing their turnover, the more popular businesses, speaking generally, failed to maintain their sales figures of the previous year. Such, indeed, appears to have been the general

experience of retail drapery businesses throughout the country in the year 1943, and this is not surprising in view of restricted supplies and in particular the limitation of coupons, a factor which was accentuated in the case of the provincial businesses by the large-scale return of evacuees to London during that period. Notwithstanding these handicaps, the net results were not unsatisfactory, and with very few exceptions each of these businesses contributed its quota to the profits of the parent company, after making such reserves as prudence demands in these uncertain times.

Shareholders will realise that problems of the first magnitude confront the directors of many of our businesses after the war. I refer to the rebuilding and reconstruction of bombed premises. Nothing definite is known as to the policy of the Government in regard to rebuilding, but while we all realise that the housing of the population must have first priority, it is earnestly to be hoped that the needs of industry, which are also of the first importance if full employment is to be maintained, will receive due consideration.

FURTHER ACQUISITION

Since our last meeting we have acquired the important high-grade business of Griffin and Spalding, Limited, of Nottingham, founded in 1846, and occupying one of the best positions in that city, where we were not previously represented. The policy of your board in acquiring control of suitable businesses in the provinces as the opportunity occurs has hitherto proved successful, and our experience of this particular business since we became associated with it fully bears out the anticipations we had formed of its potentialities for expansion. The directors of Plummer Roddis, Limited, have also extended their footing in Weymouth by the acquisition of V. H. Bennett, Limited, a business which we have reason to believe is capable of considerable development.

I think a study of the balance-sheet will be sufficient to convince anyone that the financial position of the company is very strong. Current assets (stocks, debtors, current accounts, investments and cash) total £3,939,520, against current liabilities of £2,520,685, a surplus of £1,418,835. It will be seen, therefore, that the liquid position is satisfactory.

THE OUTLOOK

In the unprecedented circumstances of to-day, I trust you will not expect me to venture on a forecast of the future. Although we are looking forward with thankful expectation to an early termination of hostilities in Europe, we cannot shut our eyes to the fact that the transition period from war to peace may be protracted, and that the tasks of reconstruction may present problems just as difficult as any we have had to face during the war. The only thing one can predict with certainty is that unsettled conditions will prevail for some time to come. I can, however, assure you that whatsoever the future has in store for us, your directors will spare no effort to safeguard your interests to the best of their ability. If we could feel certain of obtaining some relaxation of the war-time restrictions to which we are now subjected, it would help us enormously and nothing would be more welcome. With regard to the current trading year to date, the results as a whole compare favourably with those of the corresponding period of 1943, and I am hopeful that in the absence of any unforeseen developments of an adverse nature we shall be able a year hence to put before you not less satisfactory results than we have been considering to-day.

CALCUTTA TRAMWAYS COMPANY, LIMITED

INCREASED PROFIT

At the annual meeting of shareholders on the 10th instant, the chairman, Sir Geoffrey R. Clarke, C.S.I., O.B.E., said that conditions in Calcutta had been abnormal, throwing a heavy strain on the tramway service in coping with the additional demand for traffic facilities. The result had been an increase in receipts amounting to £299,902, against an increase in working expenses of £190,915, due mainly to higher wages, allowances to meet increased cost of living, and the supply of food to the employees at normal rates. The severe famine in Bengal particularly affected Calcutta, and the company bought food and supplied it at lower prices, as otherwise they could not have kept the staff together.

(Continued from page 552)

Industrial Relations

The Ministry of Labour is to be congratulated on having produced a guide to industrial relations in Britain. (H.M. Stationery Office; 3s. 6d.) It deals not only with the machinery, both voluntary and statutory, governing industrial relations in different industries, such as joint industrial councils, joint production committees, trade boards, and the arrangements for settling disputes, but acts as a guide through the intricate—too intricate—maze of collective bargaining and wage-fixing arrangements. One section describes the various employers' and trade union organisations; another deals with the International Labour Office; the chapter on the cost of living illustrates the unrepresentative character of the present index. There is an interesting historical section, beginning with the Combination Acts of 1799-1800, but the real story of modern industrial relations might be said to begin with the efforts of the Whitley Committee in the last war to set up permanent joint machinery throughout industry. Whitleyism, though it was established in a number of industries and became especially strong in Government employment, broke down in the largest and most strongly organised industries, largely because it seemed to be imposed from on top and never became sufficiently rooted to resist the troubled state of industry in the years following the Armistice. This time, the machinery for industrial consultation should be better suited to stand up to the stresses of the post-war period, and as Mr Bevin himself has emphasised, should be instrumental in smoothing many difficulties. Whether this machinery will ever operate effectively in the mining industry seems more in doubt, and the threatened strike of the Yorkshire coalfield is a pointer to the trouble that lies ahead. The Handbook shows the real progress that has been made since the outbreak of war. The decasualisation of dock labour is one example, while the extension of statutory wage regulating machinery to the nursing profession and catering trades, and the schemes now under consideration for domestic service, should bring the pockets of hitherto unorganised labour into line, thus completing the process begun in the Trade Boards Act. It will indeed be interesting to see which of the wartime schemes survive; the joint production committee machinery, which has on balance been an important factor in improving industrial relations, is likely to be retained and extended.

Shorter Note

A White Paper is to be issued in the near future to bring up to date some of the figures which were published last July in the *Statistical Digest* from 1938 (Cmd. 6538), relating to the coal industry. Meanwhile a summary of the statistics for the April-June, 1944, quarter has been published in the *Board of Trade Journal* for October 17th. A selection of these will be found on page 557, together with 1939 figures and those for previous quarters, for comparison. It may not be practicable to publish all these statistics at monthly intervals; but the issue of monthly production figures is both possible and desirable in the national interest.

HARRISONS AND CROSFIELD, LIMITED

The thirty-sixth ordinary general meeting of Harrison and Crosfield, Limited, will be held in London on the 24th instant.

In his review of the company's financial year ended June 30, 1944, Mr H. Eric Miller says the financial condition remains strong and liquid. The profit of £258,932 is no mean achievement.

Reviewing the rubber industry, Mr Miller pays tribute to the virtual miracle performed by the U.S.A. in producing huge supplies of synthetic substitutes, thus saving the situation for the United Nations. He reports that exploratory conversations on post-war rubber problems have been held recently in London, by officials of the British, United States and Netherland Governments. The plantation side of the industry is studying the practical problems that will arise on the liberation of territories now occupied by the Japanese.

Company Result

Lever Brothers & Unilever

(See article on page 546)

Consolidated Figures:—	Years ended December 31,		
	1941	1942	1943
Aggregate profits.....	NA	20,697,429	19,501,087
Profit on exchange.....	1,941	1,941	1,000,113
Total.....	NA	20,699,370	20,501,200
Provision for loss in occupied territory.....	NA	145,069	142,326
Profit.....	18,712,386	20,554,301	20,358,874
Repairs and renewals.....	1,787,926	1,821,246	1,910,489
Depreciation.....	1,974,688	2,055,680	1,977,633
Debiture interest.....	409,513	305,822	172,988
War damage premiums.....	280,545	112,777	86,405
Deferred repairs.....	176,083	419,865	260,714
Exchange differences.....	5,413,586	6,873,686	*200,000
Tax on year's profits.....	1,122,782	893,493	6,676,796
Adjustments and additional tax provision.....	1,247,600	1,158,729	Cr 323,735
Attributable to outside interests.....	4,346,779	4,346,779	1,317,842
"Limited" pref. divs. (gross).....	4,346,779	4,346,779	4,346,780
Lever Bros. Ord. and Co-partnership			
Certificates £:	1,959,884	2,566,224	3,732,962
Earned on ordy. (gross).....	660,535	660,535	680,518
Earned % on ordy.:	23.7	33.1	49.1
Retained by subsidiaries.....	464,074	884,169	1,486,503
"Limited" Special Contingencies.....	700,000	700,000	700,000
General Reserve.....	250,000	250,000	750,000
"Carry forward.....	1,737,312	1,756,164	1,819,510

NA—No mention is made of these items in the 1941 accounts.
* Balance of profit on exchange not taken by E.P.T. retained as reserve against future exchange differences.
† Tax after deduction of tax on dividends. Gross figures of tax £8,482,465, £9,940,450 and £9,750,608 for years 1941-43 respectively.
‡ Entitled to maximum dividend of 5 per cent., absorbing £52,595 gross, after payment of 5 per cent. on ordinary.
§ Cover for 5 per cent. dividend on ordinary capital of "N.V."

The £1 ordinary shares at 45s. 3d. ex-dividend, yield £2 4s. 2d. per cent.

Consolidated Balance Sheet:—	As at December 31*		
	1942	1943	(£'000's)
Fixed Assets:			
Consolidated fixed assets (1).....	80,930	82,939	
Less Depreciation and obsolescence (2).....	18,928	21,454	
Net.....	62,002	61,485	
Interests in occupied territory.....	6,501	4,866	
Other interests.....	1,404	1,521	
"NV" secured loans.....	11,499	11,499	
Net fixed assets and long-term claims (3).....	81,406	79,371	
Current Assets:—			
Stocks.....	22,293	26,825	
Debtors and payments in advance.....	16,608	18,819	
Investments.....	1,214	1,315	
Tax reserve certificates.....	7,553	7,455	
Short-term advances.....	506	50	
Cash.....	9,028	12,035	
Total (4).....	57,202	66,499	
Current Liabilities and Provisions:—			
Creditors.....	12,587	13,455	
Deb. Service due in ensuing year.....	189	111	
Overdrafts.....	1,958	1,934	
Provisions:—			
Taxation.....	5,403	7,427	
Replacement of ships lost.....	1,008	840	
Deferred repairs.....	834	1,095	
Exchange differences.....	1,733	200	
Dividends (net).....	1,733	1,742	
Total (5).....	23,712	26,804	
Aggregate working capital (4—5—6).....	33,490	39,697	
Net fixed assets plus working capital (3+6).....	114,896	119,068	
Gross assets (2+3+4).....	157,536	167,324	

* United Africa accounts are made up to end of August. Therefore valuation of individual items subject to correctness of estimates of position as at Dec. 31.

RECORDS and STATISTICS

INVESTMENT Stock Exchange: London "FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Oct. 12....	5,068	5,425	109.3	134.9	3.15	3.84
" 13....	5,009	5,333	109.2	134.9	3.15	3.85
" 16....	6,344	6,196	109.5	135.0	3.15	3.84
" 17....	5,264	5,457	109.5	135.0	3.15	3.84
" 18....	5,269	5,198	109.5	135.1	3.15	3.83

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36 = 100)

	1944		Sept. 27, 1944	Oct. 4, 1944	Oct. 11, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	103.7	105.1	106.1
32 Rails	88.9 (a)	106.8	100.7	102.0	103.7
40 Utilities	85.0	92.8 (c)	91.7	92.0	92.7
419 Stocks	93.6 (a)	105.7	101.7	102.9	103.9
Av. yield %	4.84 (b)	4.45	4.69	4.65	4.75

† Common Stocks. (a) Feb. 9. (b) May 3. (c) August 30.

STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Oct. 5....	127.8	1,001,000	Oct. 9....	127.1	611,000
" 6....	127.9	802,000	" 10....	127.5	598,000
" 7....	128.2	447,000*	" 11....	128.3	717,000

1944: High 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending October 21, 1944	Nominal Capital £	Con- versions £	New Money £
To Shareholders only	214,330		611,740

Particulars of Government issues appear on page 558.

Year†	Including Conversions	Excluding Conversions
1944.....	1,199,766,181	1,182,104,731
1943.....	1,400,607,971	1,380,979,898

Destination* Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb	Pref.	Ord.
1944.....	1,179,702,076	2,147,721	254,934	1,175,992,353	2,332,789	3,779,589
1943.....	1,377,672,794	2,668,427	638,677	1,369,698,581	2,127,701	9,153,616

* Conversions excluded. † Includes Government issues to Oct. 11, 1944, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

Cloth Exports.—There are no major alterations in cotton textile allocations for export in the last quarter of 1944 compared with the previous period. A small allocation has been made for French North Africa, where the need for goods is extremely urgent. The embargo on exports of wool textiles to the United States and Latin America has been to some extent lifted, and firms will be able to export at the rate of just over half their shipments in the year 1940-41.

Co-operative Trading.—Co-operative Wholesale Society sales for the six months ended July 8th totalled £86,713,513, an increase of 10 per cent. on the corresponding period of 1943. Of this, £64,478,279 was in grocery and provisions, an advance of over 11 per cent. There was an increase of 4 per cent in drapery and men's wear, the sales of these sections reaching £3,852,681, while an increase of 25 per cent in furnishing and hardware raised the turnover in those departments to nearly £2,000,000. Sales to the Ministry of Food were £2,530,856, a decrease of £1,025,493 compared with the corresponding period of 1943. From their productive works, CWS supplies rose 6 per cent to £25,663,116, more than half of which was contributed by the flour mills (£5,730,456), creameries (£3,832,424), preserve works (£1,762,259), tobacco (£1,626,753) and soap works (£1,377,934). Profits have been well maintained, and £1,885,000 is to be distributed to society members at the rate of 5d. in the £ plus a special bonus of 1d. in the £. Deposits and withdrawals in the CWS Bank amounted to £574,346,494 in the half-year, an increase of 7 per cent on the corresponding period of 1943. The bank now operates 49,895 current accounts, compared with 42,336 at the beginning of the war. Since January,

1940, 38 co-operative society accounts have been closed owing to amalgamations, leaving 830 accounts open. Trade union accounts have increased during the war by 1,413 to 10,821; clubs by 30 to 846, and other mutual organisations by 1,876 to 9,710. Three new Co-operative Chemists' Societies (Oldham, Woolwich and York) are applying for membership of the CWS. The directors recommend a donation of £10,500 to the Co-operative College, for which the Co-operative Union is appealing for funds. Negotiations for the amalgamation of the two wholesale societies are proceeding to a harmonious conclusion. Both the English and the Scottish CWS have a director now in Russia making contact with the Soviet co-operative societies for the development of closer relations. Plans being reviewed for the opening of new productive ventures by the English CWS will involve an expenditure of several million pounds after the war.

"The Economist" Sensitive Index.—There was no change in the index during the week ended October 17th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

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

	Mar. 31, 1937*	Aug. 30, 1939	Oct. 12, 1943	Sept. 26, 1944	Oct. 10, 1944
Cereals and Meat	93.0	66.9	108.7	106.5	106.6
Other Foods	70.4	61.1	107.5	107.3	107.3
Textiles	74.2	54	92.1	103.7	103.7
Minerals	113.2	95.4	135.9	145.5	145.5
Miscellaneous	87.0	77.6	127.1	128.8	128.9
Complete Index	87.2	70.3	113.9	117.9	117.9
1913 = 100	119.9	90.8	156.8	162.2	162.2

* Highest level reached during 1939-37 recovery.

FINANCE AND BANKING

THE MONEY MARKET.—Floating debt borrowing has been on an exceptionally heavy scale this week. The Treasury bills to be taken up amounted, for the first time, to £120,000,000, which went against maturities of £110,000,000. Despite this increase in Treasury Bill borrowing, the Treasury Deposit Receipt call in Treasury Bill borrowing, the Treasury Deposit Receipt call on the banks was heavy, £120,000,000 being required of them as compared with effective maturities of about £76,000,000. The discount market's applications for the higher volume of Treasury bills on offer was understood to have covered the issue, though it required no actual increase in the amount applied for. In other words, the syndicate's quota had already risen to about £120,000,000 in the previous week, though only £110,000,000 of bills were then on offer. The magnitude of the past week's floating debt borrowing has done no more than keep pace with the heavy net supply expenditure, and the credit position in the money market has been kept very comfortable during the week. The banks have been keen buyers of bills, and on most days balances from non-clearing lenders have been available to the market at $\frac{1}{2}$ per cent.

MONEY RATES, LONDON.—The following rates remained unchanged between October 12th and October 19th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, $\frac{1}{16}$ %; 3 months, $\frac{1}{16}$ %; 4 months, $\frac{1}{16}$ %; 6 months, $\frac{1}{16}$ – $\frac{1}{8}$ %. Treasury Bills: 2 months, $\frac{1}{16}$ %; 3 months, $\frac{1}{16}$ – $\frac{1}{8}$ %. Day-to-day money, $\frac{1}{16}$ – $\frac{1}{8}$ %. Short Loans, $\frac{1}{16}$ – $\frac{1}{8}$ %. Bank deposit rates, $\frac{1}{16}$ – $\frac{1}{8}$ %. Discount deposit at call, $\frac{1}{16}$ %; at notice, $\frac{1}{16}$ %.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between October 12th and October 19th (Figures in brackets are par of exchange).

United States. \$ (4-863) 4-02½–03½; mail transfers 4-02½–03½. **Canada.** \$ (4-868) 4-43–47; mail transfers 4-43–47½. **Switzerland.** Francs (25-224) 17-30–40. **French Empire.** Francs 197½–200½. **Syria.** p. 8-81–85. **Sweden.** Krona (18-159) T.T. 16-85–95. **Dutch West Indies.** Florin (12-11) 7-58–62. **Portugal.** Escudos (110) 99-80–100-20; mail transfers 99-80–100-30. **Brazil.** \$4-02-04; mail transfers 4-02-04½. **Brazil.** 83-64½ cr. (buying); mail transfers 83-56½. **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire.

Market Rates.—The following rates remained unchanged between October 12th and October 19th.

Egypt. Piastres (97½) 97½–8. **India.** Rupee (18d. per rupee) 17½–18½. **Bolivia.** Boliviano (176½) 176½–8. **China.** National \$3-3½. **Iran.** Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-18 pesos.

NEW YORK EXCHANGE RATES

New York on	Oct. 11	Oct. 12	Oct. 13	Oct. 14	Oct. 16	Oct. 17	Oct. 18
Cables:—	Cents	Cents	Cents	Cents	Cents	Cents	Cents
London.....	402½	402½	402½	402½	402½	402½	402½
Montreal.....	20-000	20-000	20-000	20-000	20-000	20-000	20-000
Zurich.....	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires.....	24-90*	24-90*	24-90*	24-90*	24-90*	24-90*	24-90*
Rio de Janeiro.....	5-19	5-19	5-19	5-19	5-19	5-19	5-19
Lisbon.....	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona.....	9-20	9-20	9-20	9-20	9-20	9-20	9-20
Stockholm.....	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78. † Free Rate. § Bid.

COAL STATISTICS

Production of Saleable Coal, and the Average Number of Wage-earners on Colliery Books

Period	Mined Coal		Output per Wage-earner per Annum	Government Opencast Production
	Saleable Coal Produced	Average Number of Wage-earners on Colliery Books*		
	Tons		Tons	Tons
1938.....	226,993,200	781,700	290.4	...
1939.....	231,337,900	766,300	301.9	...
1940.....	224,298,800	749,200	299.4	...
1941.....	206,344,300	697,600	295.8	...
1942.....	203,633,400	709,300	287.1	1,308,200
1943.....	194,435,000	707,800	274.8	4,426,700
1st quarter, 1943.....	50,240,800	713,200	70.4	499,160
2nd " 1943.....	48,401,700	709,900	68.2	1,035,500
1st " 1944.....	47,581,300	703,600	67.6	1,412,700
2nd " 1944.....	46,422,000	710,000	65.4	2,322,800

* Figures in parenthesis refer to effective employment, i.e., excluding workers absent for whole of any week, from whatever cause.

Estimated Quantity of Saleable Coal Lost from Causes Other than Absenteeism

Period	Recognised Holidays	Disputes	Want of Trade	Accidents, Break-downs and Repairs to Machinery	Rail Transport difficulties and want of Wagonage	Other Causes	Total
							(Thousand tons lost)
1938.....	9,957	943	31,385	1,442	1,387	45,114	88,128
1939.....	10,929	676	16,420	1,089	3,180	32,295	62,500
1940.....	5,498	501	6,910	1,420	1,896	20,993	38,718
1941.....	7,354	342	618	1,229	1,266	12,038	23,807
1942.....	7,511	833	...	701	657	9,715	19,621
1943.....	7,617	1,091	...	1,322	501	190	10,721
2nd Qtr. 1943.....	2,596	227	...	266	2	59	3,150
1st Qtr. 1944.....	480	2,033	...	389	420	180	3,502
2nd Qtr. 1944.....	2,569	587	...	352	5	123	3,634

Statistical Summary of the Costs of Production, Proceeds and Profits of the Coal Mining Industry
The particulars included in this statement relate to undertakings which produced about 97 per cent of the total quantity of saleable coal raised during the period. They are based partly upon the returns made for the purpose of wages ascertainties for certain districts, and partly upon other returns supplied by individual colliery owners.

	1939		Last Quarter, 1943		First Quarter, 1944	
	Amount	Per Ton Disposable Commercially	Amount	Per Ton Disposable Commercially	Amount	Per Ton Disposable Commercially
Costs of production:						
Wages	£ 113,532,555	s. 10 d. 10-73	£ 44,791,728	s. 12 d. 8-12	£ 45,946,608	s. 12 d. 8-31
Stores and timber	23,141,756	2 2-65	7,642,957	3 6-34	7,748,938	3 8-58
Other costs (after deducting refunds from the Coal Charges Levy) (for details see below)*	28,299,693	2 8-59	5,260,313	2 5-14	7,857,930	3 9-21
Miners' Welfare Fund contributions	931,409	0 1-07	196,876	0 1-09	190,498	0 1-10
Royalties (including the rental value of freehold minerals where worked by the proprietor)	5,030,315	0 5-79	1,086,336	0 6-01	1,062,553	0 6-11
Total costs	£ 170,935,728	16 4-83	£ 58,978,210	27 2-70	£ 62,806,527	30 1-31
Deduct proceeds of miners' coal	883,212	0 1-02	279,371	0 1-55	305,651	0 1-76
Net costs	£ 170,052,516	16 3-81	£ 58,698,839	27 1-15	£ 62,500,876	29 11-55
Proceeds:						
Commercial disposals	186,996,999	17 11-32	62,671,311	28 11-16	64,436,496	30 10-68
Balance: credit	£ 16,944,483	1 7-51	£ 3,972,472	1 10-01	£ 1,935,620	0 11-13
Other costs (gross) (management, salaries, insurances, repairs, office and general expenses, depreciation, etc., and levy under the Coal (Charges) Order)*	£ 28,999,693	2 8-59	£ 19,706,150	9 1-16	£ 24,561,788	11 9-30
Less receipts under Coal (Charges) Order:						
(a) To make up guaranteed wage	...	...	462,324	0 2-56	485,708	0 2-80
(b) "Greene" wages and Porter award	...	...	6,296,377	2 10-88	7,635,992	3 7-92
(c) Output bonus	...	...	73,542	0 0-41	42,094	0 0-24
(d) Compensation under the Necessitous Undertakings Scheme	...	...	783,761	0 4-34	781,734	0 4-50
(e) Price allowance	...	...	6,829,833	3 1-83	7,758,330	3 8-63
Total ((a) to (e))	...	...	£ 14,445,837	6 8-02	£ 16,703,858	8 0-09

PER MANSHIFT WORKED

	s. d.	s. d.	s. d.
Earnings (exclusive of allowances in kind)	11 6-77	19 4-77	20 3-58
Value of allowances in kind	0 5-55	0 7-76	0 8-74
Average weekly cash earnings	£ 2 19 6	£ 5 2 5	£ 5 5 9
Average weekly value of allowances in kind	£ 0 2 3	£ 0 3 5	£ 0 3 10

* The Coal Charges Levy was 5s. per ton of coal supplied in the month of January and 8s. per ton in February and March, or about 7s. per ton spread over the quarter. If this amount is deducted from the gross figure of "Other costs," the result will give the approximate net amount of "Other costs" on a comparable basis with figures previously published in the Annual Reports of the Secretary for Mines.

GOVERNMENT RETURNS

For the week ended Oct. 14, 1944, total ordinary revenue was £39,928,000, against ordinary expenditure of £103,954,000 and issues to sinking funds of £360,000. Thus, including sinking fund allocations £7,949,408, the deficit accrued since April 1st is £1,748,746,000 against £1,751,436,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Oct. 16, 1943	April 1 to Oct. 14, 1944	Week ended Oct. 16, 1943	Week ended Oct. 14, 1944
ORDINARY REVENUE					
Income Tax	130,000	383,588	439,738	8,922	8,940
Sur-tax	80,000	14,264	12,035	1,020	485
Estate, etc.	100,000	52,612	58,559	1,803	1,940
Stamps	19,000	9,550	6,991	1,210	...
N.D.C.	500,000	16,710	17,966	2,150	600
E.P.T.	266,736	269,298	22,070	8,032	...
Other Inld. Rev.	1,000	228	130	...	...
Total Inld. Rev.	200,000	743,688	804,717	37,175	19,997
Customs	564,900	293,438	308,725	12,177	12,525
Excise	472,900	244,200	258,100	4,600	4,700
Total Customs & Excise	1,037,800	537,638	566,825	16,777	17,225
Motor Duties	27,000	4,181	4,344	339	307
P.O. (Net Receipts)	4,850	1,690	1,690	...	...
Wireless Licences	800	470	470	...	...
Crown Lands	7,350	2,124	2,457	68	47
Receipts from Sundry Loans	24,000	41,301	46,947	859	2,352
Miscell. Receipts	310,180	133,092	142,745	55,218	39,928
Total Ord. Rev.	3,121,470	1,388,042	1,487,700	57,218	41,928
SELF-BALANCING P.O. & Brdcastg.	112,370	56,950	60,250	2,000	2,000
Total	3,233,840	1,444,992	1,547,950	59,218	43,928

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Oct. 16, 1943	April 1 to Oct. 14, 1944	Week ended Oct. 16, 1943	Week ended Oct. 14, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	218,777	236,297	14,825	3,353
Payments to N. Ireland	9,000	3,676	4,307	...	...
Other Cons. Fund Services	7,000	3,540	3,623	...	1
Total	436,000	225,994	244,227	14,825	3,354
Supply Services	550,139	284,897	292,409	99,800	100,600
Total	593,739	307,493	316,828	114,625	103,954
SELF-BALANCING P.O. & Brdcastg.	112,370	56,950	60,250	2,000	2,000
Total	604,979	313,181	322,853	116,625	105,954

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £279,598 to £2,594,687, the other operations for the week (no longer shown separately) raised the gross National Debt by £66,050,346 to £21,332 million.

NET ISSUES (£ thousands)	
War Damage Act.	1,845
P.O. and Telegraph	100
Overseas Trade Guarantees	9
Total	1,954
NET RECEIPTS (£ thousands)	
Land Settlement (Facilities) Acts	10

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1943						
Oct. 16	1180-0			Not available		
1944						
July 15	1420-0			" "		
" 22	1430-0			" "		
" 29	1430-0	2138-9	483-9	1-2	1418-0	5472-0
Aug. 5	1430-0			Not available		
" 12	1430-0			" "		
" 19	1430-0			" "		
" 26	1430-0	2199-0	390-9	1-1	1478-5	5498-4
Sept. 2	1430-0			Not available		
" 9	1430-0			" "		
" 16	1430-0			" "		
" 23	1430-0			" "		
" 30	3635-3		449-8	21-0	1582-0	5748-1
Oct. 7	1430-0			Not available		
" 14	1430-0			" "		

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1943					
Oct. 15	100-0	196-3	100-0	19 11-95	32
1944					
July 14	110-0	199-7	110-0	20 0-54	41
" 21	110-0	204-2	110-0	20 0-26	36
" 28	110-0	214-2	110-0	20 0-46	33
Aug. 4	110-0	217-1	110-0	20 0-11	30
" 11	110-0	208-9	110-0	20 0-51	36
" 18	110-0	200-9	110-0	20 0-83	42
" 25	110-0	202-9	110-0	20 2-84	34
Sept. 1	110-0	222-5	110-0	20 2-45	30
" 8	110-0	217-7	110-0	20 2-81	35
" 15	110-0	220-4	110-0	20 2-47	31
" 22	110-0	207-2	110-0	19 11-60	54
" 29	110-0	228-5	110-0	19 11-70	25
Oct. 6	110-0	227-1	110-0	20 0-27	31
" 13	120-0	227-0	120-0	20 0-30	35

On Oct. 13 applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 35 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £120 millions of Treasury Bills are being offered on Oct. 20. For the week ending Oct. 21, the banks will be asked for Treasury deposits to the maximum amount of £120 million.

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

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1952-54
Aug. 8	3,687	1,426	12,484	5,481
" 15	5,801	1,670	2,368	10,841
" 22	5,315	1,404	2,272	4,689
" 29	5,229	1,339	3,628	3,332
Sept. 5	5,421	1,419	4,260	6,587
" 12	4,022	1,483	4,228	13,178
" 19	4,552	1,442	5,621	4,809
" 26	4,713	1,444	4,214	4,094
Oct. 3	4,108	1,511	4,977	5,036
" 10	4,030	1,753	7,667	4,010
" 17	...	...	7,144	6,441
Totals to date	1,239,023*	759,945*	1,769,806†	729,366‡

* 255 weeks. † 198 weeks. ‡ 59 weeks.
Including all Series.
Interest free loans received by the Treasury up to Oct. 17th amounted to a total value of £69,357,736. Up to Sept. 30th principal of Savings Certificates to the amount of £180,570,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold per Fine Tola		Silver per 100 Fine Tolas	
	Rs.	a.	Rs.	a.
Oct. 12	66	5	124	0
" 13	67	4	124	0
" 14	67	4	124	0
" 16	66	10	123	12
" 17	66	5	124	1
" 18	66	4	123	14

BANK OF ENGLAND RETURNS

OCTOBER 18, 1944

ISSUE DEPARTMENT

Notes Issued		Govt. Debt	
In Circul.	1162,237,475	Govt. Debt	11,015,100
In Bank, Department	38,004,243	Other Govt. Securities	1188,318,219
		Other Secs.	656,004
		Silver Coin	10,671
		Amt. of Fid. Issue	1200,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)	241,711
	1200,241,718		1200,241,711

BANKING DEPARTMENT

Props. Capital		Govt. Secs.	
Rest.	14,553,000	Govt. Secs.	197,407,764
Public Depts.	3,120,152	Discounts & Advances	10,873,417
	7,616,826	Securities	14,909,920
Other Depts.	182,303,249	Notes	25,783,337
Bankers	55,807,546	Gold & Silver Coin	2,265,479
Other Accts.	238,170,795		263,460,773
	263,460,773		263,460,773

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

COMPARATIVE ANALYSIS (£ millions)

	1943		1944	
	Oct. 20	Oct. 4	Oct. 11	Oct. 18
Issue Dept.				
Notes in circulation	993-4	1158-7	1160-4	1162-2
Notes in banking department	56-8	41-5	39-8	38-6
Government debt and securities*	1049-1	1199-3	1199-3	1199-3
Other securities	0-9	0-6	0-7	0-7
Silver Coin	0-0	0-0	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00
Deposits:				
Public	23-6	8-6	8-7	7-6
Bankers	14-7	177-8	177-9	182-3
Others	54-1	58-3	55-7	55-9
Total	218-4	244-7	242-3	245-8
Banking Dept. Secs.:				
Government	158-8	196-9	195-9	197-4
Discounts, etc.	1-4	7-5	7-5	10-9
Other	17-3	14-2	14-5	14-9
Total	177-5	218-6	217-9	223-2
Banking depart. res.	58-6	43-7	42-0	40-3
" Proportion "	26-8	17-8	17-3	16-3

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,150 million to £1,200 million on August 2, 1944.

PROVINCIAL BANK CLEARINGS

	Week Ended		Aggregate from Jan. 1 to	
	Oct. 16, 1943	Oct. 14, 1944	Oct. 16, 1943	Oct. 14, 1944
Working days:—	6	6	244	243
Birmingham	1,312	1,291	91,260	70,877
Bradford	2,024	2,708	78,177	73,791
Bristol	640	599	26,843	26,655
Hull	499	472	23,753	24,289
Leeds	702	719	45,862	47,344
Leicester	811	812	34,131	32,997
Liverpool	4,137	4,564	185,352	207,679
Manchester	2,481	2,853	383,680	135,090
Newcastle	1,482	1,410	63,224	69,778
Nottingham	165	380	18,417	16,515
Sheffield	638	656	38,346	37,799
Southampton	154	150	5,407	6,511
12 Towns	15,045	16,674	994,452	749,294
Dublin*	7,670	8,853	289,115	301,869

* Oct. 9, 1943, and Oct. 7, 1944.

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PMH

PMH stands for Production per Man-Hour. The abbreviation—though not, of course, the concept—has been invented by Sir Frank Platt's Cotton Textile Mission, whose report on their visit to the United States was issued last week. The Mission was despatched across the Atlantic to see whether Lancashire had any lessons to learn from the American cotton textile industry in the way of increasing its technical efficiency and making the scarce supply of labour go further. The report (which is summarised in a Note on page 581) minces no words. It is not content with personal opinions, which are fallible, however well qualified the observer. The Mission collected a large volume of hard facts on output and efficiency in the United States, which are set alongside comparable British practice. The results are both convincing and startling. "With normal staffing," the Mission reports, "British PMH... is less than the American by approximately 18 to 49 per cent in spinning, by 80 to 85 per cent in winding, by 79 to 89 per cent in beaming, and by 56 to 57 per cent in weaving." In other words, the average American worker produces from one and a quarter to ten times as much in an hour as the average English

worker. The main reason for the higher American output the Mission finds to be the use of more modern machinery; one of the most eloquent comparisons in the whole report is between the 95 per cent of automatic looms in America and the 5 per cent in England. But machinery is not the whole story; other reasons for high productivity are the application of scientific methods to the utilisation of labour, the greater standardisation of product and multiple shift working. These are the mechanical factors; but on the personal side the Report adds two significant comments: the average age of the American labour force is much lower; and "American mill managers, generally, are young and analytical and progressive in their outlook."

Here, then, is precise and authoritative confirmation for one of the basic industries of the country, of the thesis that has been argued in these columns in recent weeks.

The resources in manpower and materials still in reserve in the Inner Zone are not negligible. The population of Japan is about 74 millions. For workers and second-line troops, the Japanese High Command can draw on Korea with 23 million inhabitants and Manchuria with 43 million. So far, there have been no disastrous losses in manpower. The outposts of the Pacific conquests are lightly held, though the garrisons are well supplied and can, as is the case at Rabaul, fight on long after they have been by-passed and cut off. The pick of the army is concentrated in Manchuria and North China. The forces in China are not first class troops and so far the fighting in Hunan has been carried out without reinforcements from

outside China. There is, of course, a substantial army in Burma. Even so, Japan has ample manpower and each year new age groups are being trained for war under officers of the Reservist Association.

The weapons at the disposal of the armies are plentiful and the stocks are large, but technically they are completely outclassed by Allied weapons. Shipbuilding is the greatest bottleneck. The Japanese yards can produce about 800,000 tons of steel shipping a year. Even when this figure is supplemented by wooden ships, it is inadequate to cover Japan's losses. However, if the fighting draws back to the Inner Zone, the pressure on shipping will relax. In the air, the Japanese are concentrating—like the Germans, since they lost the struggle for air supremacy—on fighters. The bombing force is slight.

The factor of distance upsets the calculations of comparative strength between Japan and its enemies. The Japanese only produce one-eighth of the United States steel output, but steel is very heavy freight and the industrial centres of Osaka and Nagasaki are nearer the battle fronts than Pittsburgh, Birmingham and Chicago. If, in spite of the difficulties of the calculation, some comparison can be made between the relative strength of Japan and the Allies, it seems that on the sea complete superiority has been established. In the air, too, the Allies enjoy superiority, but in spite of the enormous development of carrier-borne aircraft, they still lack bases from which to strike a decisive blow against the Inner Zone. The Japanese are attempting to overrun the bases in Eastern China. And even if they are saved and others established, the weight of a blow delivered from makeshift bases in unindustrialised China can hardly compare with the offensive launched against Germany from the vast, up-to-date airfields of Britain. The complete Allied superiority on sea and in the air leaves no doubt about the final issue. It is only the time factor—how long will victory take?—that is in doubt. Here land fighting is decisive. It is unlikely that a mass landing on Japan from bases in the Philippines and the Marianas will be the pattern of the attack. The mainland must be conquered first. This would give a broad and nearby land

base for a mass assault. It would also in itself break the backbone of the Japanese industrial effort. China is therefore the key. The landings on the Philippines show that the conquest of the coasts of China is a practicable operation, especially when British fleets and air forces have reinforced the American. But the operation may not be very quick. The Chinese armies are in no state to act as front-line troops. They would only be able to play a subsidiary part. To land enough Allied troops in Southern China—the only stretch of coast relatively open to the Allies—will certainly require another D-Day, with all the planning and building up of reserves that such an action requires.

There is, however, no reason to suppose that the Prime Minister and the President at Quebec underestimated the task ahead or found their resources inadequate. It is the scale of the Allies' economic and military power that makes their victory certain, even though the way to it may be longer and more costly than is sometimes realised. Moreover, the strategic situation in the Far East is not static. Just as the European war was altered at a stroke by Hitler's attack on Russia, so a Russian intervention in the Far East could revolutionise the military situation overnight by opening the back door into Japan's Inner Zone.

Recently articles in *War and the Working Classes* have adopted an unfriendly tone to the Japanese. Even more recently *Pravda* reviewed a novel, *Port Arthur*, on the Russo-Japanese war of 1904 and referred to Port Arthur as part of the Russian patrimony. One cannot build up a policy on allusions and literary articles, but the change of tone is significant. But more important is the inescapable fact that Russia has old scores with Japan and the time to settle them is the time of Japan's greatest involvement with other Powers. Thus a Russian intervention may well change the whole pattern of Far Eastern strategy. It would not make victory more certain; the sentence of the watchers has already gone forth on Japan's brief empire. But it would make victory more rapid and less costly and could pave the way to a more lasting Far Eastern settlement.

A Plan for Broadcasting—I

BROADCASTING is less than twenty-five years old. This is difficult to remember. So familiar has the habit of listening become, so quickly has it taken its place among the conventional necessities of life that it is easy to forget how recent an arrival it is. In the last war there was no broadcasting in any country; neither news nor propaganda could use the air, and "morale-building" had to employ more pedestrian channels. It is only about twenty years since an official Committee, set up by the British Government, reported that the broadcasting of news and entertainment by wireless telephony would never be more than a plaything for the few.

In these twenty years there has been rapid progress in the technique of broadcasting, both in the technique of radio diffusion and in the technique of presentation. A considerable volume of experience has been built up. Yet all is still, in the truest sense, experimental. The time has been far too short for any but the most direct effects of this new social phenomenon to make their appearance. All conclusions must necessarily be provisional in the extreme.

It is the more surprising that, in one respect, broadcasting, young though it is, is already tending to ossify. This is in its main administrative structure. The view is very widely held that there are only two ways in which broadcasting can be organised and financed. One is the way practised in Great Britain and in practically all European countries—that of a state-owned monopoly financed out of the proceeds of licence duties on receiving sets. The other is the American way—of commercial broadcasting companies financing themselves, in competition, by "selling time" to advertisers. Some countries, such as Australia and Canada, have mixtures of the two

systems, but even in these cases, the ingredients are limited to the two of monopoly financed by tax and of competition financed by advertising.

The organisation of British broadcasting is now under review, with the probability that whatever decisions are reached in the near future will be permanent, or at least very hard to upset. There is a very real prospect that the choice of method of organising broadcasting will be regarded as limited to these two, and that the only matters to be considered will be thought to be their respective merits, with a judgment passed, at the end of the argument, for the one or the other. But there is really no reason why the choice should be so limited. Human ingenuity is not so barren nor the technique of social organisation so confined.

This article and those that will follow (all of which are entirely concerned with domestic broadcasting and omit the largely separate question of foreign broadcasts) are a plea for further and bolder experiment. Both of the existing systems have manifest defects. The state monopoly has all the faults to be expected from a monopoly—timidity, conservativeness, greyness, dullness. The advertising system's defects are equally obvious—mercenary, tawdriness, social irresponsibility. Must we really commit ourselves beyond recall to one or the other? Why cannot we exercise our minds in trying to evolve a system that is better adapted than either to serve the purpose for which broadcasting exists?

What are "the purposes for which broadcasting exists"? We have all heard a great deal about the educational and cultural opportunities that are open to the broadcaster and of the corresponding responsibilities for national taste that rest upon him. We have all heard

of the deadly political use that can be made of radio's power to influence the minds of men, and of the necessity for the guardian of this power to be pure and spotless. We have all heard rather too much of broadcasting as a weapon of war.

Now all these, in their various ways, are didactic purposes. They are all issues that worry the intelligentsia. And they all tend to underrate the basic fact about broadcasting. Either it is interesting or it is nothing. Either it commands the listener's attention or else it is wasted on the desert air. Listening is a voluntary act. Even in Germany, Goebbels has never succeeded in compelling the people to listen, but only to have their sets switched on (which is an entirely different matter). It follows that the didactic purposes must necessarily be secondary to the need to be interesting. Broadcasting is not like a school, where the presence of the subjects can be commanded. It is far more like a theatre, to which the audience has to be attracted.

The basic requirement for anything to be interesting is variety. Human beings, fortunately, are not all alike, nor is any one human being always in the same mood. Any broadcasting service that tries to be interesting must seek variety before all things. There is, of course, a great deal of variety within any broadcasting programme. Even in wartime Britain, where there are only two general programmes to choose from, the range of material presented is enormous. But that is not quite the real meaning of variety. It is not enough that there should be a sermon on Sunday morning and music hall on Saturday evening. There is variety in sermons and variety in music halls. Interest is a relative matter, and it is quite impossible to tell whether a programme is really gripping the interest of the listener unless there is something with which it can be compared. There cannot be real variety without choice.

An interesting broadcasting service must, then, offer a wide range of choice—of simultaneous choice. There must, in short, be more than one, or two, programmes on offer to the same listener at the same time. Only so can he be reasonably sure of finding something that will interest him. The argument can be carried further. When soberly analysed, the general programme is an absurdity. Even the most "general" newspaper has no ambition beyond that of entering one household out of three, and if a periodical interests one in ten of the reading public it has been a phenomenal success. Variety, properly interpreted, requires not merely a number of programmes, but a number of different sorts of programmes—one for the highbrow, one for the lowbrow, one for the mezzo-brow, one for the earnest seeker after instruction, one for the no less earnest seeker after escape from instruction. A country will have the perfect broadcasting system if it arouses the greatest aggregate volume of interest; and that requires variety of programmes in range and in depth—several different examples each of several different sorts of programme.

Moreover, this fits in admirably with the chief political requirement of broadcasting—that it should not pollute the democratic process. It is wholly right that the fullest advantage should be taken of the opportunities offered by radio for intellectual cultivation and for moral leadership—opportunities at least as great as have ever been presented by any other medium. But that this enormous power should be placed in the hands of a monopoly, however high-minded and public-spirited, is so obviously and disastrously dangerous that it could only have happened, in a freedom-loving community, in the way that it has happened—that is, by inadvertence and in absence of mind. If the public can only be made to stop and think about the position it has got itself into, its collective hair will stand on end at the prospect. The only event in human history at all comparable with the invention of radio, from the social point of view, is that of printing. What would have happened to our liberties—indeed, to our intelligence—if the printing press had, from the start, been monopolised by a public corporation, be it never so well-intentioned and devoted to its duty? For centuries now, it has been common form among the western democratic peoples to look down upon any benighted country which reserved the power of the press to Authority, and to pity it not only for its political captivity but also for its ignorance, the intellectual backwardness and the technical poverty that are the inevitable consequences of a censorship. So firmly is this doctrine held, that the smallest infraction of it, if it relates to printed matter, will be hotly resented and condemned. Yet a complete breach of the same doctrine, relating to an instrument that may yet prove to be still mightier than the pen, is looked upon with complete indifference.

There is still time—but probably only just time—to remedy this disastrous mistake. If radio is to be the servant of a free society, and not its assassin, it must follow in the printers' footsteps; it must regard itself as a free medium and be prepared to put out to the world virtually everything that is offered to it—subject, of course, to the laws against libel and indecency. Only so can radio avoid becoming a prison for the human spirit. Let there, indeed, be cultural influence and intellectual leadership. But let everyone who has these commodities to purvey, or thinks he has, be given his chance. Let there be no need for an *imprimatur* on any broadcast. Let no question be asked but whether it is likely to interest enough of the customers. These are categorical imperatives. And they can only be met by having a wide choice of programmes independently conducted.

This means that there should not be a single Broadcasting Corporation. Variety is essential to interest, and competition is the necessary mechanism of variety. Whatever plan be chosen for the ownership and financing of broadcasting (with which the remainder of these articles will be concerned), the main essential is that there should be no monopoly.

(To be continued)

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NOTES OF THE WEEK

Limited Results at Moscow

The Moscow Conference is at an end with some solid achievement to its credit. The scope of the discussions were, of course, limited by the fact that no American leader was present and this fact more than any other dictated the course of the proceedings. Matters of direct interest between Britain and Russia had pride of place and no decisions appear to have been taken on matters which required the full concurrence of the United States. For instance, the conferences did not carry on the unfinished business of Dumbarton Oaks. Nor were any new decisions taken about Germany. It is widely assumed that Mr Churchill and Marshal Stalin will meet the new American President as soon as possible after his election, and to a certain extent the Moscow Conference has simply prepared the way for further discussions later on. This is fortunate, because on one of the major issues of the peace—the Polish issue—the discussions ended very nearly in deadlock. The existence of the National Committee at Lublin would almost certainly have proved no obstacle to a settlement, had it not been for the Russian insistence that the Curzon Line must be accepted as the eastern frontier of Poland now. Mr Mikolajczyk had no power to accede to this demand and he has returned to London without a settlement. Thus there will be another interregnum in which the existence of two rival authorities will week by week and day by day embitter the issue and make final agreement more unlikely. The National Committee are bitterly attacking Mr Mikolajczyk and laying on him the blame for their failure to achieve land reform. For their part the London Government are very naturally protesting against the arrest in Poland of Poles who support the London Government and their mass deportation to Russia—steps which inevitably recall Russia's bitterly resented policy in 1939 and 1940. The situation is thus little short of civil war, with the Great Powers ranged on opposite sides behind the contending Governments.

Balkan Agreement

Eighteen months ago it looked as though Allied disensions in the Balkans might be as acute as the Polish dispute itself. Happily wiser counsels have prevailed and the latest Moscow Conference has reached a very large measure of agreement between the British and the Russian Governments in their policy towards the Balkan States. The Bulgarian armistice has been mutually determined, though its terms have not yet been published. In Yugoslavia there is to be no clash of governments, for the Royal government in London and Marshal Tito's National Committee are now to act together in a single administration. This satisfactory settlement reflects the realities of the Balkan situation. Russia enjoys enormous popularity as a Slav power, as the principal liberating force and as a revolutionary. On the other hand, the desperate economic needs of the poverty-stricken Balkans, particularly in the matter of food, can only be met from the West. The Russian armies bring liberation but they do not bring supplies, and the handing over of civil supplies to UNRRA in Greece, Yugoslavia and Albania underlines this fact. It is upon this point of economic assistance that the British Government would do well to concentrate. It has far more political significance than the question of the monarchy, which has seemed at times to preoccupy British policy in the Balkans almost to the exclusion of everything else. The crisis which has arisen in the far more politically mature country of Belgium shows that nothing so quickly undermines the authority of a government of national union than failure to meet the popular desire for better and quicker supplies. It is a fundamental British interest that governments of national union should guide their countries over the difficult period of transition. The only alternative is Left Wing extremism or a return of the old figures discredited by collaboration with the enemy. Neither type of government could offer any possibility of stable and prolonged collaboration with this country. Mr Eden is in the Middle East. Admittedly there are many pressing local problems with which he must deal—Turkish

"pre-belligerency" the new Egyptian government, the problem of French relations with Syria and Lebanon, the progress of Arab union—but for the time being, Balkan problems are the most urgent of all. If as a result of his observations he can persuade the military authorities and the Combined Boards to increase their quotas for the Balkans, he will have secured not only a military but a diplomatic and political success.

Towards Unity in Yugoslavia

After prolonged fighting Belgrade has been freed by Marshal Tolbukhin's forces and by Marshal Tito's partisans. The liberation of the capital raises the immediate problem of a new Yugoslav Administration. The issue was discussed at the Moscow Conference, and the Yugoslav Prime Minister, Dr Subasich, has now gone to his country in order to reach a working agreement with Marshal Tito on the type of Administration that is to be set up. The arrangement which was made a few months ago, when Dr Subasich became the Yugoslav Prime Minister, has now outlived its time. It was entirely provisional and temporary. No real fusion or integration between the National Committee of Liberation in Yugoslavia and the Yugoslav Government in exile was even attempted. The agreement merely committed both sides to a sort of political truce and divided between them the spheres of Governmental activity. The Government in exile assumed representative functions abroad, but it obtained no real control over domestic affairs. Inside the country, the National Committee of Liberation exerted—and still exerts—exclusive power, at least in those areas which the partisans have managed to free from the Germans. This division of function, in which the Government in exile obviously played a role more symbolical than real, will now in all probability be revised. In what way the fusion of the two bodies will be brought about cannot yet be said. But the difficulties in the path of unification should not be underrated. The administrative agencies of the Committee of Liberation have done well enough as the local agents of the fighting partisans. They are probably less suited to peacetime government of the country. Dr Subasich and Marshal Tito will now have to try to set up a more normal Administration. In this they have the backing of Russia and Great Britain, since both countries have undertaken not to pursue conflicting policies in this part of the Balkans. The other puzzling problem which will soon be cleared up in Yugoslavia itself is the extent to which the National Committee really enjoys the support of the Serb population. Still another important question bears on the future structure of Yugoslavia. Marshal Tito favours a loose Yugoslav federation; and only this week the formation of an autonomous Macedonian Republic within the framework of Yugoslavia has been announced from Tito's Headquarters. The gesture towards Macedonia will certainly not be received with unanimous approval by the Serb nationalists. They believe in a centralised Yugoslavia in which parts of Macedonia would continue to belong to Greater Serbia for administrative and political purposes. If the Southern Slav nationalities can now agree on the future structure of their state they will perhaps have made a step towards the obliteration of the internal feuds that shook Yugoslavia in the inter-war years and ended in the appalling slaughters of 1941.

Planning Bill to Harbour

The Government made a mistake in attempting to justify the new compensation clauses in the Town and Country Planning Bill on a strictly logical basis. Mr W. S. Morrison reiterated several times during the debate that there was no desire to depart from the principle of a fair market price; but that, since current prices were capricious, the only thing to do was to go back to 1939. But the logical corollary to this argument is to say that any general increase in the price of land and buildings since 1939 should be

taken into account. Whether this was the sense of Mr Hore-Belisha's amendment, or whether it intended to compensate each individual block of land for its rise in value, is not clear. Again, Mr Morrison went back to the much-scarred body of the Uthwatt report to point out that the Government were proposing a standard where Uthwatt proposed a ceiling. But which would be fairer? To take the Uthwatt 1939 values, and to adjust downwards where current market price is lower? Or to take the Government's 1939 prices, and adjust upwards on an invidious basis? The former course would, incidentally, catch the speculation, about whom there was again much talk, but no action. Mr Morrison made clear that the concession that has been made to the owner-occupier was given him solely as occupier, to compensate for disturbance. But the sum offered him is too large for mere inconvenience—and, if it is intended to be that, the whole principle of compensation, instead of the discrimination in paying it, falls open to attack. Mr Hore-Belisha's amendment was eventually defeated by 324 to 58, the great majority of the Conservatives voting with the Government. Some were influenced by Mr Morrison's disingenuous plea, which gave away much of his case, that this method of compensation would be confined to this particular wartime measure. But much more cogent, perhaps, was the argument of the Tory Reformers that to allow for the fall in the value of money in compensating for land would lay the House open to the same principle when social security came to be discussed. This attitude is quite indefensible. If money values steadily and considerably fall, as during the war, it is only fair to increase the state's payments, whether for property or unemployment insurance, in the same way as purchases and wages are automatically adjusted in the open market; otherwise an inflationary spiral will be a fruitful source of haphazard injustice. It is probable that the Commons will finish with the Bill this week. The Government have thus got through the first instalment of a legislative programme accepted three years ago. It can only be repeated that if they had not lingered so very long on the way, much of the present toil, sweat and tears would have been avoided, and a more satisfactory piece of legislation would have emerged. The compensation clauses as they stand will plague the Government for many years to come. To cite only one example of the effects, will the building of houses for letting, so urgently needed, be encouraged by the treatment now accorded to the owner-investor?

Recognition by Halves

The simultaneous recognition of the French Provisional Government by the British, American and Russian Governments has been welcomed with satisfaction in France and in all Allied countries. The act has redressed a genuine grievance which was strongly, naturally and vocally resented by the French. It has also been a remarkable demonstration of unity and co-ordination among the three great Allied Powers. Russia had actually already recognised the French Provisional Government, and the renewal of the recognition on Russia's part underlines the harmony of Allied policy in its relation to France. The act of recognition will not entail any practical changes inside France, where nobody has disputed the right of the Provisional Government to represent the country, although as an article on page 573 points out, there are for the time being serious obstacles to the effective extension of the Provisional Government's authority over the whole country. Recognition ought to have immediate political and diplomatic consequences. France should now be invited to confer with the other great Allied Powers on international security and to join the European Advisory Council. President Roosevelt's statement on Tuesday last that no such invitation will for the time being be addressed to the French must bewilder public opinion in France as well as in the other Allied countries. There is surely no logic in a policy that has at long last recognised the representative character of the Provisional Government and yet does not recognise its title to speak on behalf of France in the inner councils of the Grand Alliance. The French are bound to regard this as a new affront to France's national prestige and as an attempt to deprive it of any say in matters that vitally concern its own future. It need hardly be added that such contradictory policies do not induce Frenchmen to think better of their Allies. Non-recognition was bad policy; half-recognition is no better. Nothing less than full recognition—with all its implications—can do justice to France.

Storm Over Teheran

In last week's issue, there appeared an account of the steps taken by Russia to acquire oil concessions in Northern Persia and the refusal of the Persian Government to consider any concessions before the end of the war. In the course of the last few days, a genuine storm over Persia oil has blown up. The Persian Prime Minister has made a special statement announcing that not only Russian concessions, but also British and American schemes for the exploitation of oil reserves have been rejected; and that the previous Persian Government had been overthrown by Parliament because of its over-favourable attitude towards foreign concessionaires. This statement suggests that nationalism in the Teheran Parliament was strong enough to compel the Government to adopt a negative policy on concessions. The Russians have replied to the refusal at once and with their customary vigour. The accusation has now been levelled at the Teheran Government that it has sabotaged the transport of Lend-Lease supplies en route from the United States to Russia. The gravity of such an accusation is obvious. If the charge were to be taken literally, it would mean nothing less than that the present Persian Government has violated the Treaty of 1942 under which it guaranteed to Russia all facilities needed for the smooth flow of American goods and weapons across Persian territory. In return for this undertaking Russia (as well as Great Britain) agreed not to interfere in Persia's internal affairs and to withdraw the Soviet forces from the zone of occupation in northern Persia after the end of hostilities. It remains to be seen whether Moscow will be disposed to reconsider its commitment of non-interference in the light of the alleged Persian sabotage. Meanwhile it is supplementing its direct diplomatic pressure by giving press and radio publicity to those Persian newspapers which are demanding the dismissal of the Government, not this time for being too kind to foreign concessionaires, Russian or otherwise, but on the contrary, for not being kind enough to the Russians. It seems that the Soviets have little to learn from their capitalist predecessors in the same field.

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Production Planning

The immediate problem of reconversion arises from the difficulty of reconciling three urgent calls on the productive capacity of the country—calls for the maintenance of the maximum effort of war until the moment of victory, for the earliest possible alleviation of the shortage of civilian consumer goods, and for the speedy revival and expansion of the export trades. These desiderata cannot be treated satisfactorily by any hard and fast system of priorities. Neither the war effort nor the export drive should be considered or treated in complete isolation: each depends for its success on the co-operation and the physical and mental well-being of the workers. Without in any way reducing the impact of armed force on the enemy, it should now be possible to relax, in some degree, the principle of total mobilisation for war. In the House of Commons, last week, Mr Dalton was able to throw a little more light on the Government's intentions with regard to reconversion. The Government's war factories will not be sold in the open market. They will be let and their lessees will not be those who can offer most but those most likely to satisfy the various needs of national economic policy. These thousand or more factories, most of them completely up to date and well equipped, are valuable additions to national capital of which the earliest and maximum use must be made by peacetime industry. The Government insist that their activities should, in general, (1) contribute usefully to the employment policy of the region, especially in relation to the creation of a balanced and diversified economy; (2) be suitable for participation in the export drive; (3) be capable of swift conversion—that is, without large structural alterations. These qualifications, if all are fulfilled, are onerous enough: they need not, surely, be supplemented by the further requirement that the factories should be maintained at the ready for an emergency switch-over back to war production. Mr Dalton announced that industrialists have responded well to the Government's invitation of last November, and that there seems to be no difficulty in finding good tenants among the applicants. In the planning and provision of post-war industrial accommodation the Board of Trade is very much at the mercy of the Supply Departments. It is a matter of great importance that these latter should give adequate notice of their intention to quit.

A wise condition governing the tenancy of the Government's war factories is that the goods to be produced should be of high utility standards whether for home or export trade. The technical advantages of utility production are obvious enough. The functional advantages of the products themselves are gaining steadily in appreciation. But an even more important merit of utility standards, under conditions of economic scarcity, is that they greatly facilitate the adoption and enforcement of fixed prices. Post-war shortages will make price control imperative if inflation and its injustices are to be avoided. Utility standards need not be unduly austere. Both in variety and quality their ranges can be extended. During the war, producers of standardised goods—other than the arsenals and war factories—have had to make do with inadequate resources and, to some extent, the benefits of standardised products have been masked (for

the consumer) by inferior materials and poor handiwork. The Government's scheme to encourage the production of utility goods, even when the normal resources of industry are available, should prove beneficial to the domestic consumer and greatly improve the prospects of the export trade.

The Cost of the War

In the House of Commons last week Mr Ascheton advised members to "steel themselves" before he announced that up to September 2nd the war had cost the country £23,893 million. His advice was unnecessary. Although the financial records of war are far from being the "meaningless symbols" they are sometimes supposed to be, their very magnitude stupifies layman and politician alike. Annual Government expenditure has now reached £5,000 million—nearly double the figure of £2,700 million in 1918. American estimates put the total direct cost of the last war at \$330 billion, of which \$200 billion were spent by the Allies. Such figures have very little meaning unless they are related to the real wealth of the community and expressed as proportions of national income. In 1918 the British Government spent about half the community's total income of £5,500 million. Today it is spending a larger fraction—nearly 60 per cent. Not all of the figure of almost £24,000 million is, of course, dead loss. Some part of it represents capital equipment and stocks acquired during the war that will be of service in peace. Much more represents consumer goods that would have been needed war or no war. An accurate measure of the economic cost of the war would involve a comparison of what has been consumed with what would have been consumed. And even if this could be done it would still fail to measure the real cost of the war to the British people. It is not possible by any method of accounting to set a value on physical inconvenience, hardship and suffering, on mental anguish and bereavement.

Greek Claims

One of M. Papandreou's first official speeches since the return of the Greek Government to Athens was devoted to sweeping territorial claims, against Bulgaria in Thrace and Macedonia, against Albania in the Epirus. He also claimed the return of the Dodecanese Islands. There is something infinitely discouraging in this spectacle of the war ending as it began, in a flurry of conflicting frontier claims, the Great Powers claiming territories from the lesser Powers and the lesser Powers from the still smaller Powers. And so the tragi-comedy goes on with no more hope of permanent solution now than at any time in the last century. The war might have taught the lesson that all strategic frontiers have disappeared, and that the only way to deal satisfactorily with a frontier is to make it unimportant. But this lesson has not been learnt. It applies especially to the Balkans. The whole area is so poverty-stricken and its resources are so meagre that the only way in which decent life could be guaranteed to its peasants and workers—across whatever frontier they may live—would be to pool the economic wealth of the entire peninsula and develop its agriculture and its industry in relation to river valleys and mineral reserves irrespective of the frontiers which may happen to cross them. A regional organisation would also be the only solution for small communities such as Macedonia and Albania. The frontiers claimed by Greece in either region would only lead to counter-claims and, once the balance of power in Europe had changed, to new struggles and the drawing of new frontiers. After the last war the southern frontier of Albania was certainly drawn at the Greeks' expense, for the Italians at that time wished to aggrandise their Albanian satellite. There is thus a case for some revision, but it would no doubt lead to Yugoslav claims against Albania and possibly to the disappearance of any autonomy for the Albanians. Similarly, as long as Macedonia is divided between Greeks, Bulgars and Serbs, its frontiers will be a source of perpetual friction. However, it does seem that there is here an opportunity for British statesmanship. The question of sovereignty over islands is less troublesome than the redrawing of land frontiers. There is a strong case for giving the Dodecanese to Greece, and a less strong case, but still a considerable one on grounds of nationality, for placing Cyprus under Greek sovereignty. In return for these sub-

stantial gains, the Greeks should be urged to provide the British with air and sea bases in the Aegean and in Cyprus and to subordinate their frontier claims in the North to a wider Balkan settlement.

Government in Central Africa

In a long and important statement in the House of Commons last week the Secretary of State for the Colonies gave a clear decision on the question of the amalgamation of the two Rhodesias and Nyasaland. What may frequently be an obstacle to colonial regionalism—a difference in native policy between the territories concerned—has in this case been recognised as insuperable, as the Royal Commission under the chairmanship of Lord Bledisloe found in 1938. On almost every ground, historical, geographical and economic, there is a great deal to be said in favour of amalgamation. But even were it conceded that it would lead to a higher standard of living and increased material prosperity, it would still be impossible to reconcile the two fundamentally opposed native policies. In the European areas of Southern Rhodesia, said Sir Godfrey Huggins, the Prime Minister, in 1938,

the black man will be welcomed, when, tempted by wages, he offers his services as a labourer; but it will be on the understanding that he shall merely assist and not compete with the white man.

But in the dependent territories of Northern Rhodesia and Nyasaland the native is regarded as a future partner, and though this principle can at present only be very theoretical, the natives themselves appreciate the distinction between the two conceptions. At a meeting of an African Provincial Council in Northern Rhodesia last year, an African said that his people would only agree to amalgamation if it were clear that the native policy of Northern Rhodesia would not be altered. But the practical advantages of regionalism are not to be abandoned because of the obstacle to amalgamation. A Standing Central African Council is to be set up with a permanent inter-territorial secretariat. It will be consultative and its general function will be to promote co-operation between the three Governments and their staffs. All matters relating to development and welfare, such as communications, health and education, are to come within its sphere. *Ad hoc* conferences will be held under the aegis of the Council to deal with technical and special subjects.

The Council should enable planning for development and welfare to take place on a regional basis and should prove as useful as the Anglo-American Caribbean Commission in the West Indies. Moreover, just as West Indians are associated with the work of the Commission through a system of West Indian Conferences, it is intended to associate unofficial members of the legislative councils of Northern Rhodesia and Nyasaland with the work of the Council and the possibility of direct African association in the future is envisaged. But the Council's work will be unavailing if its plans and advice cannot be carried out for lack of funds. It will be exasperating for Southern Rhodesia, which has made far more progress in these matters than the dependent territories, if improvements are held up on its borders. It is up to the Colonial Office to back up its political theories of partnership for the Africans with practical help in raising their standard of living.

New Constitution for Northern Rhodesia

Colonel Stanley made an announcement at the same time on constitutional development in Northern Rhodesia. The unofficial membership of the Legislative Council will be increased, not however by adding to the number of elected members, but by increasing the number of nominated unofficial members from one to five. The Council will thus consist of nine officials, five nominated unofficial members and eight elected unofficial members; Northern Rhodesia, though it will have an unofficial majority, will therefore still be one stage behind the Gold Coast, where, under the proposed new constitution, there will be an elected majority in the Legislative Council. Of the four new members, two will represent African interests, which, since the original nominated unofficial member was appointed to represent the Africans, will bring their representation up to three—the Africans' request for more representation is

thus granted. Direct African representation in the Council is envisaged when the provincial African Councils, described in an article in *The Economist* of October 14, 1944 (page 500), have had more experience. It is intended that delegates from these should form an African Central Council (not to be confused with the Central African Council for the two Rhodesias and Nyasaland), which should send members to the Legislative Council. In the meantime the members nominated to represent African interests will be Europeans, though on a vacancy occurring it will be open to the Governor to select an African to fill it.

The Italians in England

One of the most serious defects of the section of the British press that feeds its readers on sensations and "revelations" is the inconsistency of its argument. In recent weeks it has tried to champion the cause of homeless Londoners. It has done a useful service in stressing the urgency of repair work and has called for drastic action to mobilise the necessary labour. But at the same time it has thought fit to conduct a violent campaign and vendetta against the Italian prisoners-of-war drafted to London to assist in that same urgent task. The campaign has taken the form of a petulant (though possibly justifiable) grouse against the billeting of prisoners-of-war in houses more suitable for bombed-out citizens. The vendetta, which has taken the form of a vicious racialism, seems to have led the authorities to take the Italian workers off repair work. In return for the doubtful satisfaction of venting racial spite, many Londoners are to continue to live in leaking and roofless houses. Oddly enough, these same voices are loudest in the demand that the physical restitution of Britain shall be assisted by German labour after the war.

What Next in India?

The breakdown of the Gandhi-Jinnah talks at the end of last month has created an unhealthy vacuum in Hindu-Moslem relations. The succeeding weeks have been occupied with mutual recriminations and mud-slinging, quite different in tone from the discreet courtesies which preceded the talks. This *post mortem* period possesses only one advantage, which applies less to Indians than to the foreigners concerned that no solution to India's problem can apparently be found. It has stimulated on both sides statements of Hindu and Moslem ambitions as clear as anything that can be hoped for. Mr Gandhi, backed by Congress, but not officially representing it, has offered a provisional Hindu-Moslem government—in which the Moslems would be a one-in-three minority—to which the responsibility of fixing the boundaries of Pakistan would be given. The principles of demarcation, according to Mr Gandhi's formula, would be that independent Moslem provinces could be formed where (if at all) Moslems could show by plebiscite something like a 75 per cent majority. If and when separate Hindustan and Pakistan states were established, Mr Gandhi would reserve to a central government, in the interests of Indian security and economic development, all matters of foreign affairs, defence, communications, customs and so on. Mr Jinnah, in the more delicate position of a minority leader, is suspicious of the proposal, and demands that the principle of separate independent Pakistan should be accepted first and the details of the scheme formulated afterwards. Two separate constitution-making bodies could then

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bargain for the final settlement. Even if the Moslems could get the Hindus to accept this, there would be no guarantee of ultimate agreement, since they would still be the weaker bargaining party. The real problem resolves itself into whether the Hindus will depart sufficiently far from their principle of Indian unity and the Moslems sufficiently far from their principle of Moslem independence for a compromise to be possible and for freedom from British control—which Hindu, Moslem and Briton alike desire—to be attainable. The real choice lies with the minority. Which is preferable, freedom for India or sovereignty for Pakistan? The choice can be made easier by a more accommodating attitude from Hindu leaders than has been shown by Mr Gandhi. It has been suggested that some sort of lawyer's committee of all parties might find it easier to reach a compromise settlement of Hindu-Moslem differences than the more rigidly ideological minds of Mr Gandhi and Mr Jinnah. If the leaders could, when the heat of recrimination has cooled, accept such a delegation of authority, a more hopeful prospect might come into view. No doubt should be left where the British Government stands. It has often been a complaint against British policy that it has deliberately fostered Moslem separatism as an obstacle to Dominion status. The charge is untrue, or at least unproven. Now is the opportunity to prove that it is untrue. The Moslems must not be coerced into a solution of which they are genuinely afraid. But they might be persuaded and their fears might be allayed. In both tasks the British have a positive rôle to play.

* * *

Mobilising the Last Ditch

The fall of Aachen and the Russian advance into East Prussia have brought the war firmly on to German soil. The Nazis' reaction to the Allied advance has been to create a new military organisation, the so-called *Volkssturm*, into which will be sent all men from 16 to 60 who are not already in the armed forces. Its task, romantically put, is "to defend the Reich to the last man." Its duties will probably be more sober—to guard dumps, patrol bridges and protect lines of communication, and thus free soldiers for the front line. This is its military significance. In fact, it will not seriously impede the Allied advance. For one thing, it will only have light arms. Its true significance is political. It is not to be organised by the Wehrmacht but by the Party, and in a sense it is a last-minute improvisation to tighten the Party hold on the masses in these ultimate days of despair and apathy. Hitler and Himmler, as party leaders, have tried to give the *Volkssturm* a little historical glamour. It is the *levée en masse* of 1813 and so forth. But it is neither a people's rising nor an incipient maquis. There is no *élan* behind it. Even at this stage it is being arranged through the card indexes at Party headquarters. It will almost certainly dissolve in any area occupied by the Allies. Yet it poses one urgent problem. It signifies the Nazis' continued will to resist. The Wehrmacht and the *Volkssturm* are fighting "delaying actions," though nobody, not even the Nazis, knows what the delay will gain. It may be time for the Allies to fall out. Or time for the Nazis to organise an underground army. But one thing is certain, however. Sporadic resistance—by Himmler's "werewolves"—will continue. To overcome these pockets, the Allies will need the active help of the non-Nazi German people. If the occupying forces show in their tackling of the problems of AMG that they can distinguish a Nazi from a non-Nazi, punish the one and protect the other, there will be some hope of defeating the apathy and desperation which are Himmler's best allies among the German masses. Then it will be possible to secure the active collaboration of German men and women in smoking the "werewolves" out.

* * *

Office Workers on the Move

If the congestion of large cities is to be relieved and their ever-widening sprawl halted, attention must be paid to the possibilities of re-locating offices as well as factories. This is especially true of London, where the need for dispersal is greatest. A committee of the National Council of Social Service, which has examined the possibilities, finds the wartime experiences of evacuated office staffs discouraging. This is largely due to the makeshift conditions in which

they have had to live and work. But even under the best of conditions, many employers would be unable, and most would be highly unwilling, to leave central London. The majority of their staffs are equally hostile to the idea. The attractions of metropolitan life are, apparently, very great. Apart from sentiment and prejudice, apart from domestic and housing ties, London has at present advantages in secondary and higher education and in hospital treatment which count for much among office workers. If firms could be persuaded to move, their best destinations—from their own and the reception areas' viewpoint, as well as from planning and administrative considerations—would be the existing medium-sized towns with good communications with London. Here, office staffs would find strong compensating advantages, such as the avoidance of long daily journeys, easy access to the countryside, lower rents, and a more integrated if less varied society. There are fifty towns of 20,000 to 100,000 population within eighty miles of London, most of them to the south. From these towns, many thousands of City workers travel daily a hundred miles and more. Traffic congestion would also be eased by some decentralisation of offices to the outer suburbs of London, but with the cautionary proviso that these cannot be allowed to spread much further. Only a very limited and partial dispersal of offices is practical. The Government, which is far and away the largest employer of office labour, was considering before the war the advisability of dispersing some of its departments. The lesson is that a policy of office dispersal can only begin to be successful if the Government give the lead.

* * *

How Many Shopkeepers?

To run a small shop was the aim of many ex-Servicemen after the last war; and the many failures then have not deterred the same idea from gaining great popularity among the Forces now. The prospect of a return to fierce competition is naturally distasteful to retailers, whose trade associations have set up a number of panels to give advice to prospective post-war entrants. These panels have already received the blessing of the British Legion. Sweet and tobacco shops, being the smallest and cheapest to buy, may be especially sought after, and for this reason the Confectionery Trade Council has given close attention to its advisory scheme. The advice given by the trade to each applicant will be based on his previous experience, his financial standing, the suitability of the proposed premises, and the "consumer need" of the locality in question. The trade association's own bias in favour of a qualification test for entrants and a limitation on the number of shops in each locality is bound to find its way into their recommendations. An advisory panel cannot of itself restrict new entry; but, administered by a body believing in restriction, it can strongly discourage it. There is every reason for ex-Servicemen and women to exercise caution and gain advice before setting up shop. But are the representatives of existing vested interests the best persons to advise them? "Consumer need," for instance, will be interpreted very differently by the consumer himself, who clearly gains from there being a great number and variety of shops, and by the shopkeeper who equally clearly loses.

* * *

Misprints Supplement

The term *errata* is always something of a euphemism: it would be patently inadequate as a notice of the misprints that appeared in *The Economist* last week. It is a characteristic of misprints that they tend to "creep" into the pages of respectable journals: last week they marched in shamelessly and captured column after column. On page 530 they rebutted the popular lyric "There'll Always be an England" and advised the agricultural industry that "the state's existence is limited in time." On page 531 they hinted darkly at the "privacy" of Russian interests in Europe. On page 538 they raised their eyebrows at the price of "National Health Insurance" by Professor Hermann Levy. On page 540 they referred to a "quaint nation" but, mercifully, failed to identify it. They did so many strange things that further selection would perhaps be invidious. It might be said in self-defence and by way of apology that owing to the peculiar difficulties inseparable from wartime publishing. . . . But there is just a possibility that readers find enjoyment in the *lapsus calami*. If so, last week's effort is a matter for considerable pride.

Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,980	3,474
Sept.-Dec., 1940.....	22,282	28,522	50,804
Total, 1941.....	20,863	21,839	42,702
Total, 1942.....	3,221	4,149	7,370
Total, 1943.....	2,357	3,462	5,819
Jan.-May, 1944.....	1,561	2,916	4,477
June-Aug., 1944.....	5,479	15,934	21,413
September.....	170	360	530
Totals to date.....	57,427	79,162	136,589

Those killed in air-raids during September included 63 men, 80 women and 27 children under 16.

Letters to the Editor

A Policy for Wealth

TO THE EDITOR OF THE ECONOMIST

SIR,—Point number eight of your twenty points enumerated in your final article indicates that in your opinion the question of public or private ownership of an industry is a matter for secondary consideration.

I would agree with you regarding industry in general, but not as regards the mining industry, where, for psychological reasons, it is of primary importance. Here, inheritance of wealth is more closely associated with control than in any other industry in the country, with the consequence that the controllers of this industry inherit not only their shares but a fixed attitude towards the industry and its workpeople. As the miner inherits his job and a similar fixed attitude towards the mineowner, then it is small wonder that strife is never absent from the collieries.

For some generations now sons have succeeded fathers in the mining industry, and with inheritance they assume control. This has a very frustrating effect on the colliery officials, who for the most part can never hope to control policy. Compare this system with the board-room of a modern progressive business where the directors have won their seat at the board-table by sheer merit. There is, moreover, a probability that such a system breeds a natural hesitancy to accept new ideas and improvements, as there is a tendency to rely on systems which have proved successful in the past.

It is my considered opinion that the changes necessary to rationalise the mining industry can only be effected by the nation taking over the ownership of the mines. I speak subject to correction after a mere three years' experience in the industry, but with experience of several other types of industry.—Yours faithfully,

CHARLES A. LIDBURY

Nottingham

TO THE EDITOR OF THE ECONOMIST

SIR,—In his letter published in your October 14th issue, Mr Richmond is hardly fair when he suggests that you were ignorant of any other "worker-satisfaction" factors than a "higher standard of material consumption" on one hand and "more leisure" on the other.

The problem is essentially one of "output per man hour," and within the range of reasonable working hours it has yet to be proved that a reduction in working hours per week will enable the same weekly output to be maintained. It has certainly been proved that a reduction in excessive hours involves no loss of output, indeed may lead to an increase, but, as shown by a recent Medical Health Research Report, this is an argument for reasonable hours, and output does not continue to maintain itself with a progressive decrease in hours from this reasonable standard.

All this does not, however, diminish the force of Mr Richmond's argument, which is the necessity for the worker to obtain satisfaction from his work. Many managers have still not realised this fundamental necessity, and, whether there is a working week of 50 hours or 40 hours, whether looked at from the basis of technical efficiency or of social satisfaction (and there is a close connection), it is necessary for each worker, from top to bottom, to regard his gainful

The rising trend of the wartime birth-rate was maintained in the second quarter of 1944, and reached the new high level of 19.3 per thousand. This compares with 16.2 and 17.5 per thousand in the corresponding periods of 1942 and 1943, and 17.9 in the first quarter of this year. It is the highest birth-rate of any second quarter since 1925. The lowest rate of infant mortality for this period of the year was also recorded. Only 43 children in every thousand lost their lives in the first year of life, compared with 46 in the June quarter of 1943 and an average of 54 in the same period over the last ten years. The death-rate for the whole population, however, increased from 10.9 per thousand in the second quarter of 1943 to 11.2, but was still lower than the average of 12 per thousand for the years 1938-42. The number of marriages recorded, although slightly higher than in the second quarter of 1943, was lower by 23,460 than the average for 1938-42.

employment not merely as a dull necessary economic interlude sandwiched between two periods of delight, but a period in which every effort is encouraged to provide a satisfactory outlet for his abilities and self-respect.

May I, in conclusion, congratulate *The Economist* on the excellence of this series of articles. In depth of analysis and clarity of presentation they have reached a very high level, and should form the basis for many discussions on this topical and all-important matter.—Yours sincerely,

W. PUCKEY,

Director and General Works Manager, Hoover Limited
Perivale

The Shape of Agriculture

TO THE EDITOR OF THE ECONOMIST

SIR,—You write "The grant of any assistance (i.e., subsidy from taxation) means that the non-agricultural community will be just that much poorer." Is that true? Surely it would only be true if (a) we can achieve full employment without a large and prosperous agriculture, (b) we can pay for all the imported goods we cannot grow or produce here in any circumstances, and in addition can pay for what we could grow here only at greater money cost than the foreigner is willing to sell, and (c) the engineering trade would not in fact be able to lower the cost of exports just because it enjoyed the steady bread-and-butter business which a prosperous home market among British farmers would bring?

Once we have proved that we can maintain a high and stable level of employment, then the international division of labour will not only be good theory, it will become practical politics. But until that happy time comes, are you really prepared to spend public money on unemployment benefit rather than on maintaining a high level of food production at home?—Yours faithfully,

DAVID ECCLES
House of Commons

The Bretton Woods Agreement

TO THE EDITOR OF THE ECONOMIST

SIR,—In your article called "Confusing the Issue" in your issue dated October 14th you write this sentence:

Now in some respects—probably on balance—the Bretton Woods plan is more elastic than the gold standard.

In the Bretton Woods plan there is a variation of 10 per cent allowed, whereas if a state is either on or off the gold standard they can alter the ratio of their currency to gold to whatever extent they wish and when they wish. Surely that is more elastic than allowed under the Bretton Woods final act. But please do not take this as a point in favour of gold—it is not.

The internal value of a state's currency in relation to its external value and the management of the former is vastly more important. Gold changes in value, and if it is allowed to drag the external value of our currency up or down with it, then the internal value of our currency should be rectified from time to time to keep level with such changes.—Yours faithfully,

J. W. L. KEMP

AMERICAN SURVEY

Presidential Personalities

With less than a fortnight to go to election day, the Presidential campaign has reached the stage of personalities. Both candidates have an interest in being something less than fully frank about their policies. Mr Dewey has to make himself out to be a much more fervent internationalist than he really is. Mr Roosevelt will lose votes if he reminds the country that he has ever been in any way critical of the once-more-sacred principle of free private enterprise. If the isolationists are the skeletons in the Republican cupboard, the New Dealers and the Communists can always, with suitable expressions of horror, be rediscovered lurking behind Mr Roosevelt. So personalities take the place of policies, and it is almost becoming a contest between Mr Roosevelt's alleged ill-health and Mr Dewey's alleged inexperience. Mr Roosevelt is compelled to parade through New York in the rain to prove that he is hardy. Mr Dewey, in his speeches, has to be so statesman-like that he conveys almost no meaning at all other than that he does not like Mr Roosevelt. In a contest of personalities, the President could hardly help but win, and this is Mr Dewey's weakness. For the last week or so the news has been bad for him. The Willkieites seem to be going over to the President. This is, at least, true of their articulate leaders, such as the *New York Times* and Senator Ball of Minnesota, formally a Republican and a very close associate of ex-Governor Stassen of that state, whom many regard as the coming man of the Republican Party. Whether the rank-and-file Willkieites, who are very heavily drawn from professional and business circles, will follow their leaders is much more doubtful. It is, in any case, likely to be a very close election. In the public opinion polls, Mr Roosevelt has only the narrowest lead, and many of the technical factors are against him. But he still has a number of speeches to make, and the old magic is still very potent. He has already forced Mr Dewey to cancel a speech that was to be devoted to the farm problem and instead attempt to defend the Republican record on foreign policy. In other words, a campaign which started as a bold Republican offensive against the President is now on the defensive. Perhaps the most interesting feature of the whole campaign is the way in which foreign policy resists all Republican efforts to move it off the centre of the stage.

Sticky Flying

The British White Paper on international air transport has had the reverse of a favourable reception in America. So far as can be gathered from the cabled reports, not a single voice has been raised in its favour. The American civil aviation interests, scenting in the references to control of routes and frequency an attempt to limit their freedom to fly anywhere, denounce the British plan as cartellism. Most of them, in addition, fear the impetus that a regulated system would give to the "chosen instrument" notion, which, in America, receives the blessing only of Pan-American (leading candidate for the choice) and of United Airlines. Considerable glee has been expressed in the American Press over the prospect that the Russians and the Chinese will, at the Chicago conference, like the British plan as little as the Americans. This is doubtless true, and was known to the British Government before the White Paper was published. But there is still very little sign that the Americans appreciate the true realities of the position. The papers are still full of announcements of applications for licences to fly from New York to Newfoundland, Eire, London, Paris, Rome, Cairo, and Calcutta, and other such globe-girdling routes. Compared with these empyrean dreams, the White Paper seems pedestrian. What the Americans do not seem to realise is that there is very little prospect indeed of getting the assembled nations to concede such freedom to American aviation—and certainly no prospect at all without the reciprocal grant of equal freedom to foreign aviation in the United States. What would happen to a foreign line proposing to fly from London to Shanghai by way of New York, Chicago, San Francisco and Honolulu, picking up and setting down traffic all the way? As

a practical matter, the alternative is between some such system as is sketched in the British White Paper and the system which existed before the war, in which every traffic stop was the product of separate bargaining. The American operators may yet come round to the British proposal as being likely to give them much more freedom than they can get in any other way.

Liberation in Asia

General MacArthur has redeemed his pledge, given after the Americans' heroic and unsuccessful resistance at Bataan and Corregidor. As he promised then, American troops have returned to the Philippines to free the islands from the Japanese. It may be a long and hard struggle, but, if the campaign goes well, the United States Army will be able to redeem another promise, made by the Government over eight years ago. In 1936 the final date of Philippine independence was fixed for ten years ahead. That prospect, darkened by the Japanese invasion, comes nearer and clearer with the American counter-invasion. Cordial messages have now been exchanged between President Roosevelt and President Osmena, who landed with General MacArthur's troops on the island of Leyte. Until the invasion the Filipino President had been with his Government in Washington, where full recognition as the *de jure* representatives of the Philippines enabled them to maintain constitutional continuity. President Osmena has called on all Filipinos to give their complete and determined support to American troops, and there is the hope that the first pro-Allied fifth column in Asia will soon make itself felt. This call to resistance has been taken by some sections of American opinion as an opportunity to reiterate the need for a Pacific Charter. By this means, it has been urged Far Eastern peoples can be induced to welcome and assist the Allied march to Tokyo. The situation, however, is more complex. Until Allied policy, collectively and individually, has been more fully defined, no vague declaration of pious ideals will serve to instil an unreserved enthusiasm into the mixed peoples of South-Eastern Asia. The liberation of the Philippines now begun will nonetheless be of political as well as military significance. If American-Filipino co-operation can be developed to the full, and can achieve good results, the effect, not only on Oriental peoples, but on future colonial policy in the Far East may be far-reaching. But with the approach of 1946 the question is inevitably being asked whether the Act of 1936 can be applied in its entirety. What is the meaning of "independence" for a country which, in the ten years between promise and fulfilment, will have been conquered by the Japanese and reconquered by the Americans? It is unlikely that any simple formula will work in such a complex situation. But the fashionable American doctrine of hostility to "imperialism" allows of none but the simplest formulas.

Shorter Notes

Stronger economic controls than those of 1914-19 have prevented a repetition of the wild boom in commodity and land prices which took place during and after the last war. But even the smaller rises of the last four years have left American farmers comparatively well off. Real estate values are up by 36 per cent, livestock by 86 per cent, machines and equipment by 34 per cent. Not surprisingly, farmers' currency holdings are up by 140 per cent and holdings of Government bonds by 939 per cent. As a result of this relative prosperity farmers have been able to pay off 14 per cent of real estate mortgages, incurred during the long lean years of depression.

Wartime prosperity is also demonstrated by low figures of business failures. Only 980 concerns failed over the whole of the US in the month of September. The total for 1943, 3,221, was less than one-fourth the number recorded in 1940, and compared well with an average of 17,000 for the 1930s.

THE WORLD OVERSEAS

Tensions in France

SINCE the French Provisional Government installed itself in Paris four major problems of domestic policy have absorbed French public opinion: the setting up of a new Administration; the unification of the regular and irregular armed forces; the purge of former collaborators; and the definition of the Government's social policy. All these problems are interconnected. All reflect different cleavages in the country; a solution for all of them is being demanded, more and more vocally; and none of them has been decisively tackled. These, in brief, are the reasons why social and political tensions are beginning to appear in France.

The Provisional Government has not yet been able to set up an effective administrative machine, functioning under unified direction from the centre. In his speech of October 15th, General de Gaulle openly pointed to the physical and political reasons why this task has so far proved impossible. Physically, the departments cannot be effectively governed from Paris as long as communications between the capital and the provinces are disrupted. Politically, the authority of the Provisional Government has not yet asserted itself in some places against the local and departmental authority of the Committees of Liberation which control the situation on the spot. This is particularly true of Southern France, of towns like Marseilles and Toulouse, where the bodies of local Resistance exercise quasi-independent power. It was to these bodies that General de Gaulle addressed his grave warning that administrative functions can be carried out only by organs and persons appointed by the Government. But the North, too, has its dualism of power. Indeed, in one form or another, it exists in every town in France. The rôle of the Committees will continue to be a crucial issue in French politics for some time to come. The Committees were originally formed as organs of the Resistance. As such, they were naturally opposed to the administrative bodies which acted under the orders of Vichy. They were their clandestine rivals. After the disappearance of Vichy and the collapse of the old Administration, they automatically emerged as the centres of authority. But their authority has been purely political. Their leadership more often than not is Communist or vaguely Left, a reflection of the predominant rôle that the Left played in the Resistance. With the ending of Resistance the Committees have tended to change from the organs of Resistance into organs of the new Power.

French Soviets?

This dualism tends to emerge in any community undergoing a transition full of revolutionary possibilities. After the last war it appeared in every country in which the old political system was breaking down. In Russia, the conflict between the Central Government and the Councils of Workers, Peasants and Soldiers—the Soviets—was for a time the dominant political problem. This was also the case in Germany, Austria, Poland and other countries. In each, attempts to perpetuate dual power were made and failed. Everywhere, except in Russia, the Soviets disintegrated and gave place to an ordinary Administration.

Are the Committees of Liberation the French version of the Soviets? The analogy is in some respects fairly close. But there are some important differences. The Soviets were elected bodies, though they were based on class-exclusiveness; they were elected only in factories, villages and barracks. The Committees of Liberation are not elected bodies. They are self-appointed groups of former resisters. This fact diminishes the weight of their political claims. On the other hand, they have not adopted the principle of class-exclusiveness. More important still, no French party or tendency, not even the Communists, has raised the slogan: "All power to the Committees of Liberation." Nor have

the Committees of Liberation seriously attempted to co-ordinate their activities on the national plane. Their activities have been on a local or departmental scale. But without national unity of action, a revolutionary movement cannot seize power.

Thus it seems highly doubtful whether the Committees, even if they so desired, could challenge the authority of the Provisional Government. What they can do—and what they have apparently been doing here and there—is to obstruct the formation of the normal machinery of Government. Far from constituting a real revolutionary menace to the newly born Fourth Republic, they are by way of becoming a political nuisance. But they can also serve as a useful reserve of personnel on which the Provisional Government can draw to fill the gaps in its own administrative apparatus, now that at long last it is beginning to set one up. Even so, the activities of the Committees, especially in southern France, have aroused the fear of revolution, to which the middle classes are naturally prone, and has helped to revive the old fatal bogey of "bolshivism."

Towards a United Army

The position of the French Forces of the Interior reflects the dualism of power in the military sphere. The antagonism between General de Gaulle's small regular army and the partisans has its explosive possibilities. At first it was suggested that the partisan bands should be disbanded once they had done their job. Politically and psychologically the suggestion was unreal. The men of the Forces of the Interior are far too conscious of their rôle in liberating France to be ready to disappear from the stage. Their ambition is to become the regular army of France in place of the discredited army of 1940. But irregular bands, whatever their merits in guerrilla warfare, cannot be easily transformed into a regular army. After much controversy (and some friction between the Provisional Government and the National Council of Resistance) it has been decided that the regular and irregular forces shall be fused into one army. However, the method of fusion gave rise to a new dispute. The forces of the Interior agreed to their incorporation in the army on condition that they should remain in close formations under their own officers. General de Gaulle, as chief of the armed forces, insisted on his exclusive right to decide such matters as the organisation of the army and the filling of military commands. The controversy has still to be settled; and the incorporation of the partisans into the regular forces has been held up by the shortage of equipment and uniforms. Both sides have shown fear and suspicion and the situation is still tense.

NATIONAL HEALTH INSURANCE

A Critical Study by Hermann Levy

The purpose of Professor Levy's investigation is to analyse how far the structure and administration of the National Health Insurance Act of 1911, which still remains the foundation of sickness insurance in this country, was evolved from a well thought out plan and how far from amendments to meet the wishes of interests outside the sphere of its originators. There is a postscript dealing with the Beveridge Report and sickness insurance.

18s. net

(National Institute of Economic and Social Research: Studies No. IV).

Cambridge University Press

The purge has also proved a thorough problem. In the first weeks after liberation there were outbursts of popular anger and violence, especially in southern France. Popular courts tried and condemned to death a considerable number of ex-collaborators. The proceedings of those courts caused protests from professional judges who sometimes refused to take part in them. Until recently, the excesses of popular revenge made an odd contrast to the apparent inactivity of the Provisional Government. The newspapers of the Left and of the Resistance criticised the Government for its slowness in starting the purge, while groups of resisters reacted by taking justice into their own hands. Recently, however, a legal procedure for the purge was fixed; and this week the purge has started in Paris with the trial of Georges Suarez, the notorious collaborator and editor of *Aujourd'hui*. He has been condemned to death.

Finally, the problem of the purge also has some bearing on the wider issues of the Government's economic policy. The demand for the nationalisation of key industries has been widespread and insistent ever since the first days of liberation; and it has been doubly insistent in the case of industrial establishments whose owners collaborated with the Germans. The Left now very rarely propagates socialisation. Together with many spokesmen of the Resistance, it demands instead that the purge should consistently be applied to the "two hundred families" who own the key industries of France. In the nineteenth century, the formula of French socialism was Proudhon's aphorism, "*La propriété, c'est le vol.*" This has now, as it were, been paraphrased as "*La propriété, c'est la collaboration.*"

All these new controversies over the Administration, the army, and the purge are powerful enough to strain France's national unity and the symptoms of strain and stress are unmistakable. The Left enjoys a strong ascendancy. The ranks of the Right are decimated and scattered in confusion. Yet the Left has not yet won any definite social or political victory; and the Right may still hope that the present storm, like the storm of the Popular Front, is more noisy than dangerous. But the Right is no longer sure of this; and, with fear stimulating its energies, it can probably still close its ranks and strike back. The great question facing the French Government is whether it will be able to steer a peaceful course between futile revolutionary disturbances and violent counter-revolution.

Sweden's Peace Preparations

THE suspension and interruption of Sweden's foreign trade with Germany and most of the countries formerly occupied by Germany will seriously affect Sweden's economic conditions if the end of the war does not come soon. German supplies of coal and coke, iron and steel and chemicals, including fertilisers, cannot be replaced. By the use of timber and peat, imported fuels were cut down during 1943-44 to 40 per cent of the total consumption of solid fuels, against 83 per cent before the war. During the first seven months of this year, Germany had already delivered roughly 3,000,000 tons of coal or two-thirds of the tonnage promised for the whole year. Supplies of steel and chemicals had also been increased. Swedish industry was thus able to accumulate some stocks which will enable production to continue for some time at the present level. Before the suspension of the war risk insurance for ships on Baltic routes, practically the whole of Sweden's coal imports were carried in Swedish ships. Sixty per cent of Swedish iron ore exports, on the other hand, were transported in German ships. It is clear that Sweden's economic position would seriously deteriorate, so far as industrial and agricultural production is concerned, if foreign trade with the Continent and Germany should be at a complete standstill for any length of time. The War Insurance Board of the Government has already reintroduced the insurance of Swedish ships importing from Germany drugs, chemicals, fertilisers, seeds, rubber goods, yarn and semi-manufactures like steel plates and other rolled steel materials.

The latest figures of Sweden's foreign trade show an interesting increase in imports and a heavy fall in exports:

(In million kronor)

	Imports	Exports
1942	1,770	1,313
1943	1,818	1,151
1943 (Jan. to June)	883	589.5
1944 (" ")	931.5	398.5

The increase in imports during the first six months of 1944

is mainly the result of more imports being carried by safe-conduct ships from Latin America, Africa, Spain and Portugal. Exports during the same period decreased by 32 per cent compared with the same period in 1943. Exports of minerals and metals alone dropped by Kr. 100 millions. The latest reduction in exports of iron ore to Germany has made it necessary to reduce the working time in the most important iron ore mines to a five-day week from January, 1945, onwards.

During the spring and summer, industrial activity showed hardly any change. The number of unemployed was slightly above the 1943 figures. But there was a decided trend to peacetime production, residential building showing the most striking increase. The number of flats built increased from 23,000 in 1942 to 33,000 in 1943, and will probably reach 44,000 in 1944.

During the last three years Sweden's index of industrial activity has remained almost stable at some 12 per cent below the pre-war index. Unemployment has almost disappeared, which shows that a considerable labour force was needed for the production of substitutes and for the working of mineral and other natural resources at high costs. This is not surprising in a country which depended to a very large extent on its foreign trade, on the export of minerals, timber, timber products and specialised manufactures, and on imports of foodstuffs.

The Alien Population

The last phase of the war has placed a great responsibility on the Swedes who have promised to supply Finland with as much food as possible. Whether Sweden will be able to replace Finnish imports of grain from Germany, which amounted before the Finnish-Russian armistice to 17,000 tons a month, will soon be apparent. In addition, Sweden has absorbed, from the beginning of the war until the end of last September, roughly 160,000 aliens, mostly refugees—among them 30,000 Norwegians, 16,000 Danes, 5,500 Germans and Austrians, a considerable number of Swedes from Estonia and people from Latvia and Lithuania. Since the Finnish-Russian armistice, the number of Finnish refugees is reported to have reached roughly 28,000 persons on October 11. This does not include 40,000 Finnish children who have been given refuge in Sweden. At present, the number of aliens amount to almost 3½ per cent of the total population.

As long as the war lasts, and as long as Germany is able to control the Western Baltic, Sweden cannot continue its present production without German or German-controlled imports. It is very unlikely that Sweden will end its neutrality and drive the Germans out of Norway, which would give it access to Allied resources. Instead, active preparations are being made to anticipate a speedy end to the war. A short time ago the Swedish Parliament accepted a government proposal for a so-called "Preparedness Budget" in addition to the current budget for 1944-45. This "Preparedness Budget" amounts to a total expenditure of Kr. 1,275 millions for the immediate post-war period. These credits are to be used for the financing of emergency public works during the period of economic change and disruption after the end of the war. Parliament gave the Government powers to dispose of a first instalment of Kr. 342 millions as soon as the economic situation should begin to deteriorate. This is not, however, conceived as comprehensive reconstruction planning. The measure is rather modelled after the "public works creation" schemes which were tried out on the Continent before the war. Its main aim is the prevention of unemployment which might be caused by the disruption of economic relations at the end of the war.

At the same time, Swedish industry has been actively securing industrial orders from liberated countries. The Dutch Government is reported to have placed with Swedish firms a large order for locomotives and other manufactures. Negotiations with the British Paper Controller for large immediate post-war deliveries of cellulose and wood pulp have also been reported. There is no doubt that Swedish specialised manufactures could find ready markets after the war. The subsidiaries of large Swedish concerns in almost all countries of the world will, however, need to be reorganised, and Swedish industry itself will have to be changed before export demands can again be fulfilled. Swedish public opinion has accepted, during the war, a large measure of Government control over industry, but it is emphatically in favour of restoring international trade, without which Sweden's standard of living could not be maintained.

Irish Agriculture

[FROM OUR DUBLIN CORRESPONDENT]

THE *Irish Trade Journal* contains a detailed statistical retrospect of agriculture in Eire between 1926-27 and 1942-43. During this period many events occurred at home and abroad that had effects on the volume and value of Irish agricultural production. At the beginning of the period the gold standard had recently been restored in Great Britain and hopes were still entertained that world trade would return to "normal," defined in terms of pre-war conditions. In 1929 the great depression began, but Ireland did not experience its full impact until 1931. In 1932 a change of Government in Eire led to a new policy of self-sufficiency and in the same year began the "economic war" with Great Britain that injured the export trade for four years. One year after the settlement of this dispute the European war broke out with serious effects on the supply of imports of fertilisers and other raw materials. The many adjustments to changing conditions which Irish farmers had to make are revealed in the following table:

ESTIMATED VALUE OF AGRICULTURAL OUTPUT IN £'000

Year	Live Stock and Live Stock Products	Crops and Timber	Turf	Total Agricultural Output
1926-27	47,067	7,807	3,317	58,191
1929-30	52,204	6,640	3,317	62,161
1934-35	28,415	7,675	2,815	38,903
1935-36	30,977	8,467	3,109	42,553
1936-37	34,266	9,655	3,397	47,318
1937-38	37,271	8,936	3,455	49,662
1938-39	40,465	9,329	3,687	53,481
1939-40	46,914	10,164	3,846	60,924
1940-41	48,653	14,297	5,293	68,243
1941-42	52,349	16,730	7,630	76,709
1942-43	57,584	20,413	8,206	86,203

Many of the changes in the aggregates above are the result of changes in prices. No bulk figure showing changes in physical volume of output is available. The fall in output that occurred between 1929-30 and 1934-35 was less than the fall in value since prices declined during this period. On the other hand, in the last five years physical output fell in spite of the great rise in value. The agricultural price index has doubled during the war. Great variations have taken place in the output of particular products. The number of pigs and the production of eggs have fallen greatly on account of feeding-stuff difficulties. The acreage under wheat increased from 111,000 in 1929-30 to 2,035,000 in 1938-39, and to 6,231,000 in 1942-3. The increase in 1938-39 reflects the Government's long-term wheat policy, and emergency production during the war is responsible for the later rise. The areas under oats and barley, which showed a declining trend in the pre-war years, have risen only slightly during the war. Beet and potatoes have maintained a rising trend. The output of turf rose from 3,339,000 tons in 1938-9 to 4,522,000 tons in 1941-2, but declined to 4,245,000 tons in 1942-3. Intensive efforts have been made to increase the production of turf as a substitute for coal and other imported fuel.

The following figures of the disposal of the agricultural output show clearly the important problems of adjustment which farmers had to solve:

PERCENTAGE OF VALUE OF TOTAL OUTPUT

Year	Consumed by Persons on farms	Other Home consumption	Exported	
1926-27	29.9	21.4	48.7	100
1929-30	27.1	21.5	51.4	100
1934-35	35.7	31.2	33.1	100
1935-36	34.2	30.8	35.0	100
1936-37	33.7	30.3	36.0	100
1937-38	33.6	31.4	35.0	100
1938-39	33.0	29.2	37.8	100
1939-40	32.7	29.9	37.4	100
1940-41	36.0	33.1	30.9	100
1941-42	38.3	33.1	28.6	100
1942-43	40.8	37.0	22.2	100

During the 'twenties roughly one-half of the Irish agricultural output was exported. In the 'thirties, under the influence of the world depression and the economic war, this sank to about one-third and during the war to about one-fifth. Meanwhile, farmers and their families have become more self-supporting in the sense that they are consuming more of their own produce, and the Irish urban consumer has relied in an increasing degree on home-produced food. It is safe to predict that these trends will be reversed after the war, but it is unlikely that exports

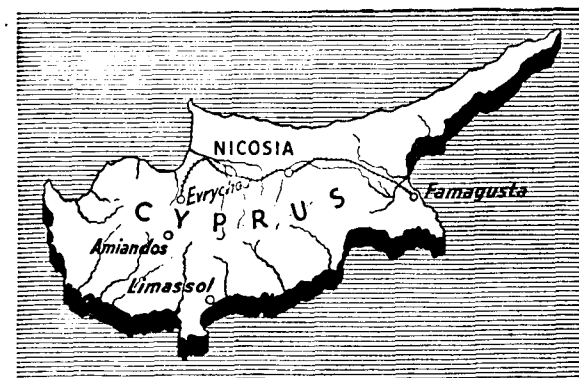
will ever absorb as large a proportion of total output as in the pre-depression period.

Statistics of the estimated values of farm materials purchased by farmers show that a great reduction has taken place. In pre-war years the average annual amount was about £7,000,000. It rose from £8,698,000 in 1938-9 to £9,412,000 in 1939-40 and to £12,872,000 in 1940-41. In the following year it fell to £5,633,000 and in 1942-43 to £2,596,000. The volume of materials purchased declined even more since prices rose steeply. During the war more has been taken out of the land than has been put into it. This is the sense in which Eire has been living on capital. No permanent damage has yet been done to the soil, which is naturally very rich and possesses great recuperative power. When peace is restored Eire will require large quantities of imports of all sorts of agricultural equipment and raw materials. It is to be hoped that part of the sterling balances accumulated in the last five years will prove capable of procuring these essential imports.

Books Received

- The Danube Basin and the German Economic Sphere.* By Antonin Basch. The International Library of Sociology and Social Reconstruction. Kegan Paul, Trench, Trubner and Co. 272 pages. 18s.
- Public Spending and Postwar Policy.* By Sherwood M. Fine. (London) H. Milford. 169 pages. 16s. 6d.
- The Economics of Full Employment. Six Studies in Applied Economics.* Prepared at the Oxford University of Statistics. Basil Blackwell. 212 pages. 12s. 6d.
- The Dutch State Coal Mines.* By Llewellyn A. Morgan. Fabian Publications, Ltd. Research Series No. 84. 21 pages. 1s.
- Building Peace Out of War. Studies in International Reconstruction.* PEP, Oxford University Press. 192 pages. 10s. 6d.
- Science and Salvage.* By Claus Undewitter. Translated by G. Haim and L. A. Ferney. Crosby Lockwood and Son. 183 pages. 12s. 6d.
- How to Deal with Germany.* By Sir Walter Layton. The "News Chronicle" Publications Dept. 72 pages. 6d.

No. 1—CYPRUS



CYPRUS, the legendary birthplace of Aphrodite, is one of the most beautiful islands in the Mediterranean. In its long story, records of which go back to the earliest historical times, Cyprus has been ruled by many races. It was in the XIIIth Century that England first became interested in the island when Richard Coeur de Lion ruled it for a time during the period of the Crusades. It was not until 1878 that it was again administered by Britain, when Disraeli secured this concession by agreement with the Turks.

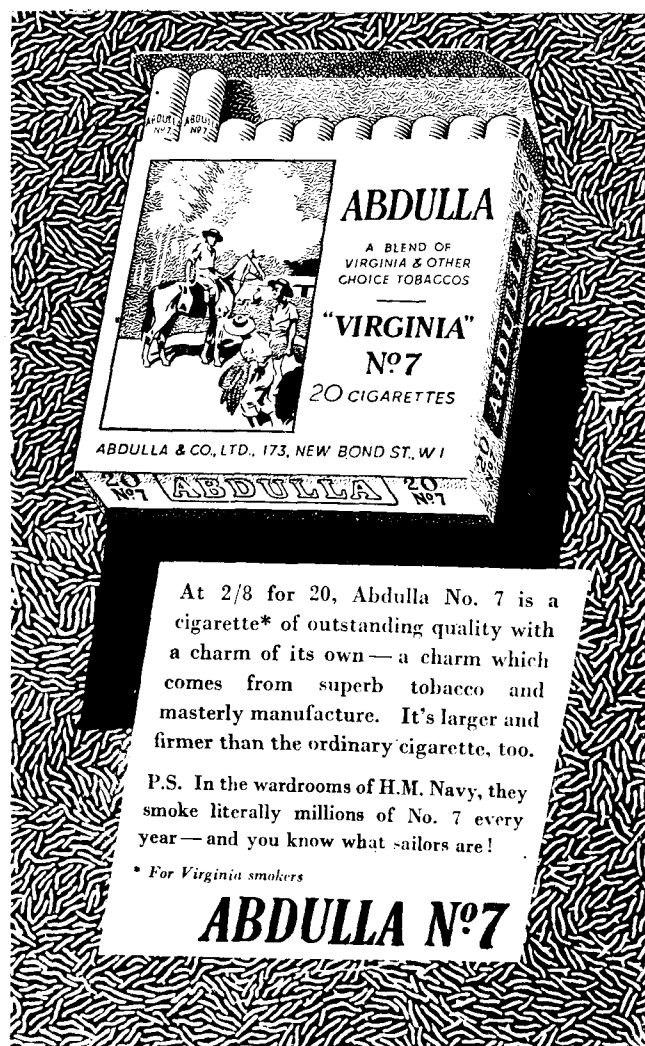
Cyprus has a mixed population of some 385,000 people those of Greek descent predominating. The products of the island are mainly agricultural, of which carobs, wheat, barley, oats, potatoes, citrus fruit and tobacco, are the principal crops. There are also mineral resources and it is the Greek word for copper from which the island may derive its name.

The average annual value of the external trade of Cyprus 1935/39 was £3,700,000.

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THE BUSINESS WORLD

British Exports, 1938—43

THE British export statistics for 1942-43,* published last Saturday, are summarised in the accompanying tables; they exclude shipments of munitions and are therefore directly comparable with the figures for 1938, the last full peacetime year. These statistics do not make cheerful reading, for the British export trade has been cut to ribbons. The four main facts emerging are these:—

The volume of exports in 1943 was less than one-third of what it was in 1938, itself not a good year.

The average price of British exports rose by two-thirds, as the result of higher raw material prices and manufacturing costs.

The total value of British exports, in spite of the rise in prices, has been halved.

Exports of goods in 1943 were equal to only 2.8 per cent of the net national income, instead of 10.2 per cent in 1938.

These facts are a reflection of the extent to which British commercial interests have been sacrificed to the overriding needs of the war; they also emphasise the tremendous task of raising the volume of exports 50 per cent above the 1938 level after the war. If this is to be accomplished, exports will have to be five times their 1943 level. The Board of Trade has done well in lifting the black-out on the facts about the export trade and in making known these unpalatable figures in good time.

Only partial answers can be given to the inevitable questions whether British exports suffered more in 1939-43 than they did in 1914-18, and how this decline compares with the experience of other countries.

Unfortunately, there are no figures for 1914-18 comparable to the indices of the average prices and the volume of trade given in Table I. The declared value of British exports showed a smaller decline during the last war; it fell from £525 million in 1913 to £385 million in 1915, but rose again to £506 million in 1916 and amounted to £501 million in 1918. But the figures for 1915 and 1916 include private purchases of Allied Governments and that for 1918 also includes exports of stores in public ownership. Average export prices, moreover, seem to have risen faster in 1914-18 than in 1939-43; in 1919—the first year for which price and volume indices are available—the average price of exports was 177 per cent above the 1913 level (1943 prices were 71 per cent above 1938). The volume of commercial exports undoubtedly suffered a much more severe contraction than is indicated by the statistics of declared values. Even in 1919, it was only 55 per cent of the 1913 figure. In sum, such evidence as is available suggests that though the volume of commercial exports was probably more than halved in 1913-18, the shrinkage was not quite so great as it has been in 1938-43.

Nor is it possible, with any degree of accuracy, to compare British experience with that of other countries. The total volume of commercial world trade may have fallen fully as much as British exports. France, Belgium and Holland, for example, have fared a good deal worse than Britain in that their trade with the world has been almost completely suspended. The United States, on the other hand, has done much better than this country; in his sixteenth Lend-Lease report to Congress President Roosevelt pointed out that the value of the cash exports of the United States during the first six months of 1944, at the annual rate of \$2,800 million, was somewhat above the average annual rate of shipments during the four years from 1934 to 1938. In many individual commodities, such

* "Accounts Relating to the Export Trade of the United Kingdom for the Years 1938, 1942 and 1943." HM Stationery Office. Is. net. Exports for 1939-41, given in Table I, include munitions supplied to Governments of other countries, but not munitions shipped for the use of United Kingdom forces; figures for 1939-41, comparable to those for 1942-43, are to be published shortly. A detailed definition of the statistics is given at the head of Table I.

as cotton goods, a marked decline in British exports has been accompanied by an increase in American.

Examined in detail, the export figures reflect the adjustment of the British economy to changes in the nature and geographical incidence of the war and to the ever-growing demands of the war machine.

On a month-to-month view, the declared value of exports show, an initial dip in September and October, 1939, followed by a strong recovery, reinforced in the spring of 1940 by the export drive designed to yield foreign exchange. The spreading of the war in the early summer caused a renewed downward movement which continued throughout the year. During the first nine months of 1941 the value of shipments was running well below those for 1940; the substitution of Lend-Lease for Cash and Carry early in the year had relieved the pressure on foreign exchange at a time when it was beginning to be difficult to find enough manpower and materials for the war machine and for export. The sharp spurt in exports in the last quarter of 1941 was due mainly to the dispatch of stores to Russia. From January, 1942, when the figures are given exclusive of Government shipments, exports show a steady decline which has continued during the present year. Until 1941 the country had to export as much as possible; since then the policy has been to ship as little as possible.

Not all of these reduced shipments reached their destination. Between the middle of 1940 and the middle of 1942

*The merry
monarch
had a bright
idea . . .*



He made good the deficiencies in his budget by personal borrowing from those early bankers, the City goldsmiths, on terms which were highly satisfactory—to His Majesty! No wonder the limits of the Royal Prerogative took so much thrashing out in Charles II's days. Subsequent and more enlightened Governments have deemed it wise to encourage the Banker, with the result that today the advantages of a complete banking service are available to every citizen. The Westminster Bank with its network of branches offers you the security and convenience of a Current or Deposit Account, while its Trustee Department offers the testator the advantages of corporate executorship. Call and discuss these and other services with your local Manager.

WESTMINSTER BANK
LIMITED

TABLE I.—VALUE OF EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM DURING 1938, 1939, 1940, 1941, 1942 AND 1943

Stores owned by the Government which are shipped for the use of United Kingdom Forces abroad have always been excluded from the Accounts. Exports of munitions to the Governments of other countries, including supplies for the use of British Government Forces in the Dominions and India were, however, included in the pre-war Accounts, and have also been included in the figures for the years 1939, 1940 and 1941, with the exception of military stores sent to India for use by United Kingdom Forces as well as by the Indian Army. From January, 1942, however, the export figures exclude shipments by Government Departments of aircraft and other vehicles (except tyres and tubes for road vehicles) and arms, ammunition and military and naval stores, which may be referred to shortly as "munitions." The figures for 1938 are essentially comparable with those in 1942 and 1943 as before the war these goods were mostly exported direct by manufacturers or by representatives of the Government concerned; any such goods now exported in this way would be included in the current Account. The value of parcels despatched to prisoners of war is excluded. Goods other than "munitions" which are supplied to any Government are recorded throughout as exports whether exported by a Government Department or not. The export figures for 1942 and 1943 accordingly include, for example, exports to Russia of military goods other than "munitions" and of machinery and other supplies not purely commercial, and exports to the United States under Reciprocal Aid. Stores for the Navy, Army and Air Force Institutes, the Y.M.C.A. and other similar organisations are included, unless these are consigned to a Military Control Officer.

CLASS AND GROUP	YEAR ENDED 31ST DECEMBER						Increase (+) or Decrease (−) in 1943 Compared with 1938	Index Nos. of Average Values		Index Nos. of Volume	
	1938	1939§	1940§	1941§	1942	1943		1942	1943	1942	1943
I.—FOOD, DRINK AND TOBACCO								(1938=100)	(1938=100)		
A. Grain and flour	1,670,308	1,202,648	606,004	267,997	131,900	222,363	− 1,447,945	192	230	4	6
B. Feeding-stuffs for animals	698,533	606,410	175,848	26,906	15,468	18,913	− 679,620	170	202	1	1
C. Animals, living, for food	8,535	29,463	26,262	2,395	482	126	− 8,409	133	128	7	15
D. Meat	1,233,898	1,190,547	737,894	344,408	113,915	239,336	− 994,562	141	155	6	20
E. Dairy produce	1,112,331	1,117,218	927,174	244,091	99,611	341,964	− 770,367	200	212	22	62
F. Fresh fruit and vegetables	394,031	329,522	206,314	69,527	173,990	516,862	+ 122,831	140	147	59	54
G. Beverages and cocoa preparations	13,824,631	15,945,471	19,612,127	17,044,222	11,466,190	11,031,792	− 2,792,839	232	225	8	5
H. Other food	12,036,852	10,286,906	6,273,936	4,236,150	2,245,038	1,437,892	− 10,598,960	163	179	53	59
I. Tobacco	4,914,904	5,012,999	4,786,844	4,263,368	5,185,093	+ 270,189					
TOTAL, CLASS I	35,894,023	35,720,884	33,352,403	27,846,011	18,509,962	18,994,341	− 16,899,682	153	161	34	33
II.—RAW MATERIALS AND ARTICLES MAINLY UNMANUFACTURED											
A. Coal	37,406,306	38,258,793	25,307,293	7,989,078	6,041,018	5,928,139	− 31,478,167	147	159	11	10
B. Other non-metallic minerals and quarry products and the like	1,057,636	1,227,072	832,277	608,141	498,433	314,640	− 742,996	165	155	29	19
C. Iron ore and scrap	594,891	344,371	24,228	17,497	8,593	6,552	− 588,339	156	173	†	†
D. Non-ferrous metallic ores and scrap	2,298,115	1,570,111	233,018	83,681	28,173	28,790	− 2,269,325	176	194	†	†
E. Wood and timber	71,266	59,282	64,629	44,967	64,400	77,929	+ 6,663	181	201	†	†
F. Raw cotton and cotton waste	458,879	440,499	262,980	30,521	5,655	1,494	− 457,385	176	211	8	1
G. Wool, raw and waste, and woollen rags	6,262,842	4,707,347	3,262,026	2,822,026	864,582	169,469	− 6,093,373	218	236	32	34
H. Silk, raw and waste, and artificial silk waste	661,414	1,357,348	640,026	952,877	467,590	531,272	− 130,142	154	171	†	†
I. Other textile materials	268,835	152,368	83,968	4,871	5,364	3,860	− 264,975	213	291	3	2
J. Seeds and nuts for oil, oils, fats, resins and gums	2,893,839	1,366,548	1,974,564	584,001	194,161	127,530	− 2,766,309	244	286	29	35
K. Hides and skins, undressed	1,108,125	990,834	1,214,530	1,214,748	1,125,065	1,030,653	− 77,472	403	585	†	†
L. Paper-making materials	1,177,652	940,246	342,441	182,794	16,404	13,899	− 1,163,753	248	167	11	8
M. Rubber	227,256	218,994	183,908	118,937	61,162	31,999	− 195,257	204	214	16	14
N. Miscellaneous raw materials and articles mainly unmanufactured	2,433,375	2,157,852	1,797,593	1,054,478	806,971	736,570	− 1,696,805	170	181	10	9
TOTAL, CLASS II	56,920,431	54,391,665	36,223,481	15,708,617	10,187,571	9,002,796	− 47,917,635	170	181	10	9
III.—ARTICLES WHOLLY OR MAINLY MANUFACTURED											
A. Coke and manufactured fuel	3,291,723	4,000,147	2,201,643	1,171,881	787,866	1,025,839	− 2,265,884	160	184	15	17
B. Pottery, glass, abrasives, etc.	9,610,109	9,453,228	11,495,366	13,479,241	11,432,281	9,054,529	− 555,580	150	168	79	56
C. Iron and steel and manufactures thereof	41,555,579	32,831,605	31,036,943	18,926,517	9,827,017	6,027,225	− 35,528,354	138	145	17	10
D. Non-ferrous metals and manufactures thereof	12,339,096	12,653,561	12,403,160	7,615,005	6,899,540	6,550,256	− 5,788,840	141	138	40	38
E. Cutlery, hardware, implements and instruments	9,027,687	8,719,285	9,414,135	9,059,227	7,920,843	6,702,131	− 2,325,556	154	162	57	46
F. Electrical goods and apparatus	13,430,405	11,253,362	13,182,422	11,353,466	11,162,895	11,079,247	− 2,351,158	147	164	57	50
G. Machinery	57,867,565	47,398,109	36,539,878	30,949,870	29,941,838	27,972,572	− 29,894,993	149	168	35	29
H. Manufactures of wood and timber	1,164,556	1,056,714	756,054	528,331	380,744	235,127	− 929,429	244	280	13	7
I. Cotton yarns and manufactures	49,680,714	49,092,349	49,277,280	44,700,522	40,086,975	34,173,372	− 15,507,342	203	220	40	31
J. Woollen and worsted yarns and manufactures	26,813,619	26,654,327	28,663,395	29,829,580	25,050,780	18,475,415	− 8,338,204	151	179	62	39
K. Silk and artificial silk yarns and manufactures	5,502,161	5,904,435	8,668,120	11,760,799	16,421,019	12,674,288	+ 7,172,127	180	209	166	110
L. Manufactures of other textile materials	10,657,365	11,105,713	12,386,843	9,647,243	8,854,540	6,297,396	− 4,359,969	215	254	39	23
M. Apparel	8,515,263	8,251,598	7,521,481	8,064,256	7,674,200	3,403,669	− 5,111,594	160	179	59	22
N. Footwear	1,962,596	1,889,174	1,816,733	1,387,209	1,387,209	672,981	− 1,289,615	160	160	44	21
O. Chemicals, drugs, dyes and colours	22,060,176	22,788,183	27,666,644	25,039,283	23,754,997	27,531,109	+ 5,470,933	157	154	69	82
P. Oils, fats and resins, manufactured	5,365,496	4,742,516	2,984,008	2,175,631	724,608	694,837	− 4,670,659	163	208	8	6
Q. Leather and manufactures thereof	3,943,101	4,098,944	3,687,601	2,822,357	2,968,566	1,671,102	− 2,271,999	171	182	44	23
R. Paper, cardboard, etc.	6,930,313	6,696,018	9,851,839	7,188,934	4,970,029	4,073,753	− 2,856,560	195	204	37	29
S. Vehicles (including locomotives, ships and aircraft)	44,627,488	39,644,502	31,171,876	35,701,334	7,510,144	8,429,688	− 36,197,800	165	199	10	9
T. Rubber manufactures	1,649,695	1,450,721	1,874,650	1,276,504	762,557	274,755	− 1,374,940	160	195	29	9
U. Miscellaneous articles wholly or mainly manufactured	29,249,323	28,482,181	31,552,241	39,445,777	16,223,883	13,400,701	− 15,848,622	179	180	36	25
TOTAL, CLASS III	365,244,030	338,166,774	334,120,312	316,096,169	234,742,531	200,419,992	− 164,824,038	160	175	40	31
IV.—ANIMALS, NOT FOR FOOD	679,364	683,601	824,443	251,421	166,483	127,311	− 552,053	163	181	15	10
V.—PARCEL POST	12,017,472	10,572,786	6,640,123	5,476,539	5,844,474	3,683,306	− 8,334,166	†	†	47	30
TOTAL, ALL CLASSES	470,755,320	439,535,710	411,160,762	365,378,757	269,451,021	232,227,746	− 238,527,574	157	171	38	29

* These figures would have no significance.

† Under one.

‡ Parcel Post is recorded by the Customs according to an official valuation.

§ Including munitions. See note at head of table.

TABLE II.—Regional Distribution (£ million)

Area	1938	1942	1943
British countries :—			
Enemy-occupied	22.9	1.7	149.2
Other	211.9	173.5	149.2
TOTAL	234.8	175.2	149.2
Foreign countries :—			
Enemy and enemy-occupied	114.9	1.8	83.0
Other	121.1	92.5	83.0
TOTAL	236.0	94.3	83.0
Enemy and enemy-occupied countries in Europe*	112.0	20.7	21.1
Other Mediterranean countries	27.2	35.6	27.2
Rest of Europe	45.6	51.9	47.6
Rest of Africa	25.8	3.5	—
Enemy and enemy-occupied countries in Asia	50.1	29.4	24.0
Rest of Asia	58.1	45.1	40.1
Oceania	44.6	50.2	43.1
North America	27.4	23.6	19.3
Of which United States and Dependencies	9.9	8.5	7.8
Central America and West Indies	34.2	24.6	21.3
South America	—	—	—
TOTAL ALL COUNTRIES	470.8	269.5	232.2

* This includes all those countries in Europe (excluding Italy) which were enemy or enemy-occupied at the end of 1943.

TABLE III.—Index Numbers of Average Price and Volume of Exports and Imports

	Total Imports			British Exports		
	Declared Value	Average Price	Volume	Declared Value	Average Price	Volume
1918	£ million	1913=100	1913=100	£ million	1913=100	1913=100
1919	1,316	100	88	501	100	55
1920	1,626	240	799	799	277	71
1921	1,933	285	88	1,334	358	50
1922	1,085	190	74	703	269	69
1923	1,003	152	86	720	199	77
1923 (a)	1,096	149	96	767	190	81
1924	1,277	155	107	801	189	—

(a) From April 1, 1923, figures include exports to Eire.

the disparity between shipments and safe arrivals must at many times have been considerable. Arrivals in 1943, when shipping losses had declined, probably were not much smaller than those in 1941, in spite of the sharp fall in shipments.

The changes in the geographical distribution of shipments, shown in Table II, are significant. About half the total loss of trade (by value) between 1938 and 1943—equivalent to a quarter of total exports in 1938—is due to the suspension of shipments to countries occupied by the enemy. The value of exports to British countries fell by over a third, or, if enemy-occupied countries are excluded, by just under a third. Exports to foreign countries fell by nearly two-thirds; but if enemy-occupied countries are again excluded, they declined in the same proportion as exports to free British countries, that is by a little less than a third. Shipments to the United States and Canada—and to Egypt until 1942—were exceptionally well maintained. In 1942 the value of goods consigned to these three countries exceeded that for 1938; in the past year shipments to Canada were still higher than in 1938, but those to the United States were slightly, and those to Egypt substantially, lower. All these comparisons, it should be repeated, are in terms of value figures, which are inflated by the rise in prices. The decline of about 30 per cent by value, which applies both to free British countries and to free foreign countries, is a decline of well over 50 per cent by volume.

How exports of individual commodities have fared is shown by broad categories in Table I, and for specific items in greater detail in Table IV. Among manufactures—the biggest category—the fall came earliest and has been most marked in metal goods; the metal industries, as a group, were the first to be turned into arsenals. Shipments of iron and steel and of non-military vehicles were cut to a tenth in volume between 1938 and 1943; those of rubber and timber manufactures were cut drastically. Exports of textiles could be maintained at a somewhat higher level; those of cotton goods were cut by about two-thirds in volume, and those of woollen goods by three-fifths. The category headed silk and artificial silk (it mainly covers rayon) is the only one to show an increase in both the value and volume of exports. Shipments of coal were reduced to a tenth in quantity; but for this reduction the shortage of domestic supplies would have been even more marked. Whisky has been one of the mainstays in trade with the United States; it represented more than a quarter of total exports to that country in 1942 and nearly a third in 1943.

Careful examination of the changes in the volume and destination of the exports of individual commodities shows how ruthless has been the pruning, how vigorously the needs test has been applied, and how meticulously the terms of Lend-Lease trade have been observed.

The restoration of the volume of exports to the pre-war level will be no mean task, and its expansion to anything like 50 per cent above that level can only be achieved after years of strenuous effort designed to improve the productivity of British industry and trade and the efficiency of marketing.

The immediate problem will be to raise exports as quickly as possible to the level which, together with the reduced income from overseas investments, shipping and other "invisible" exports, will provide sufficient foreign exchange to pay for absolutely essential imports of food and raw materials. This task will be assisted by the world's hunger

Table IV.—Quantities and Values of Certain Exports, by Category and Destination, in the years 1938, 1942 and 1943.

		Quantities			Value		
		Year ended December 31			Year ended December 31		
		1938	1942	1943	1938	1942	1943
		£'000					
<i>Spirits</i>	Pf. galls.	9,121,758	7,103,114	5,473,268	11,362	10,460	9,639
United States.....	"	3,935,662	3,524,407	3,433,951	5,598	6,274	6,120
Australia.....	"	548,562	125,248	21,612	573	160	31
<i>Coal</i>	tons	35,856,227	3,574,271	3,373,554	37,406	6,041	5,928
<i>Iron and Steel, manu- factures thereof</i>	"	1,915,202	257,622	183,944	41,556	9,827	6,027
British India.....	"	158,607	18,607	8,483	3,237	893	474
Australia.....	"	170,834	7,583	10,719	4,496	691	710
Iran.....	"	110,380	34,574	5,420	2,224	1,162	238
Argentina.....	"	79,350	1,427	209	1,726	87	34
<i>Electrical Goods and Apparatus</i> ..	"	...	...	...	13,430	11,163	11,079
Union of South Africa.....	"	...	...	...	1,891	1,946	2,439
Australia.....	"	...	...	...	2,362	2,161	2,277
Argentina.....	"	...	...	...	545	257	56
<i>Machinery</i>	tons	459,263	157,346	135,597	57,868	29,942	27,973
Union of South Africa.....	"	61,990	27,413	24,069	7,503	4,298	3,981
British India.....	"	71,691	37,622	27,485	7,836	7,351	6,564
United States.....	"	2,897	5,376	1,078	628	911	510
Brazil.....	"	9,874	1,802	1,411	1,226	535	425
Argentina.....	"	11,205	2,817	919	1,539	612	300
		thous.					
<i>Cotton Yarns and manfrs.</i> sq. yds.		1,386,235	485,250	374,270	31,961	24,395	20,280
<i>Total Piece Goods</i>							
Union of South Africa.....	"	109,495	84,169	39,984	2,726	4,300	2,198
British India.....	"	273,317	6,165	3,339	4,111	259	155
Australia.....	"	145,894	87,540	73,773	3,920	4,384	3,466
New Zealand.....	"	26,644	34,077	39,526	744	1,546	2,205
United States.....	"	8,674	9,513	7,870	443	704	513
Argentina.....	"	97,584	37,945	11,526	2,411	2,077	849
<i>" Other " Woollen and Worsted Tissues</i>	"	90,480	73,330	44,206	14,980	17,174	12,250
Canada.....	"	13,823	17,896	16,803	1,859	3,430	4,925
United States.....	"	4,797	9,993	2,627	833	2,668	828
<i>" Other " Artificial Silk or Staple Fibre Tissues</i>	"	31,176	102,651	68,736	1,575	9,835	7,935
Union of South Africa.....	"	6,122	16,492	10,996	287	1,274	1,150
Australia.....	"	6,582	34,095	28,379	371	3,622	3,662
<i>Road Vehicles :</i>							
Private cars, new.....	No.	44,123	56	29	5,486	12	9
Commercial vehicles, new	"	3,584	267	1,078	1,940	226	489
Chassis for motor cars, etc., with engines—	"	...	...	...	...	...	...
Solely for commercial use	"	10,889	33	25	2,243	39	22
Other.....	"	24,089	11	...	1,786	1	...

aim at increasing output and productivity. This again is an aim which can only be realised through the cooperation of the workers in each industry. Far too little has hitherto been said on the union side about productivity. Indeed, methods of raising productivity, such as accelerated mechanisation, have in the past been identified with speed-up and the unpopular Bedaux system, and, in some industries such as mining, with increased accidents; while rationalisation, as in the shipyards, has been associated with unemployment. Little enough, it is true, was said about productivity at Blackpool this year. But enough has been said to indicate that a new trend of thought is emerging.

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One example was the speech of Mr James Bowman, the Vice-President of the Miners, who have hitherto been so concerned with wages and conditions that they have paid little attention to the efficiency of their industry. Mr Bowman pointed to the low degree of mechanisation, and the obsolete structure of the coal industry, and called for a thorough technical reorganisation under public ownership. This is, of course, only a new variant on an old demand—but the fact that a new variant is now appearing is itself significant. Then, the fact that two cotton union representatives signed the report of the Textile Mission to the United States is an encouraging sign. Mr Andrew Naesmith, general secretary of the Amalgamated Weavers' Association, has emphasised the need for raising productivity of cotton operatives, and it remains for the unions to withdraw their traditional opposition to double shift working, without which the introduction of high-speed automatic looms would just be a waste of money. The same kind of problems face the building industry. Here, again, Mr Luke Fawcett, general secretary of the Amalgamated Union of Building Trade Workers, declared that his union was not opposed to new methods of house construction; all they wanted was an assurance that housing standards would not be lowered, and that the building industry would retain control over the processes of assembling factory-made sections or components. Conservatism dies hard among craftsmen, who hate to see long-established methods and practices superseded, and there will still be pockets of resistance to new techniques, whether in mining, cotton, building or any other industry. But it does seem that the realisation that such changes must be accepted if British industry is to become more efficient, is beginning to dawn in the unions.

This year's Congress has also thrown light on a subject which has hitherto been somewhat obscure—the unions' attitude towards the re-training of the unemployed. The General Council, commenting on the Government's Social Insurance White Paper, rejected the proposal that unemployment benefit should cease after 30 weeks. It proposed instead that benefit should be unlimited in duration, with suitable provision for attendance at a training centre. This acceptance of the principle is satisfactory, since the retraining of unemployed workers in new occupations will be an essential factor in securing the mobility of labour, which the unions themselves admit is a necessary condition of full employment. It remains, of course, to be seen how far acceptance of the principle will carry with it acceptance of a workable system of rules and regulations for ensuring that the re-training is effective.

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Many of the trade union demands in both the short-term and the long-term period are set out in the plan for the post-war reconstruction of industry which Congress unanimously adopted. This scheme, which has been reported and discussed in the press, amounts to a blue-print for a planned economy, with state ownership of the basic industries of coal and power, transport, and iron and steel, and state control over the entire economic life of the nation. The report also sets out the three main objectives of the trade union movement. To the traditional aim of maintaining and improving wages, hours and conditions of labour are added those of securing full employment and extending the workers' influence over "the policies and purposes of industry." Congress amplified these aims by passing resolutions calling for the 40-hour week as soon as practicable and holidays with pay throughout industry; for equal pay for equal work; for the legal enforcement of minimum wages and the extension of Trade Board powers to improve the working conditions as well as the wages of the lower-paid sections; for the extension of industrial health provision and welfare; as well as a series of resolutions on social security, health and housing. It called for

the retention of joint production committees in peacetime industry, and urged full support for the International Labour Office.

The unions are insistent on the need for retaining controls in the transition period. How far these would include control over labour is still not very clear. Mr Bevin has frequently reminded the labour movement that there can be no rights without obligations; Sir Walter Citrine has indicated that labour as well as capital must accept control if the transition to peace is to be smoothly effected; and this year's Chairman, Mr Ebby Edwards, specifically stated that the unions must be ready with their reply. Nobody in his senses would advocate the prolongation of controls which had outlived their usefulness or could not be enforced. But though it is likely that continued direction of labour would not be acceptable (even if a limited form will apply to men demobilised under Class B), some form of Essential Work Order with a guaranteed working week (though modifications and improvements on the present system would be necessary) may have to be continued. The TUC has now definitely rejected any retention of compulsory arbitration after the war. Instead it prefers to rely on voluntary arbitration machinery and considers that the authority of the trade unions over their members will be sufficient without legal enforcement. This was the reason why there was such a large vote against Defence Regulation IAA, which is regarded by many unions as an unnecessary and dangerous addition to wartime controls. In short, there is a tendency to advocate maximum controls for other people and minimum controls for themselves, but this very natural tendency is not being driven to excess.

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The trade union movement has certainly begun to be conscious of its powers. With seven million members of the TUC, labour is probably more strongly organised and influential than at any time since 1921, and it is now more experienced and unified than it was then. It also seems to be realising that membership alone does not constitute a movement's strength, and that if the unions are to play a part commensurate with their numerical size and to undertake the responsibilities which they intend to acquire, they must pay more attention to internal organisation and education than in the past. The General Council's proposals for encouraging closer unity between individual unions and securing a more compact organisation of the workers in various industries have already been discussed in *The Economist*. The General Council is also planning to run training courses for trade union officials and to arrange for special courses through the London School of Economics, so that union officials will acquire some form of instruction in economic and industrial subjects, as well as the practical experience of workshop and branch organisation. Most of the present leaders of the labour movement left school when they were 13 and acquired their education at night-schools, by scholarships to Ruskin College or by picking up what knowledge they could. The TUC scheme, in conjunction with facilities for adult education provided by the Workers' Education Association, the raising of the school-leaving age and the introduction of County Colleges under the Butler Act, should all help to raise the standard of workers' education in future generations.

Mr Jack Benstead, general secretary of the National Union of Railwaymen, perhaps hit the nail on the head when he appealed to trade unionists to get rid of their "inferiority complex," which frequently shows itself in negotiation and in contact with the employers. This applies even more strongly to the Labour Party, where a curiously inverted form of inferiority complex is often found. Too many leaders of the Labour Party seem to have a fear of taking responsibility. Yet the trade unions' full plans for industry will never be achieved unless and until a Socialist Government is in power. Miss Ellen Wilkinson's plea to the unions not to treat the Labour Party as a "poor relation," to look upon their M.P.s as representatives of constituencies and not of a sectional interest, and to allow more seats to be filled by younger men and women, and not necessarily trade unionists, was an attempt to infuse a new note in Labour politics. As she pointed out, Labour has got to consider its appeal to the "middle of the road" electors as well as to preach to the converted. The TUC has given evidence that it is realising its responsibilities in the industrial field. The Labour Party conference in December will show whether these responsibilities can be translated into the sphere of politics.

Business Notes

Business Relations with France

Since a large part of France, including Paris, has been freed from military control, everything possible should be done, on both sides of the Channel, to prepare for the speedy resumption of business relations between the two countries. The restoration of postal facilities is, obviously, the first step and that of adequate travel facilities the next. True, some postal facilities have already been granted, and the reopening of a regular air service foreshadows some easing of travel restrictions. But present facilities are still severely limited, and, in fact, totally inadequate. There are many business firms in this country anxious to re-establish their former contacts; and there are French firms anxious to resume contacts in this country. A resumption of personal contacts would do much to pave the way to an early revival of trade between the two countries to the advantage of both. The future of Anglo-French economic collaboration depends, of course, on much more than the mere opening of communications. It will depend, apart from British policy, on the economic policy that France decides to pursue, in its domestic as well as in its international aspects. Full discussion of those wider problems—and early decisions in both countries—are no less urgent than the resumption of business contacts.

* * *

Unblocking French Assets

The formal recognition of the French Government should be followed without undue delay by the freeing of French assets at present frozen in Allied countries. These are in the main to be found in the United States, where their total is officially put at \$1,594 million. Of this sum \$900 million is in gold. The bulk of the French assets in the United States is held on Government account; the holdings of private individuals or firms amount to \$500 million only. In Great Britain the volume of French assets is much more modest. There is no French gold here, though some was sent to Canada in the early months of the war. The balance of the inter-Treasury account set up under the Reynaud-Simon agreement is thought to have been very small when the armistice of July, 1940, put an end to further operations on the account. The bulk of the French sterling funds is held on private account and is for the moment under the control of the Custodian for Enemy Property. That control should be waived speedily; its removal would be another important step towards the resumption of free financial and commercial intercourse between France and Great Britain subject only to the controls of exchange and foreign trade operated by both countries. When French assets have been freed the moment will presumably have arrived for France to resume the transfer of the service of the Government guaranteed sterling debt. In anticipation of this development the prices of French railway sterling bonds have risen sharply this week.

* * *

Reconversion

On Monday the Board of Trade announced the appointment of Sir Charles Bruce-Gardner to the position of Chief Executive for Industrial Reconversion. Sir Charles is a well-known industrialist and before his new appointment he held a number of key positions at the Ministry of Aircraft Production. The broad principles of reconversion are gradually taking shape. During a debate in the House of Commons on October 20th, the President of the Board of Trade, Mr Dalton, said that premises and labour released from war production will be transferred as quickly as possible to peace-time employment, "whether for the home market or for export trade." But little has as yet been done to translate those principles into policy, and even less to provide industrialists with the signposts they need to make their individual plans. Business men and industrialists are faced with so many uncertainties—some but not all of them unavoidable—that many of them find it impossible to attempt any detailed planning of capital expenditure, production and marketing. The complete removal of controls,

as after the last war, is inconceivable; but unnecessary delay in reconversion, due to absence of decisions upon the new conditions in which business will have to operate, might have disastrous consequences. Sir Charles will have a tough job; the guidance he will be able to offer to industry will be conditioned by the guidance that he will himself be able to secure from the Government.

* * *

Report on Cotton

The report of the mission that investigated building methods in the United States showed that the industry is operating at lower real costs in that country than in Great Britain. Similarly, the Mission—headed by the Cotton Controller, Sir Frank Platt—that went to the United States earlier this year to report on the cotton textile industry in that country, had "no hesitation in saying that the United States industry is very far ahead of the Lancashire industry in production per man hour." It is impossible to do justice to the detailed and technical report in a few words. Briefly, the Mission found that, with normal staffing, the British output per man-hour is less than the American by about 18 to 49 per cent in spinning, by 80 to 85 per cent in winding, by 79 to 89 per cent in beaming, and by 56 to 67 per cent in weaving. These are disturbing facts. What is the explanation? The main reasons given by the Mission are:—

The use of high-draft, high-speed and automatic machinery wherever possible; the use of up-to-date plant (large sums of money being expended for this purpose); the application of scientific methods to the utilisation of labour, which permits a relatively large number of units or machines to be supervised by the machine operatives; the policy of concentrating on high operative machinery (in terms of output), in many cases at the expense of machine efficiency; and the lower age of the operatives.

In contrast to the industry in this country, the cotton trade in the United States is thoroughly organised for bulk production; this makes possible the use of high-speed machinery, which, in turn, requires shift-working to be economical. American mill managers, moreover, are generally young, analytical and progressive; workers are alive to the advantages of scientific methods and are not strait-jacketed by long-standing practices and conventions. The Mission is refreshingly outspoken.

* * *

Remedies

The Mission has not merely reported the facts; it has also formulated a policy designed to secure an increase in production per man-hour, which, in turn, would permit the payment of higher wages. If production per man-hour in Great Britain is to catch up with that in the United States, the Mission considers that—

(a) A higher degree of standardisation and specialisation in British production is needed to allow the introduction of uninterrupted bulk production methods. This will necessitate changes not only in the producing section of the industry but also in the methods of distribution and, in addition, a much closer understanding between producers and distributors.

(b) The general standard of technical equipment in British mills needs raising, and re-equipment on a large scale is necessary to meet the required adjustment to standardised bulk production methods.

(c) Working conditions in British mills must be considerably improved from the point of view of future labour requirements.

(d) A greater degree of co-operation is needed between British spinners and manufacturers in order to effect the maximum rise in the level of production efficiency in both sections.

(e) The level of scientific training of the managerial staff of British mills needs raising.

(f) There should be greater economy in the utilisation of labour.

The Mission demonstrates conclusively that the production of bulk lines must be organised on a mass-production basis if output per man-hour is to be substantially increased. This means a complete reorientation of practice: heavy capital expenditure, multiple (or at least double) shift working,

a progressive outlook on the part of managers and workers, and consequential changes in the relations between producers and distributors. There is no reason why the Lancashire cotton industry could not be as efficient as the industry in America. The organisation of mass-production methods in bulk lines does not mean, of course, that the cotton industry should concentrate on those to the exclusion of others. On the contrary, there should be a growing market for special products which yield a higher return per unit of output than bulk lines. There is room for both if they are produced efficiently.

Belgian Monetary Area

The Treasury has issued two Orders (S R & O 1184 and 1185) as a result of the Anglo-Belgian Monetary Agreement of October 5th. These Orders remove the Belgian Congo and the mandated territory of Ruanda Urundi from the sterling area. These territories together with Belgium and Luxemburg now form the Belgian Monetary Area. Any payment to a resident of the area requires Treasury sanction. It is also provided that a resident in the Belgian monetary area may make payments to another resident as well as to a resident of the sterling area from his sterling account in the UK, subject to any restrictions under the Trading with the Enemy legislation. Goods exported to any part of the Belgian monetary area from the UK must be paid for in Belgian, Luxemburg or Congolese francs or in sterling from the account of a person resident in the area. A further sequel to the Anglo-Belgian Monetary Agreement has been the addition of the Belgian, Luxemburg and Congolese francs to the list of "specified" currencies which, under the Defence Regulation, must be offered for sale to the Treasury.

Dutch Currency Declaration

France is not the only country of Western Europe where the Belgian currency experiments have been watched with interest and some apprehension by the population. The plans of a country with which there is now a monetary alliance have, quite naturally, tended to be studied and regarded by the Dutch as the pattern of the currency plans to be applied to their own country when it is liberated. The result was an immediate rush from guilder notes of larger denominations and a demand for small notes and coins such as those excused from compulsory exchange in the Belgian currency plans. The Dutch Government have now appealed to the population over the fighting line not to engage in these precautionary tactics. An announcement from the Dutch High Command, broadcast to the people of the Netherlands, has made it clear that the Netherlands Government do not intend to discriminate now or in the future between new Treasury notes issued by them and old bank notes or silver coins issued before and during enemy occupation. Nor will any distinction be made between notes of large and small denominations except for bank notes of 1,000 and 500 guilders, which have, for some time past, been declared invalid. The Government has appealed to the people to carry as little currency on them as possible and to deposit all their surplus cash in the savings bank. This declaration is in line with what had already become known of the Dutch Government's currency plans for the post-liberation period. These envisage the minimum resort to compulsory measures of deflation and maximum dependence on the voluntary co-operation of the population in a policy designed to underpin the guilder by funding and reconstruction loans that would absorb redundant purchasing power accumulated during the occupation. The prospects for carrying such a policy to a successful conclusion in the Netherlands are perhaps more promising than in other European countries, partly because the tradition of confidence in the currency is greater than in countries where the currency has been repeatedly devalued. It is also evident that, until recently, the measure of currency inflation and the disturbance to the structure of wages and prices during the occupation had been rather smaller than in other occupied countries. The reaction to the Belgian currency plans in France and the Netherlands shows that a plan of this kind is one whose success depends largely on the element of surprise and unexpectedness.

Financial Control for Germany

The detailed regulations announced this week for the civil administration of Germany include stringent control of the financial relations between Germany and other countries. The main intention of the regulations is to prevent the export of capital by war criminals and owners of property looted from countries occupied by Germany. The Military Government will prohibit any transaction in foreign exchange assets owned by persons in Germany, including property located outside Germany, gold or silver coin or bullion, wherever located, foreign banknotes and debts. All kind of foreign exchange and property situated outside Germany will have to be reported to the Military authorities within three days of the effective passing of the laws, and certain types of assets will have to be delivered to the nearest bank, Reichsbank office or other institution designated by the military government. Since Germany has been subjected to a rigorous control of foreign exchange operations for more than 13 years, the compulsory demand for declaration of foreign assets is unlikely to unearth substantial holdings of such assets other than those accumulated by party officials and with the connivance of the party machine. The chief problem of German external assets will be that represented by the interlocking of German industry with that of the occupied countries. There is no hint in the statement of the Chief of Staff for Civil Affairs of the manner in which this problem will be tackled.

Placing Technique

It is understood that the Committee of the Stock Exchange has made substantial progress in its deliberations with regard to the issue of securities by placing or introduction. The merit claimed for this method, as against an issue by prospectus, is that it is cheaper, and this appears to be the case, at least for issues of moderate size—say, £500,000 and under. But it is cheaper largely because it avoids the expenses of newspaper advertising and of dealing with a resultant mass of applications, often far in excess of the amount of stock offered. That is to say, the information of the impending issue is, usually, much less widely spread, and the investor may justly claim that, from his standpoint, that is a disadvantage. (It is, however, not established that there is any obligation upon a concern, desiring to raise money, to advertise the offer more widely than is necessary to achieve a full subscription.) It is, therefore, not surprising that it is alleged against the method of introduction that it confers undue advantages upon those in the inner circles of the investment market, and, in particular, that these circles secure an undue advantage by being able to deal in the new security before permission to deal has been granted and subject to such permission. It would appear that the Committee has in contemplation action along two lines; first, a ban on dealings subject to permission, and, second, an intimation to the jobbers concerned that they should assume responsibility for some system of rationing, among all would-be buyers, the amount of shares available at the opening price. Some of these shares are, of course, placed with the jobbers at a lower price to enable them to get the market going. It is not clear that either of these suggestions will make any substantial difference to the actual procedure, except to the extent that they influence the outlook of the jobbers concerned. The fundamental disadvantage of the placing method is that it does not ensure wide publicity. This would not matter if the original opening price were a really good estimate of what the investor will pay for the shares. Experience shows, however, that there is nothing more difficult than to assess this figure with any certainty. One may make a good guess in four cases out of five. In the fifth, one is hopelessly astray. Nonetheless, it is along these lines that a solution must be sought, for there seems little possibility of combining the advantages of wide publicity with those of the introduction. A step towards that end would be to give to the Press a statement in reasonable detail of every offer in the hope that they would comment upon it. It is, however, in the nature of the case that comment would be restricted in those cases where the issue was small—that is to say, in all those where the economies of introduction are greatest.

Directors' Compensation

A further instance of what appears to be exaggerated compensation to directors for loss of office is provided by the resolutions for the liquidation of the Hyderabad

(Deccan) Company. The directors propose compensation to the staff which reaches a total of £17,400, while a member of the company is to table a resolution that the directors receive £30,000. The directors are four in number, including one appointed by the Hyderabad Government, who is, presumably, not eligible for compensation from the company. Of the remaining three, one, the chairman, has been on the board only since the autumn of 1941; one is managing director. Directors' and managing directors' fees appear not to have exceeded £1,200 in any recent year, and were usually well below that figure. There can be no doubt that the management of the company has been efficient, but there is no indication as to how much, in excess of directors' fees, it has cost the company, and there is no apparent reason why compensation of £30,000, very possibly paid out of taxed profits, should be given to the directors at the expense of either the proprietors or the staff. This instance serves to strengthen the case for the publication of the total remuneration of directors, which is a necessary preliminary to an informed discussion of the whole matter of the adequacy of the present system to secure either the efficient direction of the affairs of the company or the effective representation of the proprietors. On the information at present available, in this as in more than one other recent example, compensation is excessive and the proposal ought not to be entertained.

Brazilian Bonds

Brazilian bonds, which have been rising with only very slight halts and reverses almost ever since the scheme was put into force, have in the past few days suffered a collapse of six or seven points. The fall has been indiscriminate, just as was the preceding rise. It is no secret that, having secured a very advantageous arrangement, the Brazilian Government has been continuously using some of its accumulated sterling to accelerate sinking fund buying. On Friday of last week it became known that this buying had been suspended, and, when it was not resumed on Monday, a slump occurred. This was accentuated by two factors, namely, sales by bull speculators and the fact that the jobbers concerned have consistently refused to take large amounts of stock on their books. It is, of course, very easy to blame the jobbers for lack of initiative in this matter. It may very well be the case that the halt in sinking fund buying is purely temporary; that Brazil can find no more attractive way of spending sterling, and that the jobbers would do very well out of taking up stock on a fall of only two or three points. But, if that is so, then one has also to blame the speculator and the genuine investor as well for not taking advantage of this opportunity. The plain fact is that, whatever the true facts may be as to the reasonableness of the settlement reached, there is scarcely anybody who trusts the Brazilian Government, there is scarcely any broker or banker who would advise Brazilian bonds as a long-term investment, and there are many who regard the Brazilian Government as the only final buyer of the stocks at current levels. Where, as in this case, the confidence of the investor has been undermined, fluctuations of 10 per cent in value cannot be regarded as extraordinary.

Rehabilitation in Malaya

The acceleration of the American advance in the Pacific adds point to recent demands for real plans for the rehabilitation of areas at present occupied by Japan. One of these comes from the board of London Tin, who want the early setting up of an international consultative body, fully representative of producing and consuming countries, and some assurance of priority for essential materials. Meanwhile, they are pursuing internal discussions within the group with a view to submitting preliminary plans for gradual rehabilitation. They mention the need for a limited number of new dredges, but they give little indication of what their plans may be or that they have given any general guidance to their associate concerns. The recent report of the Malayan Chamber of Mines, which also touched on this subject, was slightly more constructive in that it not only urged the preparation of plans, but also suggested the greatest possible standardisation of equipment. This would no doubt help to reduce the time necessary to re-equip the industry as well as lowering costs to some extent. Since the period suggested for bringing a new dredge from the drawing board to full operation is three years, the need for action is evident.

This, however, is only one side of the question. During the lengthy period of Government-maintained price-fixing very little was done either by the tin mining industry or by rubber plantations to reduce costs to a minimum. It is essential in the interests of all concerned that, whatever post-war schemes are evolved for the control of raw material prices, two things should be demanded of the industries concerned; they must be expected to concentrate output in the hands of the low-cost producers and they must eliminate all unnecessary expenses. So far as the tin industry is concerned, it has yet to be shown that the formation of such groups as London Tin has produced the economies which are the principal justification for such groupings. In rubber there is still a mass of small companies. Whatever may be the optimum size of estate in this industry, there can be little doubt that financial integration would greatly reduce administrative costs. Although the best accounts of rubber plantation companies are more informative than those of many other industries, the drive for uniformity has failed, while the fact that proceeds of rubber sales are shown net makes it impossible to assess the level of certain costs. In tin the accounts are generally uninformative. Until these defects are remedied, only a special investigation can reveal the extent and exact nature of the troubles. That ought to be undertaken, for there can be no justification for granting assistance to an industry which has not done its best to achieve efficiency. It has too often been proved that, if the assistance comes first, the improvement is likely to be indefinitely deferred.

Future of United Steel

United Steel Companies' accounts for the year ended June 30, 1944, show a rise in profits, after EPT and depreciation, of £260,000 to £2,465,186, and a much greater rise in earned for ordinary from 8.5 to 11.4 per cent. The dividend is kept at 8 per cent to enable a transfer to general reserve—the first in the last three years—of £150,000. The accounts are analysed in full on page 588. The rise in profits is implied by the chairman, Sir Walter Benton Jones, to be mainly due to the intricacies of assessing wartime taxation. Of more significance, therefore, is the increase in the group's net liquid assets by £600,000 to nearly £5½ million. The group's fixed assets, valued at £21½ million, are covered by various depreciation reserves totalling £10 million. Against this, issued ordinary shares—the only class of capital—also amount to £10 million odd. The fact that, in the case of United Steel, a strong liquid position and ample reserves are coupled with a high yield of £6 4s. 3d. per cent shows the market's scepticism about the prospects of heavy industry. This pessimism is not altogether shared by Sir Walter Benton Jones, who anticipates that, in the post-war period, maximum production will be needed of the group's many primary products and raw materials, as well as of its heavy finished steel products, although he seems less certain about demand for its light products. United Steel is, of course, a vast vertical combine, and its self-sufficiency has been lately increased by the acquisition in 1942-43 of St. Helens Colliery, enabling it to work the whole of the undersea coalfield on the Cumberland coast, and during this year, by an exchange of shares, of an interest in the Kiveton Park Coal Company, near Worksop. In addition, its interest in John Summers, acquired in 1939, will give it access to one of the two continuous strip mills of modern design and capacity. The group has not, however, aimed to date at operating as a self-contained unit, preferring to engage in open-market deals at many stages of manufac-

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ture. The width and variety of the group's interests give some protection against the possibilities of renewed depression. Some at least of the group's plant is fully modernised, and to this extent it gives a lead on the only sure road to prosperity for the iron and steel industry, which is to secure a real increase in efficiency and in output per man-hour by such means as further rationalisation and concentration of production and much greater modernisation of machinery. If the industry will employ its large reserves in facing up to this task, there is no reason why the market's conservative view of its prospects should not be disproved.

* * *

Motor Cars

The high post-war expectations of past and prospective motorists are likely to be somewhat disappointed by the prospect of a temporary shortage of cars. The expansion in the production of new cars—and, especially, the production of new models—will take time. Moreover, if the British motor industry is to secure a permanently larger share of the market in foreign countries a substantial proportion of production will have to be earmarked for export. (And if the motor industry is to work largely for the export market, it will have an opportunity of designing a proportion of its new cars in accordance with the requirements of motorists in foreign countries.) Since the supply of new cars available for the home market is likely to fall short of demand for some time, British motorists will have to rely mainly on the existing stock of cars until new ones become available in adequate numbers. Before the war there were some 2,000,000 cars in this country; it is difficult to estimate how many of these are still serviceable, though the proportion is likely to be well over half. But whatever the precise proportion, the total number of cars—old and new—available to the public will, for several years after the defeat of Germany, be smaller than before the war. This—and the rise in the volume of purchasing power in the hands of the public—explains the inflation in the prices of second-hand cars to which the forthright chairman of the Price Regulation Committee (North Midland Region) has recently drawn attention. Here are some of his examples:—

	Second-hand List Price.	Current Price April, 1939.	Current second-hand price.
Rover 10 h.p. (1939) ...	£ 275	£ 240	£ 600
Austin 10 h.p. " ...	175	155	250
Morris 10 h.p. " ...	185	155	300
Vauxhall 14 h.p. " ...	230	195	400
Buick 30.6 h.p. " ...	615	500	1,000

The rise in prices, which may well go further, will have the effect of making means rather than needs the test of ownership. But it may have another—and scarcely less undesirable—effect in that it may delay the urgent need for an increase in the productivity of the motor industry. In a sellers' market there is little incentive to an efficiency drive.

* * *

Price Control

The question, therefore, arises whether the Government should control the prices of second-hand cars. There is much to be said for price control in principle, but it is likely to meet with serious administrative difficulties. If ceiling prices at which second-hand cars are to be sold by dealers are fixed too low, their sources of supply will dry up and a black market emerge. For this reason the Board of Trade took great care, in its second-hand furniture control scheme, not to fix prices too far below free-market prices. Some such compromise solution might possibly be applied to motor-cars, though price control can never be fully effective unless the Government takes the drastic step of prohibiting sales except through dealers. New cars present less formidable difficulties. Ever since 1940 new cars could only be bought on licence from the Ministry of War Transport; moreover, a licence carried the condition that the car should not be resold by its first owner in the open market. This scheme has had the effect of limiting the sale of new cars—and of those of them that have since become second-hand—to those who really need them and of keeping their prices, both new and second-hand, at a reasonable level. There is everything to be said for maintaining this system of control until the shortage is alleviated by adequate new supplies. It will make it possible, once production can be resumed on a large scale, to meet the most urgent needs and to meet them at reasonable prices, for it would then not be necessary to maintain the purchase tax as a deterrent to purchases.

No Deflation, No Devaluation

The French Government's understandable reluctance to put into operation the plans that had been prepared for converting the note circulation and partially blocking the volume of bank credit has now found its official apologist, in the person of M. André Istel, who represented France at the Bretton Woods Conference. M. Istel has asserted this week that the rates of exchange of 200 francs to the pound and 50 francs to the dollar "correspond in the main to the real comparative purchasing power of the Anglo Saxon and French currencies." In the same statement he expressed opposition to "any over-hasty measures of deflation." The note circulation, he added, was now over 600,000 million francs as compared with 125,000 million francs before the war, but the depreciation in the franc from 176 to 200 to the pound "sufficiently allows for the deterioration of the value of the franc." M. Istel argued that France's malady was due rather to the contraction in production than to the inflation of the currency and that the principal remedy should be "gradually to restore the wealth-producing machinery" and not to proceed with deflationary measures. What M. Istel appears to forget, or ignore, is that the restoration of French productivity and reaccumulation of consumer goods will take a considerable time, that prices and wages will immediately tend to adjust themselves to the existing relation between the volume of production and the supply of purchasing power (evidence of this adjustment comes to hand day by day) and that future expansion in economic activity will call for still more currency and still more credit. The kind of equivocation in which the French experts are now indulging suggests that, however much political wisdom the past five years may have taught the French nation, the framing of a sound financial policy is still outside their grasp.

* * *

Poultry

The agricultural statistics which were published this month revealed the extent to which the poultry population was reduced by the feeding-stuffs policy. From the figures in brackets in the accompanying table, it can be seen that the reduction in England and Wales was more severe than in the United Kingdom as a whole. The drastic reduction was prompted by the fact that other livestock convert feeding-stuffs into human food more efficiently than poultry. In addition, food for poultry competes with food which can be directly consumed. Accordingly, when animal food-

POULTRY POPULATION OF THE UNITED KINGDOM
(with England and Wales in brackets) at June 4
(000,000s)

	1939	1940	1941	1942	1943	1944	% Change 1944 Over 1939
Fowls over six months old...	31.0 (23.2)	33.9 (25.7)	35.6 (24.8)	27.1 (17.3)	23.3 (13.3)	23.4 (13.0)	-25 (-44)
Fowls under six months old...	38.5 (29.8)	32.9 (25.4)	22.4 (15.3)	26.4 (16.7)	23.0 (13.2)	26.9 (15.9)	-30 (-47)
Total fowls...	69.5 (52.9)	66.8 (51.2)	58.1 (40.1)	53.5 (34.0)	46.3 (26.5)	50.3 (28.8)	-28 (-46)
Ducks...	2.9 (2.2)	2.7 (2.0)	2.3 (1.6)	2.6 (1.8)	2.6 (1.7)	3.0 (2.0)	+4 (-12)
Geese...	0.7 (0.6)	0.7 (0.6)	0.7 (0.6)	0.8 (0.6)	0.8 (0.7)	0.9 (0.7)	+27 (+28)
Turkeys...	1.2 (0.7)	1.1 (0.6)	0.9 (0.4)	0.9 (0.3)	0.9 (0.3)	1.0 (0.4)	-19 (-49)
Total poultry	74.4 (56.4)	71.2 (54.4)	62.1 (42.7)	57.8 (36.7)	50.7 (29.1)	55.2 (31.9)	-26 (-44)

stuffs were rationed in February, 1941, the egg farmer found that he was more affected than other farmers. Indeed, Mr J. J. MacGregor, in his recently published *Poultry Industry Control in the United Kingdom* (Harper Adams Agricultural College, 50 pp., 2s. 6d.) goes so far as to say that it may have put some of the specialist egg farmers out of business. The ration was sufficient to support about one-third of their 1939 population. Breeders found a profitable outlet when the backyard hen was given official recognition and a balancer meal ration. Although it is believed that egg yields of laying hens are lower, owing to food and war conditions (the blackout, for example, cuts short their feeding time) the health of breeding stocks is considered better than before the war. The size of the poultry stock has begun to increase this year, but future prospects of egg farming do not depend only on numbers, or even on an

(Continued on page 587)

COMPANY MEETINGS

OTTOMAN BANK

INCREASED RATE OF EXPANSION

CONDITIONS IN TURKEY AND NEAR EAST

MR. A. G. A. JAMIESON ON POST-WAR RECOVERY

The seventy-seventh annual general meeting of the Ottoman Bank was held, on the 25th instant, at Winchester House, Old Broad Street, London, E.C.

Mr A. G. A. Jamieson, the chairman, presided.

Mr W. Stewart McKim (secretary to the London committee) having read the notice convening the meeting,

The Chairman said:—Ladies and gentlemen,—The balance-sheet we submit to you this year shows an even greater expansion than that of the past two or three years; the total is £60,027,054, as against £42,360,012 at the end of 1942. Liquidity has again been maintained and we have no less than £31,660,000 in cash and money at call and notice, £11,705,000 in Treasury bills and bills receivable, while British Government securities amount to £2,128,000.

We have continued to include our French assets and liabilities at the exchange rate of 176.50 and, as regards Greece, the figures are those of December 31, 1940, no later details being yet available. The profit and loss account, containing no profits which could not be made effectively available in sterling, shows a balance of £127,938 os. 6d., which, added to the amount brought forward, makes a total of £463,116 4s. 9d., which will be carried forward.

LARGER DEPOSITS

On the liabilities side of our balance sheet there is an increase in the deposits of some £17,500,000. On the assets side cash has been increased by £6,600,000, money at call and notice by over £7,000,000, and bills receivable by £3,400,000. Our investments are greater by £400,000, all the increase being in British Government securities.

Thus you will see the whole of the new deposits in the year have been utilised in a readily accessible form, a condition which your committee regard as essential in view of the factors which have led to the great increase in deposits in the various countries where the bank is established. I think I have now dealt with all the points of interest in the balance sheet, and I will pass to a brief review of conditions during 1943 in the countries in which we operate.

In Turkey weather conditions were favourable for agriculture and crops were accordingly abundant. The volume of notes in circulation, after falling in the early part of the year, again rose, and in December was 805 million Turkish pounds, against 745 millions the previous year.

The gold held by the Central Bank, increased to nearly two hundred and two million Turkish pounds, as against one hundred and forty-three million Turkish pounds in December, 1942.

Wholesale prices continued to rise during the first part of the year, and, although they dropped in the latter part of the year, the wholesale prices index being 473½ as against 521 in 1942, the cost of living continued to increase, the figure in Istanbul being 347 in 1943 as against 232 in 1942. Our relations with the Turkish Government, its various departments, and with the other banks remain satisfactory.

SITUATION IN EGYPT

In Egypt the expenditure of the British and Allied Governments has brought great apparent prosperity to the country, and has given rise to a heavy increase in the cost of living. Efforts at price control have had little effect, and the poorer classes have not benefited from the national prosperity and are suffering from high prices for the necessities of life. Currency in circulation increased to £E104,000,000 in December, 1943, compared with £E82,000,000 in December, 1942, and

£E54,000,000 in 1941. Local industries, aided by the strict limitation of imports, had a prosperous year, and this was reflected in rises in Stock Exchange prices, which have also been influenced by the plethora of money.

Egypt's trade with Cyprus, Palestine and East Africa showed increases, and there were indications of development with Australia, but with the United Kingdom and the remainder of the British Empire trade decreased considerably.

Owing mainly to cotton exports at high prices, the money value of exports increased to £E25,000,000 in 1943 compared with about £E19,000,000 in 1942. The cotton crop for 1943-44 amounted to 3,600,000 cantars, compared with 4,500,000 cantars in the previous season, arising from a deliberate reduction in the cotton acreage. Quality, on the other hand, was much superior. The Government Cotton Buying Commission continued to operate, and increased its buying prices by 20 per cent. compared with the previous year. Comparatively little cotton was offered to the Commission, however, as the short supply and keen demand caused the market price to exceed the official buying price.

The cereal market was good. The Government requisitioned the whole of the wheat crop and part of the barley and rice crops, the banks acting as agents for purchase of cereals for delivery to the United Kingdom Commercial Corporation. Our branches took a substantial share in this business. Heavy local taxation has had an adverse effect upon our divisible profits.

PALESTINE'S INDUSTRIES

In Palestine war conditions continued to rule the economic and financial situation throughout 1943. Military expenditure increased the liquid resources of the community, and there was a continual rise in the cost of living. In an attempt to check this the authorities introduced war savings schemes, permitted gold to be sold, and imposed higher taxation and more rigid price control. Currency in circulation reached a new high level of £P37,000,000, compared with over £P24,000,000 at the end of 1942, and bank deposits continued to rise throughout the year.

Owing to lack of shipping space, the citrus trade was stagnant, and essential loans were made by the banks under the Government scheme, in order to keep the citrus industry alive. Local manufacturing industries continued to develop during the year, with a large demand both locally and in neighbouring countries.

In Iraq similar conditions to those in other Middle Eastern countries prevailed as regards currency and prices. The circulation reached over 35,000,000 Iraq dinars, an increase of over 13,000,000 Iraq dinars during the year. Committees were set up to control imports and prices, and rationing was introduced in respect of a limited number of articles. Though imports were decreasing by the end of the year, the total for the year of nearly 16,000,000 Iraq dinars constituted a record figure, exceeding that of 1942 by some 3,500,000 dinars. Over half the imports came from India, while the United Kingdom ranked second with 1,708,000 Iraq dinars.

Exports totalled 4,936,000 Iraq dinars, over half going to Syria and Iran. The year's grain crop was heavy, estimates being 390,000 tons of wheat and 580,000 tons of barley, compared with pre-war averages of 200,000 tons and 400,000 tons respectively. Barley prices worked out at

about 27 Iraq dinars per ton, f.o.b., compared with 3½ Iraq dinars before the war. Date exports were well maintained, and prices were about four times those ruling in 1938.

IRAN AND CYPRUS

In Iran money was in great demand until the last quarter. The market for local products was very active, though exports were curtailed by lack of transport. Imports continued to be on a restricted scale, and merchants who secured goods from the United Kingdom, the United States and India made large profits. The official cost of living index increased during the year from 547 to 993, compared with 100 in 1937 and 162 in 1941.

The Government re-engaged an American financial expert to advise upon the financial reorganisation of the country. Crops were good and cereals were in better supply. While the law on foreign exchange was not abolished, restrictions on the purchase of exchange were virtually removed.

In Cyprus, despite indifferent crops, there was moderate prosperity resulting from better prices for exports; caroubs went mainly to other Middle East countries, but small quantities came to the United Kingdom. There were no surplus potatoes for export after meeting the requirements of the military authorities. The demand for raisins and wines was good, and substantial profits were made by growers and merchants.

During the year, to combat inflation, the Government successfully issued Premium Bonds to the extent of £500,000, and Savings Certificates and Bonds were also put on sale. During the year we opened a new office at the seaside resort of Kyrenia, for the convenience of customers and visitors.

PEACE-TIME PROBLEMS

The war has now reached a phase when we can discern dimly the extent of the damage that has been done to the economic life of the occupied countries, and we can also turn over in our minds the problems which will arise in those countries which have escaped German occupation, but whose economic structure has been distorted by immense military expenditure and lack of communications.

Every country in which this bank has interests has either suffered the martyrdom of German occupation or is faced by the problem of readjustment of its economic life. The process of recovery and readjustment will be slow and painful, and no doubt many mistakes will be made in the process.

BANK'S STRONG POSITION

But the Ottoman Bank is in a strong and solid position to face these problems and to take its part in rebuilding the commercial life of the countries which constitute its territory. I am confident it will continue the service which it has rendered for so many years in lands which are of great historic, sentimental and economic importance to Turkey, Britain and France. In the solution of these problems we trust that we may shortly have the active collaboration of our colleagues in Paris.

Meanwhile, as communication with France is not yet restored, we repeat our procedure of last year by showing in the report the list of names of the Paris Committee as it was constituted in 1940, when communications were interrupted. Three of their number, Monsieur Charles Rist, Monsieur René Bechmann and Monsieur Emile Oudot, are due to retire this year under the terms of our statutes, and their formal re-election is proposed.

The place left vacant in the committee by the death of Sir Guy Granet has been filled by the election of the Hon. T. B. Money-Coutts, and Mr R. W. M. Arbuthnot has been elected to succeed Sir Gordon Nairne. I shall shortly submit their election for your confirmation.

The report and accounts were unanimously adopted.

ANGLO-IRANIAN OIL COMPANY, LIMITED

SIR WILLIAM FRASER'S STATEMENT

The thirty-fifth ordinary general meeting of Anglo-Iranian Oil Company, Limited, was held, on the 17th instant, at Britannic House, London, E.C., Sir William Fraser, CBE (the chairman), presiding.

The following are extracts from the chairman's statement, circulated with the report and accounts:

I informed stockholders last year that indications were that gross profits might not be far short, if at all, of those for 1942, but that our Excess Profits Tax standard would govern the net profits. This forecast has proved to be correct. The gross profits for 1943 were higher than those for 1942, and the decrease in the balance of profit from trading account brought into the profit and loss account is entirely due to Excess Profits Tax, which has been deducted before arriving at the figure shown in the account.

We have again increased the preference stock reserve by £500,000.

There has been no need to make any special reserve in the profit and loss account for extra depreciation as was done last year, but a small provision of £225,000, which is likely to be recurrent, has been charged to trading account. The balance of profit remaining enables us again to recommend a final dividend of 15 per cent. on the ordinary stock, making 20 per cent. for the year. The carry forward is increased by £40,388.

With regard to the probable outcome of the current year's trading, it appears that net profits will again be governed by our Excess Profits Tax standard.

CONTRIBUTION TO WAR EFFORT

The company's operations have proceeded smoothly and on an expanding scale during the past year. Our production of crude oil has been increased to enable us to meet the greater demands which we have experienced for practically all our products. In one particular respect, however—the supply of high-grade aviation spirit—we have had to undertake considerable new construction to enable us to make our contribution to the enormous needs of the Allied Air Forces. Plant of great magnitude was required, and stockholders can well imagine that its provision, transport and erection have been by no means easy of accomplishment under ruling conditions.

In addition to the company's activities on land, our tanker fleet has continued to render a vital service to the Allied cause. Since our last meeting, losses and other casualties have fortunately been on a diminishing scale in comparison with former periods. Our fleet, however, is considerably below the strength which will be needed for peace-time operations. We have some new ships under construction, but more will be required to satisfy our anticipated needs.

Thanks to the successes of the Allied Forces on all fronts, the time must be near when we can hope for a resumption of more normal conditions for the production of oil and for the transport and distribution of products. Our plans for future activities must necessarily depend to a large extent on the conditions which will prevail in the immediate post-war period. It is, however, satisfactory to know that our producing facilities and our principal refineries are in as good shape as is possible after five years of war, with its inevitable accompaniment of stringency in the supply of man-power and materials. Within to-day's limitations, we are doing everything possible by means of scientific research and its application to ensure that we shall obtain from our supplies of crude whatever products of whatever qualities may be required to maintain and improve upon our position as marketers of all petroleum derivatives.

The report and accounts were unanimously adopted.

RAPHAEL TUCK AND SONS, LIMITED

PREVIOUS RECORDS SURPASSED

The forty-third annual general meeting of Raphael Tuck and Sons, Limited, was held on the 17th instant, in London.

Mr Desmond Tuck (chairman and joint managing director), in the course of his speech, said: Ladies and gentlemen, our profit for the year has broken all previous records. The forecast I made at our last annual meeting, that we should again find ourselves in the E.P.T. category, has proved itself correct. The large provision we have had to make for this tax is indicated on the balance-sheet before you, and the Inland Revenue is once again sharing very well in the results of our year's work.

The remarkable rise in your company's fortunes up the ladder of progress these last two or three years is to a large extent due to the fact that under its present direction and management it is unfettered by out-of-date outlook or outlived methods.

DEMAND UNSATISFIED

Our various departments, apart, of course, from those which under war-time regulations have been closed down, continue in a healthy condition. Indeed, we have been unable to satisfy the appetite of the trade and of the public for our publications, owing to the restricted supplies of raw materials available to us, and the shortage of labour at our disposal.

I could have wished that a more generous allocation of paper had, for instance, been granted to the industry as a whole for the production of greeting cards, for the tonnage granted for this purpose has proved itself wholly inadequate.

During these years of war the contribution which the greeting card has made and is making to morale, preserving ancient and hallowed customs in times of adversity as well as prosperity, and promoting the bonds of friendship and good fellowship, is a noteworthy one. It has been bringing its welcome message of cherished remembrance both to and from members of those many families scattered far and wide, our gallant soldiers, sailors and airmen, and all those engaged upon National Service.

Our picture department has, among its other activities, been responsible for the publication on behalf of the Royal Air Force Benevolent Fund of two important pictures by Mr. Herbert A. Olivier, exhibited in this year's Royal Academy, the one depicting "Operations Room Conference, Bomber Command," and the other "Laying on the Target, Bomber Command Headquarters."

Faithfully reproduced in the full colours of the originals, these pictures are an historic record of this magnificent and vital Command, and provide a worthy ornamentation to the walls not only of private houses but of business firms and offices.

A RECENT PURCHASE

Our acquisition which I reported to you last year, of printing works in the Midlands, has already more than justified itself. This in its turn has been added to by the recent purchase of a business, complete with plant and working staff, specialising in the printing of viscose wrappings for food and other commodities, and the printing and embossing of aluminium, tin and kindred foils. We have visualised important possibilities and developments for this class of work in the post-war period, and we feel that our entry into this new field is a farseeing move.

Before concluding, may I thank all the members of our executive and staff who have served the company so faithfully during this past year. As Londoners they have neither escaped nor evaded their trying times both in their homes and at their work.

The report was unanimously adopted.

ASPRO, LIMITED

DEMAND GREATER THAN EVER

The ninth annual general meeting of Aspro, Limited, was held, on the 19th instant, at Winchester House, Old Broad Street, London, E.C., Mr H. F. Middleton (the chairman) presiding.

The following is an extract from the chairman's statement, which was circulated with the report and accounts and taken as read:

It is a matter of great satisfaction to your board, and, I am sure, to all stockholders, that notwithstanding the great difficulties of the past twelve months we are again able to recommend the declaration of a final dividend on the ordinary stock of 15 per cent., less tax, thus maintaining the total distribution for the year to 25 per cent., less tax.

The profit on trading and other income, after providing for excess profits tax, is £292,912.

COUNTRY PREMISES ACQUIRED

At the outset of hostilities your directors took the precaution of leasing a country property, standing in several acres of land, some distance from the main factory, as an insurance against stoppage or curtailment, owing to war conditions, of our full working facilities there. Certain alterations and works were carried out on this property, subject to an undertaking to make full reinstatement at the end of the war, including the erection of temporary buildings capable of dealing with a proportion of the company's output. These buildings were equipped with emergency plant, and constituted, with the staff accommodation, canteen, offices, etc., a complete independent manufacturing and distributing unit. These steps proved to be fully justified by events. Portions of our main factory were diverted to other urgent Government war work, partly carried out by us and partly by other manufacturers, and in answer to a call to undertake further work of this character, a part of our manufacturing space at the country premises had to be used. It has now become necessary to devote the whole of these premises to such purposes, but we have, fortunately, been able to make arrangements as a result of which no serious curtailment of the manufacture of our own product is anticipated.

Having regard to the expenditure upon the country premises and the waste and expense which reinstatement would involve your directors decided that the purchase of the freehold would be a sound commercial economy. Negotiations were accordingly opened with the owner, and the freehold was acquired at the pre-war figure. This explains the increase in the item "Freehold land and buildings" in the balance-sheet.

The demand for our product in the home market continues as strong as ever. Although at times we have experienced difficulty in meeting the requirements of the public to the full in these strenuous days, "Aspro" maintains its reputation and favourable position, and the indications augur well for the future.

EXPORT DIFFICULTIES

Last year I stressed the difficulties governing our export trade. During the past twelve months there has been little relaxation of the restrictions, and we have not made such advancement as we anticipated. All the same, we have missed no opportunity of supplying our customers' requirements when it has been possible, and our organisation at home and abroad has been maintained efficiently in readiness to take full advantage of all facilities immediately they are made available, with a view to recovery and further development of the markets to which we gave so much attention in the past.

The report and accounts were unanimously adopted and the dividend recommended was declared.

SOUTH AFRICAN DISTILLERIES AND WINES, LIMITED

IMPROVED RESULTS

The tenth annual general meeting of South African Distilleries and Wines, Limited, was held, on the 24th instant, in London, Mr H. R. Mosenthal, the chairman, presiding.

The following is an extract from the statement by the chairman, circulated with the report:

The consolidated net profits of the operating companies amount to £641,254 South African currency, before providing for taxation, and this compares with £561,043 last year. With sales prices controlled, you will appreciate that this increase of profits has been achieved through increased turnover; but it has, of course, attracted the full burden of excess profits duty and, together with normal, provincial, trade profits special levy and the non-resident shareholders' tax, the total of South African taxation has risen to £398,770, as against £324,830 last year, so that, against the increase in the net profit of £80,211, no less than £73,940 additional has to be paid over to the taxation authorities, leaving our operating companies with a net increase of £6,271 at £242,484.

The heavy liability for taxation has caused the local boards to maintain their policy of conserving their resources, and they have therefore only declared dividends sufficient to enable the directors of this company to propose the distribution of a final dividend on the ordinary stock at the same rate as last year, viz., 6 per cent., less income-tax. As a result, however, there remain undistributed profits in the hands of subsidiary companies of £253,883 S.A. currency as compared with the balance brought forward of £175,718.

SALES CONTINUE GOOD

The sales position of our operating companies has continued extremely good, and for the first six months of their new year, viz., March-August, 1944, their sales again show a substantial increase over the corresponding period of what has been a record year, but, as I pointed out last year, this is partly due to the increase in Excise Duty, on which increase nothing by way of profit is permissible.

I have on more than one occasion pointed out from the chair that our subsidiaries concentrate nearly 100 per cent. on their home market and have exported practically nothing either before or during the war, so their yearly increased sales are not due to any fortuitous war demand in this country and elsewhere through the cutting off of supplies of wines and brandy from Germany and France; it is therefore clear that the resumption of exports from those sources should not adversely affect us, and if demand arises again in the Union for these and for Scotch whisky,

(Continued from page 584)

adequate supply of feeding-stuffs. Many of the egg industry's prewar difficulties, some of which might have been overcome had the passing of the Poultry Industry Bill of 1939 not been postponed, still remain. The health of poultry stock and the whole question of marketing and distribution will occupy the industry in the future. So far there is no indication of what Government policy will be.

UKCC

In answer to a question in the House of Commons on October 17th, Sir John Anderson gave some fresh hints about the future of the United Kingdom Commercial Corporation—the Government's trading organisation. He could not name the precise winding-up date of the Corporation, but thought that its services would be needed for at least 18 months after the defeat of Germany. Sir John Anderson

BRITISH LION FILM CORPORATION LIMITED

RECORD PROFITS

The sixteenth annual general meeting of British Lion Film Corporation, Limited, was held, on the 26th instant, in London, Mr S. W. Smith chairman and managing director) presiding.

The following is an extract from the statement by the chairman circulated with the accounts: The gross profit on trading amounts to £205,322 compared with last year's figure of £157,003, and our net profit is £101,270 against £56,636 last year, which constitutes a new record. While I hope that when next I have to report to you our figures will be satisfactory, I should tell you that during the year under review we have been favoured by exceptionally good product as well as the general prosperity of the cinematograph industry.

The directors recommend the same dividends as were declared last year—namely, a maximum dividend of 10 per cent. on the 7½ per cent. participating preference shares and 50 per cent. on the ordinary shares; the carry forward of £27,076 being an increase of £1,472 over last year. I am gratified to be able for the fourth year in succession to recommend the continuation of the dividends on both classes of shares.

At the cessation of hostilities we can expect to have our studios de-requisitioned, which are still in the occupation of the Government. It is equally necessary that we produce and distribute British pictures, but owing to the dearth of available studio space during the year under review we have not been able to make the number of British pictures which we would have liked. We have acquired a 50 per cent. interest in the Worton Hall Studios, which should greatly help us in this direction. The report was adopted.

GENERAL CEYLON RUBBER AND TEA ESTATES, LIMITED

The forty-sixth and forty-seventh annual ordinary general meetings of this company were held, on the 18th instant, in London, Mr J. Gilroy Annan (the chairman) presiding.

The following is an extract from the chairman's address, which was circulated to shareholders:

For 1944, the estimates are framed to deal with 2,440,000 lb. tea and 2,209,000 lb. rubber. To the end of June, the present season has been favourable for tea, the crop harvested being 1,357,000 lb., compared with 1,302,011 lb. for the corresponding period of 1943 and 1,399,866 lb. in 1942, while rubber at 772,000 lb. compares with 916,933 lb. and 720,547 lb.

The report was adopted, and the dividends of 5 per cent. for 1942 and 1943 approved.

added, however, that its future is intimately linked up with the still unknown pattern of international trade in the early post-war years, and he said "it may well be that tasks will emerge in which we should like to be able to rely on the help of the Corporation." But he gave the assurance—and this is of particular interest to traders—that the Corporation will maintain its policy of not undertaking transactions which can properly be handled by traders and that, on the contrary, it will assist British traders wherever possible. Sir John Anderson's statement should allay the fears of those who saw in the UKCC a threat to private enterprise.

Research in India

An Indian Scientific Mission is paying visits to Britain and America. This is a first step towards realising the high aims of a great increase in India's real wealth and

standard of living, set out by the authors of the "Bombay Plan" and other prominent Indians. These aims require, firstly, a vast outlay in capital investment. But almost equally important is the application of new scientific techniques to industry and agriculture, and—if Indian life is to be made more tolerable as well as more prosperous—to health and nutrition. Industrial research in India has hardly kept pace even with the recent growth of large-scale industrialism, although they suffered together in the depression of the 'thirties. It has attracted little expenditure from either public or private sources. A number of officially-sponsored bodies have accomplished useful, if limited, pioneer work. The Indian Central Cotton Committee, with an annual budget of £75,000, has been instrumental in raising the yield of the cotton crop by 14 per cent over ten years and raising the area under improved types of cotton to 35 per cent of the total. This body is concerned with seed production and marketing schemes as well as with technological research; and both it and the Indian Central Jute Committee are, in fact, supervising bodies, watching over and advising on all stages of production from the field to the factory. A more specifically research body, paying attention to questions of engineering and chemistry, is the Imperial Institute of Sugar Technology. The Indian Research Fund Association carries on a relentless, if pitifully small, struggle to trace the origins and spread of India's virulent diseases, and owns a single reasonably equipped nutrition laboratory. The sum total of both money and facilities for industrial and scientific research remains absurdly small compared with the vast need. The Government has taken the lead by setting up a Board of Scientific and Industrial Research to co-ordinate activities and to plan long-term investigations into problems of both theoretic and applied science. This department cannot be effective unless it can draw into its service both money and brains, which will repay such investment a hundredfold in terms of increased prosperity and health. The shortage of experts either to undertake research or to apply its results is, of course, a severely limiting factor. Adequate training schemes are the first need. In

the meantime, foreign ability should be drawn upon. The possibility of opening offices in London and Washington to gain up-to-date scientific information deserves to be investigated. The increased prosperity of India, brought about by such developments, can be nothing but a boon to Britain. It may well produce a difference in the composition of British exports to India, but the great increase in Indian purchasing power will make unlikely a fall in the total demand.

Company Result

United Steel Companies:

	Years to June 30.		
	1942	1943	1944
Profit after depreciation and E.P.T.†	2,096,723	2,204,459	2,465,186
Income tax	1,154,000	1,290,000	1,360,000
Obsolescence reserve	125,000	125,000	125,000
Deb. interest	171,083	168,080	167,217
Deb. redemption	49,153	51,073	53,073
Directors' fees	9,508	9,800	9,294
Staff funds	152,000	152,000	180,000
Ordinary shares:			
<i>Earnings</i>	435,979	408,506	570,602
<i>Dividend</i>	386,000	386,000	400,960
<i>Earnings %</i>	9.0	8.5	11.4
<i>Dividend %</i>	8	8	8
General reserve	—	—	150,000
Carry forward	477,156	499,662	519,304

Consolidated Balance Sheet:			
	1942	1943	1944
Net fixed assets†	12,080,827	10,995,383	11,407,289
Net associated company items*	2,066,345	2,186,213	2,166,126
Net liquid assets	3,644,445	4,809,147	5,423,618
Gross liquid assets	11,420,103	11,911,460	14,026,399
Debtors	4,896,433	4,940,256	5,607,606
Stock	3,946,257	3,905,226	3,993,910
Govt. securities and tax reserve certs.	567,056	828,500	1,439,308

* Including £200,646 in 1942, £303,973 in 1943, and £195,503 in 1944, relating to certain small subsidiaries, whose accounts are not included in the consolidated figures.
† Including gross income from associated companies.
‡ After deducting reserves for depreciation and obsolescence and for maintenance, repairs, and other purposes, totalling £7,413,009 in 1942, £9,278,194 in 1943, and £10,213,158 in 1944.

The £1 ordinary shares, standing at 25s. 9d. ex dividend, yield £6 4s. 3d. per cent.

RECORDS and STATISTICS

INDUSTRY AND TRADE

"The Economist" Sensitive Index.—There was no change in the index during the week ended October 24th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

COST OF LIVING INDEX (July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	½	12½
Sept., 1939	138	162	208	182	179	155
1940	166	164	295	212	219	187
1941	166	164	380-385	228	230	199
1942	160	164	395-400	240	265	200
1943	166	164	345	244	291	198
Aug. 1943	167	164	345	253	286	199
Sept. "	166	164	345	244	291	198
Oct. "	168	164	340-345	244	291	199
Aug. 1944	170	164	345	263	291	202
Sept. "	169	164	345	263	291	202
Oct. "	168	—	—	—	—	201

Source: Ministry of Labour Gazette.

FINANCE AND BANKING

THE MONEY MARKET.—Floating debt borrowing has been on a smaller scale this week than last. Treasury bills to be taken up amounted again to £120,000,000 and were £10,000,000 in excess of the maturities. Treasury Deposit Receipt payments were scaled down to £60,000,000, which exceeded the effective maturities by slightly more than £20,000,000. Most of the clearing banks have been making up this week for their October statements and the turnover of funds in the money market has been considerable. Easy conditions prevailed in the earlier part of the week, the market being helped by substantial amounts of American money. This was taken off the market on Wednesday, and conditions became sufficiently patchy to require some assistance from the authorities. The Bank return shows that on the day in question bankers' deposits stood at £203,783,000, a figure which, even allowing for the effect of window dressing, should have been sufficient to preclude the need for such help.

MONEY RATES, LONDON.—The following rates remained unchanged between October 19th and October 26th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1¼%; 3 months, 1-1¼%. Day-to-day money, 1-1¼%. Short Loans, 1-1¼%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ¾%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between October 19th and October 26th (Figures in brackets are par of exchange).

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-86½) 4-43-47; mail transfers 4-43-47½. **Switzerland.** Francs (25-22) 17-30-40. **French Empire.** Francs 197½-200½. **Syria.** p. 8-81-85. **Sweden.** Krona (18-159) T.T. 16-85-95. **Dutch West Indies.** Florin (12-11) 7-58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$4-02-04; mail transfers 4-02-04½. **Brazil.** 82-8456½ cr. (buying). **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire.

Market Rates.—The following rates remained unchanged between October 19th and October 26th.
Egypt. Piastres (97½) 97½-98. **India.** Rupee (18d. per rupee) 17½-18½. **Belgian Congo.** Francs 176½-177. **China.** National \$3-3½. **Iran.** Rl. 128-130. **Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-17 pesos.

NEW YORK EXCHANGE RATES

New York on	Oct. 18	Oct. 19	Oct. 20	Oct. 21	Oct. 22	Oct. 23	Oct. 24	Oct. 25
Cables:—								
London	402½	402½	402½	402½	402½	402½	402½	402½
Montreal	89-375	89-375	89-500	89-500	89-500	89-500	89-500	89-500
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-88*	24-88*	24-88*	24-88*	24-88*	24-90*	24-90*	24-90*
Rio de Janeiro	5-19	5-19	5-19	5-19	5-19	5-19	5-19	5-19
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-20	9-20	9-20	9-20	9-20	9-20	9-20	9-20
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78. † Free Rate. ‡ Bid.

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Oct. 19	5,229	5,467	109.6	135.1	3.15	3.83
" 20	5,308	5,463	109.7	135.2	3.15	3.83
" 23	5,791	5,559	109.6	135.1	3.14	3.83
" 24	5,341	4,761	110.0	135.2	3.14	3.82
" 25	5,692	4,883	110.4	135.2	3.14	3.81

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

(Continued on page 592)

GOVERNMENT RETURNS

For the week ended Oct. 21, 1944, total ordinary revenue was £47,972,000, against ordinary expenditure of £120,984,000 and issues to sinking funds of £180,000. Thus, including sinking fund allocations £8,129,408, the deficit accrued since April 1st is £1,821,938,000 against £1,797,425,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Oct. 23, 1943	April 1 to Oct. 21, 1944	Week ended Oct. 23, 1943	Week ended Oct. 21, 1944
ORDINARY REVENUE					
Income Tax	1,300,000	395,769	455,850	12,181	16,112
Sur-tax	80,000	14,824	12,429	560	394
Estate, etc.	100,000	54,234	60,599	1,622	2,040
Duties	19,000	10,550	7,891	1,000	900
Stamps	17,396	17,396	18,446	686	480
N.D.C.	500,000	276,189	277,689	9,453	8,391
E.P.T.	1,000	238	130	10	—
Other Inld. Rev.	—	—	—	—	—
Total Inld. Rev.	2,000,000	769,200	833,034	25,512	28,317
Customs	564,900	303,024	321,076	9,586	12,351
Excise	472,900	251,800	264,200	7,600	6,100
Total Customs & Excise	1,037,800	554,824	585,276	17,186	18,451
Motor Duties	27,000	4,181	4,344	—	—
P.O. (Net Receipts)	—	—	—	—	—
Wireless Licences	4,850	1,690	1,690	—	—
Crown Lands	800	470	470	—	—
Receipts from Sundry Loans	7,350	2,287	2,457	163	—
Miscell. Receipts	24,000	43,182	48,151	1,881	1,204
Total Ord. Rev.	3,101,800	1,375,835	1,475,422	44,743	47,972
SELF-BALANCING P.O. & Brdcastg.	112,370	59,450	62,750	2,500	2,500
Total	3,214,170	1,435,285	1,538,172	47,243	50,472

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Oct. 23, 1943	April 1 to Oct. 21, 1944	Week ended Oct. 23, 1943	Week ended Oct. 21, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	220,530	250,259	1,753	13,962
Payments to N. Ireland	9,000	3,676	4,307	—	—
Other Cons. Fund Services	7,000	3,762	3,845	222	222
Total	436,000	227,968	258,411	1,974	14,184
Supply Services	550,139	293,749	303,089	88,560	106,800
Total	986,139	516,665	561,500	90,535	120,984
SELF-BALANCING P.O. & Brdcastg.	112,370	59,450	62,750	2,500	2,500
Total	1,098,509	576,115	624,250	93,035	123,484

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £430,701 to £3,025,388, the other operations for the week (no longer shown separately) raised the gross National Debt by £74,435,792 to £21,407 million.

NET ISSUES (£ thousands)

War Damage Act	713
P.O. and Telegraph	100
	813

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1943						
Oct. 23	1190-0		Not available			
1944						
July 22	1430-0	2138-9	483-9	1-2	1418-0	5472-0
" 29	1430-0		Not available			
Aug. 5	1430-0		"	"		
" 12	1430-0		"	"		
" 19	1430-0		"	"		
" 26	1430-0	2199-0	390-9	1-2	1478-5	5498-4
Sept. 2	1430-0		Not available			
" 9	1430-0		"	"		
" 16	1430-0		"	"		
" 23	1430-0		"	"		
" 30	36 95-3		449-8	21-0	1582-0	5748-1
Oct. 7	1430-0		Not available			
" 14	1430-0		"	"		
" 21	1440-0		"	"		

TREASURY BILLS (£ millions)

(£ millions)						
Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1943				s.	d.	
Oct. 22	100.0	181.8	100.0	20	0.62	41
1944						
July 21	110.0	204.2	110.0	20	0.26	36
" 28	110.0	214.2	110.0	20	0.46	33
Aug. 4	110.0	217.1	110.0	20	0.11	30
" 11	110.0	208.9	110.0	20	0.51	36
" 18	110.0	200.9	110.0	20	0.83	42
" 25	110.0	202.9	110.0	20	2.84	34
Sept. 1	110.0	222.5	110.0	20	2.45	30
" 8	110.0	217.7	110.0	20	2.81	35
" 15	110.0	220.4	110.0	20	2.47	31
" 22	110.0	207.2	110.0	19	11.60	54
" 29	110.0	228.3	110.0	19	11.70	25
Oct. 6	110.0	227.1	110.0	20	0.27	31
" 13	120.0	227.0	120.0	20	0.30	35
" 20	120.0	227.5	120.0	20	0.16	34

On Oct. 20 applications at £99 14s. 11d. for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 34 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £120 millions of Treasury Bills are being offered on Oct. 27. For the week ending Oct. 28, the banks will be asked for Treasury deposits to the maximum amount of £60 million.

Million \$'s

BANK AND TREASURY RESOURCES				
Monetary gold stock.	22,132	20,824	20,725	20,728
Treasury & bank currency. .	4,101	4,113	4,113	4,114
LIABILITIES				
Money in circulation.	19,019	23,881	24,099	24,157
Treasury cash and dep. . . .	2,814	2,719	2,577	2,677

Million rupees

CENTRAL BANK OF IRELAND				
Million £'s				
	Oct. 16, 1943	Sept. 30, 1944	Oct. 7, 1944	Oct. 14, 1944
ASSETS				
Gold.....	2·65	2·65	2·65	2·65
British Govt. secs.....	21·25	24·60	25·10	25·60
Sterling balances.....	2·00	2·17	2·05	1·95
LIABILITIES				
Notes in circulation.....	26·16	29·87	30·29	30·67

Million Can. \$'s

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

Million paper pesos

	Aug. 31, 1943	July 31, 1944	Aug. 15, 1944	Aug. 31, 1944
ASSETS				
Gold at home.....	1,071	1,206	1,214	1,239
Other gold and for. exch.....	1,786	2,380	2,398	2,438
Non. int. Govt. bonds.....	108	97	96	95
Treasury bonds.....	191	969	774	774
LIABILITIES				
Notes in circulation.....	1,704	2,089	2,085	2,106
Deposits : Government.....	519	694	727	623
Banks.....	933	1,268	1,270	1,171
Certs. of participation.....	44	167	168	171
Reserve ratio.....	85-0%	83-1%	83-3%	83-6%

24, | Oct. 10, Oct. 24, |

(d) Including import duty and delivery charges. (e) A

Cash..... 1 11½ 1 11½
 charged 1s. 9d., credited 1s. 6d. on return. (b) Higher
 age for weeks ended Oct. 7 and Oct. 21. (f) Price at w

Bombay	32/0/0	32/0/0
Calcutta	Nom.	Nom.

ol prices in some zones. (c) Price is at buyer's premises.
h Ministry of Supply supplies consumers delivered works

24, 4	Oct. 10, Oct. 24,
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	Oct. 10, 1944	Oct. 24, 1944
	Cents	Cents
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accoa.....	8-81	8-81
Coffee, N.Y., cash—		
Rio, N. 7.....	9½	9½
Santos, No. 4.....	16½	16½
Cotton, N.Y., Am. mid., spot....	22-44	22-18
Am. mid., Nov.....	21-85	21-76
Cotton Oil, N.Y., Dec.....	14-00	14-31
Lard, Chicago.....	‡	‡
Petroleum, Mid-cont. crude, per barrel.....	33½	33½

	Oct. 10, 1944 Cents	Oct. 2, 1944 Cents
MISCELLANEOUS (per lb.)— <i>cont.</i>		
Rubber, N.Y., smkd. sheet	†	†
Sugar, N.Y., Cuban Cents, 96 deg. spot.	3.74‡	3.7
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba	†	†
Moody's Index of staple com-		

.....

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries, &c.													
Backus & Johnston's Brewery	June 30	43,025	...	2,273	7,279	...	3,850	7	...	1,577	27,538	983	7
South African Distilleries and Wines	June 30	162,802	...	112,338	116,986	30,938	82,500	10	...	1,100	187,031	114,230	10
Canals and Docks													
Mount Stuart Dry Docks	Mar. 31	69,863	...	36,430	87,764	5,772	11,708	6	15,000	+ 3,950	67,523	32,617	6
Prince of Wales Dry Dock, Swansea	April 30	28,680	10,000	14,015	30,880	...	10,625	10	...	+ 3,390	28,797	15,356	10
Coal, Iron and Steel													
Cannock Associated Collieries	June 30	116,217	33	114,504	170,136	23,424	70,297	8½	20,000	+ 783	107,658	104,379	7½
Kayser, Ellison & Co.	June 30	44,888	15,000	24,888	37,730	3,000	21,875	17½	...	+ 13	45,827	25,827	17½
Nepsend Steel and Tool	Mar. 31	109,952	...	107,702	122,444	1,557	76,462	50	25,000	+ 4,683	108,828	93,217	50
Old Silkstone Collieries	Mar. 31	15,842	2,644	11,151	6,910	...	...	10	...	+ 11,161	10,820	Dr. 8,199	Nil
Rickett, Cockerell & Co.	Mar. 31	72,185	...	68,686	108,255	20,250	46,377	10	...	+ 2,059	77,202	73,702	10
Tinsley Rolling Mills	June 30	14,087	1,000	4,450	11,870	850	2,500	12½	1,000	+ 100	17,060	6,478	12½
United Steel Companies	June 30	2,465,186	125,000	570,602	1,070,264	...	400,960	8	150,000	+ 19,642	2,204,459	408,506	8
Electric Lighting and Power													
Nigerian Electricity Supply	Feb. 29	168,441	24,007	69,928	81,548	...	40,012	10	26,500	+ 3,416	172,753	31,045	8
Financial, Land, &c.													
African Lakes Corporation	Jan. 31	98,100	...	17,506	18,362	...	17,400	6	...	+ 106	107,290	Dr. 2,488	6
Bechuanaland Exploration	Mar. 31	26,396	...	8,063	9,287	...	6,243	3	...	+ 1,820	27,481	2,713	1½
Harrisons & Crossfield	June 30	258,932	...	193,932	389,543	137,800	52,500	10	...	+ 3,632	241,709	200,459	10
Industrial Finance & Investment	June 30	153,682	...	100,494	131,268	18,522	20,313	6	25,000	+ 36,659	251,605	196,917	5
Rio Negro (Argentina) Land	June 30	94,285	...	12,312	28,860	...	6,000	4	4,000	+ 2,312	55,794	9,578	3
Telephone Properties	Dec. 31	87,309	...	30,968	71,418	11,541	12,328	6	5,000	+ 2,099	94,216	24,503	Nil
Trafford Park Estates	June 30	99,943	10,946	21,358	83,986	...	22,750	7	...	+ 1,392	102,034	17,846	7
Whitehall Court	June 30	44,612	...	Dr. 3,918	Dr. 6,547	...	...	4	...	+ 3,918	36,688	10,811	Nil
Motor, Aviation, &c.													
Renold and Coventry Chain	July 2	105,098	...	105,098	130,940	8,388	45,253	10	50,000	+ 1,457	97,461	97,461	10
Rubber													
Aberfoyle Plantations	Mar. 31	762	...	157	9,534	...	...	...	...	+ 157	787	183	Nil
Bagan Serai Rubber	Dec. 31	1,314	...	Dr. 684	12,257	...	...	...	...	+ 684	1,225	Dr. 1,230	Nil
Beaufort Borneo Rubber	April 30	448	...	Dr. 12	9,938	...	...	...	...	+ 12	223	Dr. 292	Nil
British Rubber Estates of Java	June 30	6,240	...	Dr. 7,472	35,346	...	...	...	...	+ 7,472	7,481	3,377	Nil
Central Johore Rubber	Mar. 31	2,757	...	1,879	6,288	...	...	...	...	+ 1,879	1,827	Dr. 716	Nil
Chimpul (F.M.S.) Rubber	Mar. 31	1,316	(s)	147	4,272	...	...	...	...	+ 147	2,523	Dr. 148	Nil
Chungloun Rubber	Mar. 31	563	...	841	9,966	...	...	...	...	+ 841	600	93	Nil
Dahan Rubber Estates (1933)	Dec. 31	56	...	Dr. 1,320	Dr. 4,701	...	...	...	...	+ 1,320	61	Dr. 1,730	Nil
Federated (Selangor) Rubber	June 30	267	...	5,505	1,641	...	...	...	...	+ 5,505	221	Dr. 545	Nil
Gadjah Rubber	Mar. 31	337	...	Dr. 339	9,280	...	...	...	...	+ 339	179	Dr. 497	Nil
Harewood Rubber	Mar. 31	591	...	Dr. 714	4,462	...	...	...	...	+ 714	615	63	Nil
Jabi Rubber	Mar. 31	866	...	1,660	10,603	...	...	...	...	+ 1,660	901	272	Nil
Krian Rubber Plantations	Dec. 31	880	...	87	8,769	...	...	...	...	+ 87	834	25	Nil
Morib Plantations	June 30	326	...	Dr. 330	2,732	...	...	...	...	+ 330	102	Dr. 562	Nil
Parang Para Rubber	April 30	7	...	Dr. 2,059	Dr. 8,254	...	...	...	...	+ 2,059	23	Dr. 527	Nil
Sabang Rubber	June 30	822	...	Dr. 1,633	8,926	...	...	...	...	+ 1,633	790	Dr. 1,406	Nil
Strathisa (Perak) Rubber	June 30	809	...	Dr. 517	9,021	...	...	...	...	+ 517	723	Dr. 1,074	Nil
Sungei Krian Rubber	Dec. 31	1,396	...	281	36,494	...	...	...	...	+ 281	1,414	163	Nil
Tongkat Matang Rubber	Dec. 31	153	...	Dr. 692	2,336	...	...	...	...	+ 692	172	Dr. 1,104	Nil
Tongkat Matang Rubber	Mar. 31	391	...	398	4,422	...	...	...	...	+ 398	435	Dr. 74	Nil
Shipping													
Trawlers Grimshy	Mar. 31	90,291	3,000	4,098	9,360	...	3,828	7½	...	+ 270	15,364	2,543	5
Shops and Stores													
British Overseas Stores	June 30	55,549	...	13,149	24,423	...	12,103	5	...	+ 1,046	37,817	10,461	5
Debenhams Limited	July 31	780,231	...	567,074	873,035	379,000	125,000	25	50,000	+ 13,074	766,860	527,605	16½
Harvey Nichols & Co.	July 31	121,538	...	62,805	69,606	30,000	30,000	5	...	+ 2,805	116,851	79,284	5
Millets Stores	April 30	31,279	1,390	4,015	16,002	3,000	1,500	0-72d	...	+ 485	34,869	8,657	0-72d
Peacock's Stores	Dec. 31	52,686	9,659	18,350	44,200	8,000	4,000	8	5,000	+ 1,350	56,608	20,310	8
Tea													
Bargang Tea	Dec. 31	23,168	...	5,197	8,721	600	2,280	4	2,000	+ 317	34,198	4,575	4
Bogell Tea	Dec. 31	31,596	...	13,096	19,074	384	11,725	15	...	+ 987	56,569	13,069	15
Budia Beta Tea	Dec. 31	26,465	5,000	8,330	14,900	...	8,550	4	...	+ 220	70,832	10,445	5
Doonars Tea Co.	Dec. 31	124,900	...	23,175	41,300	2,927	20,243	11	...	+ 5	178,567	40,987	11
Jetingha Valley Tea	Dec. 31	36,439	...	8,567	10,859	3,068	4,000	10	...	+ 1,867	48,995	6,731	6
Johorhaut Tea	Dec. 31	351,522	...	40,093	45,190	4,250	7,368	4	3,000	+ 93	389,415	39,804	10
Lungla (Sylhet) Tea	Dec. 31	75,082	5,756	14,631	19,647	2,500	10,400	8	...	+ 13	130,509	13,108	3
Moabund Tea	Dec. 31	27,757	...	12,737	17,370	8,015	11,644	7	2,000	+ 163	63,611	13,116	8
Neddem Tea	Dec. 31	171,786	14,250	24,439	27,560	1,824	2,530	3	...	+ 917	21,410	5,170	3
Peacock & Nilambe (Ceylon) Tea, &c.	Dec. 31	7,512	...	5,271	12,896	7,740	1,000	...	1,000	+ 56	27,774	8,732	10
Rangalla Consolidated	Dec. 31	21,458	1,000	8,796	9,372	...	...	...	...	+ 22	141,467	30,582	12
Singlo Tea Co.	Dec. 31	96,041	...	17,856	36,328	3,924	13,910	12	...	+ 22	141,467	30,582	12
Textiles													
Keystone Knitting Mills (1928)	June 30	54,721	8,581	6,884	16,768	...	...	...	...	+ 6,884	76,213	6,429	Nil
Melso Fabrics Limited	July 31	21,764	...	7,014	15,184	3,375	1,500	8	...	+ 2,139	28,026	7,026	8
Trusts													
Atlas Electric and General Trust	Mar. 31	163,889	...	121,150	280,845	112,656	...	...	...	+ 8,494	155,593	115,983	Nil
Cables Investment Trust	June 30	344,902	...	223,032	448,150	90,000	100,000	6	...	+ 33,032	326,271	213,152	5
City and International Trust	Aug. 31	69,265	...	18,937	54,220	15,000	...	...	...	+ 3,937	62,120	13,975	Nil
Colonial & General Investment Trust	Sept. 30	10,088	...	5,210	14,640	4,821	...	...	...	+ 389	9,734	4,847	Nil
Manchester Trust Limited	Dec. 31	4,853	...	2,122	6,004	2,000	...	...	...	+ 122	4,602	1,914	Nil
Second Broadmount Trust	Sept. 14	18,276	...	8,092	8,860	4,785	2,743	10½	250	+ 314	17,128	8,332	10½
Second Edinburgh Investment Trust	Sept. 30	124,101	...	43,930	156,645	14,119	18,900	12	...	+ 10,911	118,217	40,698	10
Other Companies													
Allied Industrial Services	June 30	229,272	...	66,827	80,601	6,000	28,125	30	25,000	+ 7,702	231,612	51,400	30
Arday Tobacco Co.	June 30	388,313	...	363,313	642,223	84,000	270,000	15	...	+ 9,313	362,098	337,098	8½
Birkett (T. M.) & Sons	July 31	82,777	5,618	7,116	11,121	6,375	15	...	750	+ 1,473	120,330	9,445	15
British Lion Film Corporation	Mar. 31	205,323	973	13,596	39,200	5,819	9,000	15	...	+ 1,809	15,921	7,557	15
Brown, Hopwood & Gilbert	June 30	20,778	...	9,746	20,559	8,12	7,125	6	5,000	+ 2,631	123,209	14,352	4
Clyde Paper Company	June 30	140,281	40,000	25,069	29,964	8,438	12,000	5	...	+ 75	39,101	24,491	5
Dawson Brothers (London)	Jan. 31	28,685	...	24,075	59,682	12,000	175,500	6½	...	+ 10,095	811,288	185,739	6½
Elder, Smith & Co.	June 30	842,779	...	185,595	310,654	18,375	100,854	25	40,000	+ 262	224,888	156,496	25
Gestetter (D.J.) Limited	Aug. 31	228,229	14,456	159,491	196,477	16,250	25	...	...	+ 13,846	54,743	25,515	20
Hughes-Johnson Stampings	Aug. 31	57,839	16,993	30,096	8,296,808	4,346,780	680,518	5	1,450,000	+ 63,346	6,028,834	5,976,166	5
Lever Brothers and Unilever	Dec. 31	6,593,239	...	6,540,641	11,757	2,551	2,929	8	3,500	+ 1,499	48,998	16,884	25
London and Provincial Bakeries	Jan. 29	45,369	2,689	16,077	27,588	3,500	12,500	20½	...	+ 77	58,875	120,413	20½
Metal Agencies Co.	Feb. 29	49,578	13,930	161,874	228,998	10,000	100,000	20½	40,000	+ 11,874	135,468	17,324	12
Morris (Herbert) Limited	July 31	176,255	...	26,523	40,862	...	19,015	12	...	+ 143	19,475	3,699	5
Parsons Marine Steam Turbine	June 30	107,666	...	4,886	8,019	...	5,029	7	...	+ 276	24,667	14,149	5
Sadler & Co.	June 30	15,539	3,092	6,995	32,715	...	6,719	25	...	+ 1,852	73,596	54,094	25
St. Martin Preserving Co.	Mar. 31, 43	76,156	15,729	56,852	68,868	...	25,000	6½	30,000	+ 1,128	27,219	4,217	4
Serck Radiators	Aug. 5	23,609	...	4,782	8,347	...	3,654	4	...	+ 7,515	46,584	14,497	15</

(d) Nine months.

‡ Nominal.

(Continued from page 588)

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		Oct. 4, 1944	Oct. 11, 1944	Oct. 18, 1944
	Low	High			
37 Industrials	95.1 (a)	108.4	105.1	106.1	106.4
32 Rails	88.9 (a)	106.8	102.0	103.7	104.4
40 Utilities	85.0	93.5 (c)	92.0	92.7	93.5
419 Stocks	93.6 (a)	105.7	102.9	103.9	104.3
Av. yield %†	4.84 (b)	4.43	4.63	4.75	4.57

† Common Stocks. (a) Feb. 9. (b) May 3. (c) October 18.

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Oct. 12....	Holiday	Holiday	Oct. 16....	127.5	583,000
" 13....	128.4	684,000	" 17....	128.0	671,000
" 14....	128.1	349,000*	" 18....	128.7	908,000

1944: High 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending	Nominal	Con-	New
October 28, 1944	Capital	versions	Money
To Shareholders only	1,110,000	990,000	170,500
By Permission to Deal	143,000	...	228,800

Particulars of Government issues appear on page 589.

Year†	Including	Excluding
	Conversions	Conversions
1944.....	1,220,845,580	1,202,194,130
1943.....	1,421,369,685	1,401,564,996

Destination* Nature of Borrowing*

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944.....	1,199,791,475	2,147,721	254,934	1,195,682,452	2,393,289	4,118,389
1943.....	1,398,257,892	2,668,427	638,677	1,390,217,590	2,127,701	9,219,705

* Conversions excluded. † Includes Government issues to Oct. 18, 1944, only. Above figures include all new capital in which permission to deal has been granted.

NINE MONTHS' CAPITAL ISSUES

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

TABLE I—TOTAL BORROWING (MILLION £)

First Nine Months of Each Year	British		Others	Total Home	Empire	Foreign	Total Issues	Index
	Government	*Home Corporations						
By Direct Public Offer (Old Basis)								
1928.....	84.3	10.0	117.3	211.6	52.2	26.9	290.7	10
1942.....	1,129.2	Nil	0.2	1,129.4	Nil	Nil	1,129.4	38
1943.....	1,315.6	Nil	1.1	1,316.7	0.8	0.1	1,317.6	45
1944.....	1,141.3	Nil	0.5	1,141.8	0.9	0.3	1,143.0	39
Including " Permission to Deal " (New Basis)								
1935.....	1.8	51.5	151.8	205.1	19.6	1.4	226.1	10
1942.....	1,129.2	2.0	6.0	1,137.2	0.3	0.1	1,137.6	50
1943.....	1,315.6	1.7	11.8	1,329.1	1.8	0.1	1,331.0	58
1944.....	1,141.3	Nil	3.5	1,144.8	2.1	0.3	1,147.2	50

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

First Nine Months of Each Year	Old Basis				New Basis			
	1941	1942	1943	1944	1941	1942	1943	1944
Debentures.....	1.5	Nil	Nil	2.0	1.9	0.2	5.5	3.4
Preference.....	0.1	Nil	0.1	0.4	0.5	0.1	2.1	2.5
Ordinary.....	2.9	0.3	2.6	1.1	5.2	6.2	9.0	3.5
Total.....	4.5	0.3	2.7	3.5	7.6	6.5	16.6	6.4

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

	First Nine Months Old Basis		First Nine Months New Basis	
	1943	1944	1943	1944
British Govt. Loans.....	1,315,645,600	1,141,383,500	1,315,645,600	1,141,383,500
Corporation Loans.....	Nil	Nil	1,717,000	Nil
Mines.....	Nil	100,000	588,100	100,000
Breweries.....	Nil	Nil	507,200	Nil
Motors, etc.....	225,000	31,000	729,100	31,000
Exploration, etc.....	Nil	Nil	299,800	212,500
Estate and Land.....	330,000	Nil	346,600	Nil
Iron, Coal, Steel, etc.....	140,000	115,000	4,191,100	348,000
Stores and Traders.....	Nil	Nil	465,100	Nil
Electric Light, etc.....	Nil	Nil	1,537,200	337,500
Gas and Water.....	Nil	Nil	Nil	104,600
Manufg. and Misc.....	1,309,900	1,323,100	5,062,400	4,694,900
Total.....	1,317,650,500	1,142,952,600	1,331,089,200	1,147,212,000

THE ECONOMIST

ESTABLISHED 1843

I. CXLVII No. 5280 REGISTERED AS A NEWSPAPER NOVEMBER 4, 1944 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

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

Extended Lease

REAT expectations of a sudden German collapse have now been replaced, for most people, by more er estimates of the date of final victory; and the nge has been accompanied, in Britain, by a lower-of political temperatures. In recent weeks the prosts of a return to party politics early in the new year e receded before a flood of speculation concerning the ntions of the parties represented in the coalition vernment. Mr Churchill's speech on the second read-of the Prolongation of Parliament Bill has put an l to all uncertainty. The coalition will be maintained il "the German war is effectively and finally finished." Then—and only then, for all parties are agreed on this vill Parliament and the coalition be dissolved; and it l fall to Mr Churchill to form a new Government n the ranks of the Conservatives so that the country's irs may be administered during the interregnum. ere will be no "coupon" election; the notion of a lition Government continuing while the parties fight h other at the hustings is dismissed as impossible;

and there is, presumably, to be no return to the principle of coalition once an election on party lines has been fought. The timing of the election depends, then, on the speed with which victory is attained and the length of the interregnum. Mr Churchill has predicted, in a cautiously phrased circumlocution, that the German war will end by the spring or early summer and has assessed the duration of the period between the end of the war and the election at from two to three months. This time must elapse between dissolution and election since the new electoral arrangements, which come into force on December 1st, impose a minimum interval of eight weeks between the issue of writs and polling. It seems unlikely, therefore, that the election will be held until well into next year, and possibly not before August or September. It will be more distant than most people had expected and many had hoped.

The arguments in favour of the prolongation of the coalition are certainly very strong. It is important that the jobs for which the coalition Government was

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ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Canadian Pacific Railway Four per Cent. Consolidated Debenture Stock. New Brunswick Railway Four per Cent. Debenture Stock. Calgary and Edmonton Railway Four per Cent. Debenture Stock. Atlantic and North-West Railway Four per Cent. First Mortgage Redeemable Debenture Stock. In preparation for the payment of the half-yearly interest payable on the 1st January next, on the above Stocks, the Transfer Books will be closed on 24th November and will be re-opened on 2nd January. F. J. WHIDDETT, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1. 27th October, 1944.

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AGGREGATE ASSETS at 31st March, 1944, £71,038,513

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appointed, four and a half years ago, should be brought to finality. It is equally important that Allied plans for the final blows against Japan should not be hindered by domestic preoccupations in Britain. At the same time it is very necessary that the many schemes of social and economic reform, which, even in their present embryonic form, reflect much credit on their originators, should be translated into effective legislation.

It seemed probable until a few weeks ago that this Parliament would be distinguished by the number of good things it had left unfinished. It has now been granted a reprieve and has an opportunity to save its reputation. Failure to give effect to the reforms it has initiated would bring discredit to Labour and Conservative Ministers alike. No electoral favour could be won for either party by withholding what has been promised. The public is quite determined to have its "Beveridge" and will make short work, at the earliest opportunity, of those who delay its enactment.

But if there is much to be said for a continued coalition—so much, indeed, that it becomes inevitable—there is also much to be said against it. There is no real parallel, as some would have it drawn, between military conditions in 1918 and conditions in 1944. The present war has reached a stage of maturity that the last war never attained. However much fighting there is still to be done, the planning and the policy making and the legislating for the war are over. Parliamentary time (though the Minister of Defence, perhaps naturally, does not seem to realise it) is increasingly pre-empted by post-war matters. In other words, so far as Parliament is concerned, the coalition of 1940 has come very close to the end of its task. Today, the business before Parliament deals almost entirely with conditions in a Britain and a world at peace. The Government are called upon to reconstruct and repair the face of Britain, the structure of industry and trade, the social services—even the system of government itself; and these are tasks about which there are wide differences of opinion.

Mr Churchill has described his team as

a highly efficient Government, which has waged the war with unsurpassed success, and has shaped, or carried out, within the last two years a programme of reform

and social progress which might well have occupied the whole Parliament in the ordinary conditions of peace.

That praise, interpreted literally, is perfectly valid. But it can and should be qualified. It is not so much the inherent merit or the statesmanlike exertions of the coalition Government that have "shaped or carried out" the impressive programme of reform; it is the fact that the coalition has been in office under the extraordinary conditions of total war. The demand for reforms arose insistently in the British people as the war gave urgency to the hopes and aspirations of many decades. The truth is that these reforms, more shaped than carried out, were and are considerably overdue; and it would be a sorry business if their implementation were delayed still further.

There is thus ample reason for regarding the prolongation of the coalition, unavoidable though it may well be, with serious misgiving. The picture of Parliament pressing home in an atmosphere of unity (which means in an atmosphere of mutual conciliation) the many excellent reforms that have been drafted is an attractive one. But it is not true to life. The issues that are now coming up, like those in the Town and Country Planning Bill, are not covered by the parties' wartime agreement. They are contentious issues on which a coalition Government, by definition, cannot agree. The risk attaching to the prolongation of the coalition is that it may become increasingly impotent. There was never a time when clear decisions were more urgently needed. But the coalition, unlike each of its members, has no policy from which such decisions can be drawn. The whole is less decisive than its parts.

In this dilemma any solution must be a makeshift of compromise. Instead of decisions there can only be concessions and painful sacrifice of principle. Mr Churchill's immensely strong powers of leadership will be required over and over again to compel acceptance of one unsatisfactory compromise after another. For the moment, it seems to be agreed that even this is not too high a price to pay for the benefits that a coalition Government can bring in the fields of strategy and of war production. But the price will rise month by month and if the end of the war is much longer delayed it will eventually become intolerable.

Polish Guarantee

IN the Commons on October 28, Mr Churchill was asked whether the British Government would join Russia and America in guaranteeing Poland's sovereignty and independence. He replied that he believed the Soviet Government would give such a guarantee and that

I have not hesitated to say that His Majesty's Government will certainly conform to and themselves join in such a guarantee.

This clearly is a statement of primary importance for British foreign policy. The guarantee given to Poland in 1939 ended a twenty-year tradition that frontiers in Eastern Europe were no concern of this country. It marked the end of appeasement and the first decisive step towards war with Germany. In the post-war world this guarantee is apparently to be maintained. It is vital to know exactly what commitment it entails for this country. The weakness of the 1939 guarantee lay in the fact that it was not concerted with Russia. Russia was the only Power that could have made the immediate defence of Poland against Germany effective. A guarantee which is not concerted with Russia or is even directed against Russia is not one that this country can physically honour.

It seems clear from Mr Churchill's statement, however, that only a joint guarantee is envisaged. He spoke of the British Government's readiness "to conform to and themselves join in such a guarantee"—the guarantee being Russia's in the first place. Thus the commitment underlying the proposed guarantee is presumably that Britain would undertake to resist a German invasion of Poland, provided Russia were a party to the defence.

A joint guarantee of this kind would obviously be a

gain for Poland. Had it existed before the war, and been honoured by all the parties to it, the course of the conflict might have been wholly different—if indeed it had ever begun. But it would have been the Russian guarantee, not the British, which, in those circumstances, would have saved Poland. The giving of British guarantees—even joint and contingent guarantees—to countries in Eastern Europe which cannot be effectively defended by British forces is a highly questionable policy. What is more immediately relevant is that it does not touch the core of the present Polish crisis. The guarantee is proposed for an independent and sovereign Poland. Antecedent to any guarantee is therefore the question whether Poland is to be genuinely independent and sovereign.

It was hoped that the Moscow Conference would give a clear answer to the question of Polish independence. Unhappily it only emphasised how difficult and bitter are the issues which still stand in the way of a settlement. It became clear in the course of the Conference that both Mr Churchill and President Roosevelt had already accepted the Curzon Line as Poland's eastern frontier. The decision was taken at Teheran. If this is the case, one may well ask whether the Poles have been fairly treated by their western Allies. On their return from Teheran, did the Prime Minister and the President inform the Polish Government of their decision? There is no evidence to suggest that Mr Roosevelt took this step. Mr Churchill, it is true, in his speech on February 22nd, said that in his opinion the Curzon Line was a suitable basis for the future frontier, but added that he himself thought

the issue ought to be postponed until after the war. There is thus little evidence to suggest that the Poles were specifically told of the Teheran decision, unless Mr Churchill was referring to some such advice when in his speech last week he blamed the Polish Government for not taking "the advice tendered to them at the beginning of the year." If the advice was not given, the Poles have been most unfairly used.

Since the British and American Governments have committed themselves to the Curzon Line, it is obviously in the Poles' best interest that Mr Mikolajczyk should be ready to accept it. This does not condone the earlier Allied decision. To accept the Curzon Line at Teheran without concessions or modifications was weak, inconsistent and premature. It would certainly have been more just and reasonable if the President and the Prime Minister had continued to support the Russo-Polish agreement of 1941, according to which frontier issues were to be postponed until after the war. But they have not done so. The question at issue now is therefore not the rightness or wrongness of the Line nor even the manifest inequity of Russia's procedure, but the question whether there is to be no *quid pro quo* for this tremendous concession.

It should be said at once that sweeping frontier concessions in the west are no real compensation. Adjustments in Silesia and East Prussia are practicable. The Oder Line is not, and the Polish Government are not particularly anxious to annex large undisputedly German territories. It would be fatal if the British Government's bad conscience were to lead to pressure being put on the Poles to take "compensation" in a form they were unwilling to accept. Whether in the East or in the West, the real issue is not territory, but genuine independence. A small independent Poland would be far better than a large

Europeans and Russians 1940-70

SOME few weeks ago Mr Churchill warned the House of Commons and the "far wider circles involved" against pressing for speedy decisions on the reconstruction of a peaceful world. "There are many factors," he said, "at present unknowable which will make themselves manifest on the morrow of the destruction of the Nazi regime." When the time comes for recasting the frame of an international society there will be at least as much to fear for future peace from the disregarded factors as the "unknowable" ones. It was so in 1919, and will be the more unforgivable this time. Not the least of these factors will be the changes in the relative numbers of the peoples involved. In 1919, the momentum of the nineteenth century still gave weight to political assumptions of all-round increases in population. This time, the settlement will have a new factor of declining populations to be fitted into the pattern of peace. Whatever its provisions, it will determine the international foundations of Europe for several decades. If it should be based on the assumption of European populations as they were in the thirties, or as they are to-day, such a settlement would have created a dangerously wide margin of error by 1970. Even vigorous population policies—whose latest advocates in this country are the Tory Reform Committee*—cannot entirely reverse the powerful trends already in existence or alter the number of potential mothers twenty-five years hence. Not only will absolute numbers have changed by then, but the proportion of old people, of young men of military age and of women likely to produce children will also have altered in each country. Under such strains, a 25-year-old settlement would be lucky to survive.

This factor of changing populations may be disregarded to our cost, but it is not altogether one of Mr Churchill's "unknowables." A valuable estimate has recently been published by the Economic, Financial and Transit Department of the League of Nations.† With the academic

* "To-morrow's Children." Europa Publications, Ltd. 1s. net.

† "The Future Population of Europe and the Soviet Union." L. Notestein and others. League of Nations: Geneva, 1944.

puppet. The Poles can live a fully sovereign life behind the Curzon Line and newly adjusted frontiers in the West. They cannot live in independence if their freedom to choose their own rulers—the essence of independence—is to be open to such mischievous meddling as Russia's backing of the Lublin Committee.

When, at Teheran, the Prime Minister and the President agreed to the Curzon Line, they made, for themselves and ultimately for the Poles as well, a very great concession to the Russian point of view. The three heads of state are shortly to meet again. It is now Marshal Stalin's turn to show that he is prepared to put something into the common pool of Allied concession and good will. Let him dismiss once and for all the Lublin Committee, which has not even served his limited purpose of providing an administration, since in Russian-occupied Poland it is the Russian military and police who in fact have to exercise all authority.

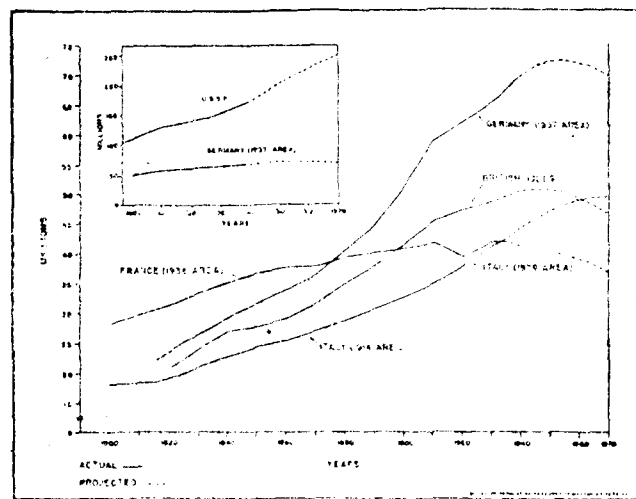
Since the British and Americans have already conceded the frontier issue, it is on the question of a Government for Poland that they must now concentrate their attention. They must not for an instant relax their determination to support Mr Mikolajczyk and they must bring all their influence to bear on Russia to secure the disappearance of the discreditable Lublin experiment. It is high time in the Russo-Polish dispute that the one-sidedness of the concessions were balanced by a gesture of genuine good will from the Russian side. Mr Churchill was able to report to the Commons that Anglo-Russian relations have "never been more close, intimate and cordial than at the present time." While one may seriously rejoice that this is so, it must be asked how it is that the closeness, intimacy and cordiality have not led the Russians to a better understanding of the Polish issue on which all hopes of a peaceful and stable settlement in Europe ultimately turn.

carefulness and welcome modesty that characterise the best of the League publications, it sets out the best available estimates or "projections" of populations for the European countries and for the USSR for two and a half decades ahead. It makes no unwarranted claim to complete accuracy in its predictions, and the even development of its projections may well be disturbed by the erratic conditions of the war years and those which follow. But twenty-five years is a short period in population matters and errors should be small. An error of a million here or there will detract little from the significance of these figures.

The most impressive of the conclusions emerging is the contrast drawn between the USSR and the rest of Europe as a whole—or, even more striking, between the USSR and the countries of North-western and Central Europe. Not even the grave losses since June, 1941, can alter the fact that the Russian population is likely to increase very greatly and very rapidly in the coming decades. If these losses are disregarded, and the assumption made that there is no change in the rates of mortality and fertility, the population of Russia by 1970 is forecast at 250 millions. Such a population will be 25 millions greater than the combined populations of all the countries of North-western and Central Europe (i.e., Great Britain, Ireland, France, Switzerland, Germany, the Low Countries, Scandinavia, Austria, Czechoslovakia, Hungary, Estonia and Latvia). Compared with the position in 1940 when the Russian population was not greater, but less by about 40 millions, the significance of these projections for the future of European politics can no longer be doubted. Moreover, the prediction appears more plausible if it is remembered that the resiliency of a growing Russian population was able to emerge in 1939 from war, revolution and economic chaos with a net increase of 55 per cent since 1900. Of the 1939 total of 170 millions, 23 millions had been added in the short but disturbed period since 1926.

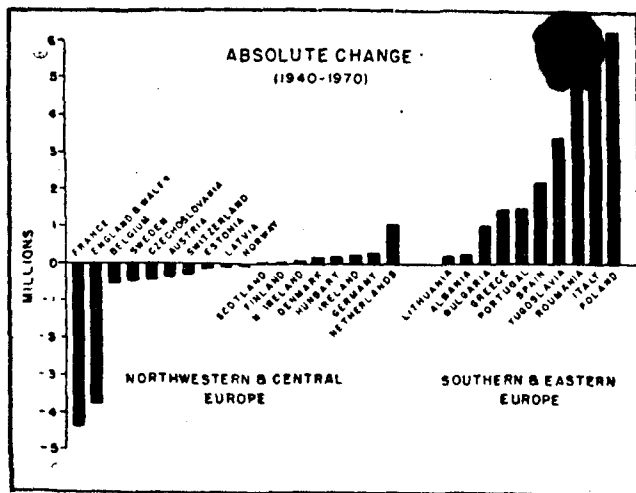
By contrast, Europe is becoming a continent of demographic maturity. The years of expansion are over.

Economic development, bringing first the means of support for larger families and then the means to limit them, has come full circle, and declining fertility presages in almost every country of Europe a return to population stability. From the time when one-fourth of mankind lived in Europe, and a further twelfth were Europeans living overseas (so that one man in three was of Euro-



pean race) the population of the continent is now returning to the mid-eighteenth century ratio of one in five.

Of the constituent countries of Europe, one only had already begun to decline before the war. In 1935, the population of France started on the slow decline that will reduce its numbers from 41.2 millions in 1940 to 36.9 millions by 1970. The decline of England and Wales which would normally have started about 1945 is likely to be, like past growth, more rapid. The whole United Kingdom will have decreased in numbers according to the projections from 47½ millions in 1940 to a little over 43½ millions in 1970. By comparison, the German population (within the political boundaries of 1937) will stand at 70 millions. This is on the assumption that the relatively high fertility levels of 1937-8 are maintained and that the probable post-war emigration of foreign and German labour exactly balances the immigration of 5 per cent of the population that has taken place during the war. Even this decrease (from a "normal" projection of a 72.2 millions peak in

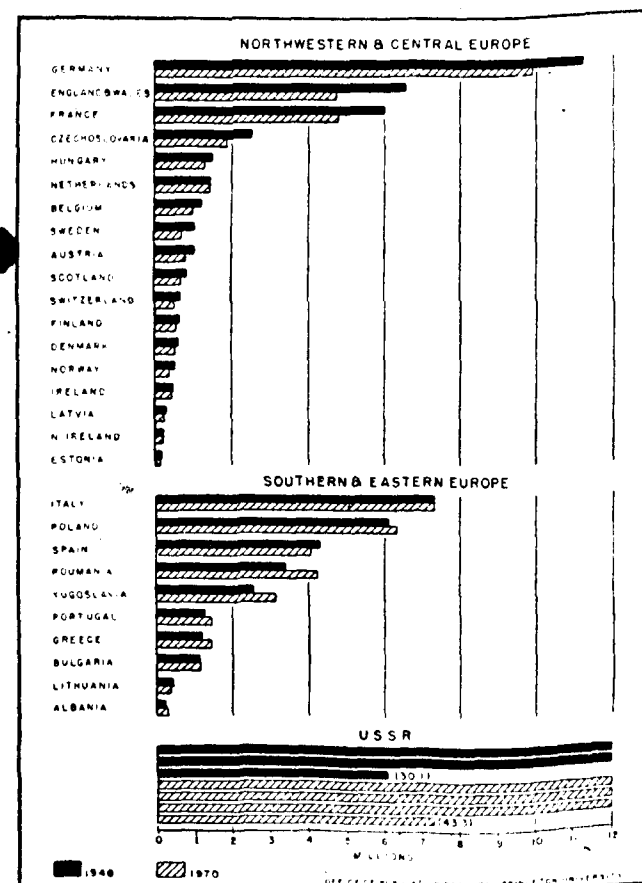


1955) will leave Germany the most populous country of Europe outside Russia. Next highest will be Italy with 50 millions, reflecting the gradual but steady growth projected for the countries of Southern and Eastern Europe. This trend is also demonstrated by the growth of the Polish population (again, within the political boundaries of 1937) to 41 millions.

Possibly more important than absolute changes in

numbers are the projected changes in the composition of the various national populations. Rapid declines in fertility in Western Europe mean that the large numbers born 30 and 40 years ago will increasingly outbalance the younger—and smaller—age-groups. By 1970 Western European populations begin to be heavily overweighted by old men and women. The 20 million old people (65+) of North-western and Central Europe in 1940 will have increased by 1970 to 33 millions. The corresponding increase in the USSR will only be from 7 to 16 millions, an increase of only 3 per cent of the total population at each date.

Similarly, the proportion of young males in the industrially and militarily important ages of 15-34, though likely to decrease in every country—Russia not excepted—will still be considerably smaller by 1970 in North-western and Central Europe (39 per cent) than in the USSR (51 per cent). In absolute numbers, this represents 43.3 million young men in Russia, compared with the 10 millions of Germany, under 5 million each in France and



Number of men aged 15-34.

in England and Wales, 7½ million in Italy and 6½ million in Poland.

Similarly the number of men in the productive ages of 15-64 in Russia will far exceed those in other European countries. By 1970 an increase from 49 to 84 millions in the USSR will exceed the combined numbers of productive males in France, Germany, the United Kingdom, Italy and the Low Countries. Even Roumania, Poland and Yugoslavia will have so benefited from their later growth that their combined men in these ages will exceed by 2 million the 28 million of Britain and France together.

From the economic point of view the number of dependants in each country will also be an important new factor. In England and Wales the proportion of dependants, young as well as old, is likely to remain at 30 per cent, the increase of 9 to 16 per cent of people aged 65 and over being balanced by a decreasing proportion of children. The burden of dependency in the Russian population, however, will fall. In spite of an absolute increase in the number of children under 15, the proportion to the rest of the population falls by 7 per

cent. Balanced against a 3 per cent increase in the aged, the 1970 dependency ratio will stand at 37 per cent.

It should be remembered that such projected ratios are based on levels of fertility and mortality in each country which do not vary from the pre-war figures. Either a lower mortality or a population policy resulting in a higher net reproduction rate, or a combination of both, will tend to magnify increases in an expanding population and to lessen decreases in a contracting one. In either case, the relative burden of dependants would be increased. The projections are also based on assumptions of steady development, uninterrupted by the casualties or birth-losses of war or post-war epidemics, or the adult losses of emigration. So far as these reduce populations and disturb the remarkable persistence of demographic trends, such scars will be more easily healed in "young" populations such as the Russian, rather than in ageing populations. Moreover, the new population policy of the USSR.

embodied in recent decrees giving large family allowances, is of such a nature that it may well counteract any population-reducing effect that war and invasion may have had.

To state these facts, however, is not to conjure up the bogey of another yellow peril on the eastern marches of Europe. The influence of Europeans on the political, economic and cultural development of the rest of the world has never been one purely of the weight of numbers. Even on the most pessimistic prognosis for the future of international relations, population changes of this kind under modern conditions do not necessarily spell the eclipse of the continent. What the actual results will be it is impossible to tell. But this much at least can be said. Europe's interest in constructing for itself and for the world a stable and cooperative international society is, in the light of these population trends, even greater than in 1919. The imminence of declining numbers brings with it the threat of comparative military and industrial weakness. It also brings the challenge to adapt conditions and ideas to a new ratio of men and resources.

A Plan for Broadcasting—II

THE preceding article was mainly devoted to two points. First, broadcasting is less than 25 years old and still in an experimental stage. It would be an abdication of judgment to decide, on the basis of such short experience, that there are only two possible ways of organising it, either the British method of a monopoly financed by a licence on receiving sets or the American method of private enterprise "selling time" to advertisers. The period of experimentation should be continued, with the object of finding a system that would avoid the manifest defects of these two. Secondly, whatever system is adopted, there should be no monopoly, which is liable to be just as dangerous as a monopoly of the printing press—and just as dull.

The major reason for this doctrine, be it noted, is not that monopoly is dangerously strong. Monopoly, in matters that concern the human intelligence, has both strengths and weaknesses, but on the whole it is the weaknesses that are the most conclusive. Monopoly is strong towards the wrong people, and weak towards the wrong people. For example, a monopolistic broadcasting corporation can take an immensely strong line with its listeners. If it decides that Social Credit, or atheism, or the music of Bela Bartok, or talks on sex education, should not have access to the air, then they are banned. Listeners can grumble, they can protest, they can write letters, they can switch to Athlone or Luxemburg. But they cannot affect the monopoly's policy or refuse to contribute to its support, so long as they want to own a set at all. Anyone

who considers this statement exaggerated is invited to reflect for how many years the BBC adhered to Lord Reith's ideas about Sunday broadcasts. A monopoly can rule its listeners with a rod of iron.

On the other hand, a monopoly, if it is subject to any public control at all, is weak towards "the interests"—that is, towards those who want to influence the programmes that other people are to listen to. Any corporation in the BBC's position is inevitably the universal butt of anybody who can bring public pressure to bear—that is to say, of almost everybody but the listener. From every axe-grinder it will receive advice and admonition, to all of which it must listen—for the penalty of inattention is Parliamentary criticism. From every direction it will be the object of pressure, to which it must yield. It may struggle to keep before its eyes the golden rule of broadcasting, that the programme must be interesting or it will not be listened to. But the pressure groups and the busybodies are not concerned with whether the programmes are interesting. Indeed, the Tory MP is chiefly concerned to see that his Socialist opponent shall *not* be allowed to be interesting, even if, as a gesture of impartiality, he has to be allowed on the air. The monopolist broadcaster cannot concentrate on his proper business of pleasing the greatest number of people; he is compelled to do the direct opposite—to concentrate on offending the smallest number of people. He is forced to be timid, and mediocre, and dull. Since every bright colour is displeasing to some raucous interest, he can use only grey. Since heat and cold

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can produce the boiling rage or the icy reproof, he is forced to be tepid. Since he may not put his left foot in front of his right, or his right in front of his left, he is compelled to stand still. Since every speaker who begins to acquire a radio personality will have a growing number of enemies, anyone who begins to be interesting must be removed. Since the fact that any programme is popular will increase the alarm of those who disapprove of it, popularity must be frowned upon.

A competitive system, on the other hand, has at all times a perfect answer to all such pressures. "If you don't like my line of goods, you are at liberty to go elsewhere." That is the method by which any practitioner protects his own freedom of judgment. Anyone who is engaged in competition is not only compelled to concentrate on pleasing, even if it means annoying, he is also free to do so—which is much more important. A competing broadcasting concern is as clay in the hands of its listeners. But towards the interests it can be just as strong as its independent judgment dictates. A monopolist avoids mistakes, a competitor seeks successes.

(It is perhaps necessary to make clear that none of this is a reflection on the energy, the intelligence or the devotion of the staff of the BBC. On the contrary, the wonder is that, with all the defects of the system against which it has to contend, the BBC is not worse than it is.)

The problem is, then, to devise means by which variety and competition can replace the dull respectabilities of monopoly, but without incurring the different defects of an advertising system. But any administrative mechanism must work within the limits imposed by technique, and before proposals for the administration of broadcasting can be framed, they must be carefully adjusted to the probable developments in the technology of radio.

The dominant technical fact is the crowding of the ether. This is particularly bad in an area like Western Europe, where the population is dense and where there are several states and languages, each trying to provide a full broadcasting service. The wave-length allocations of the Geneva Convention were already, before the war, regarded as unduly restrictive, and the position will be worse after the war as radio for uses other than broadcasting begins to multiply. If there is to be any increase in the number of programmes offered—as will be necessary if the listener is to have a greater range of choice—or even without such an increase, steps will have to be taken to relieve the pressure on the broadcast wavebands.

According to some of the technical experts, this will lead, especially in urban areas, to the provision of broadcast entertainment by wire. This does not mean an extension of the present relay services, which get their programmes from the air at wholesale, so to speak, and only deliver them at retail by wire. The suggestion is that the whole service, from the studio to the loudspeaker, should be by wire. A large number of programmes could be put on the same wire simultaneously, and a radio

set would be needed at the reception end to tune in the programme desired. To the listener, the effect would be exactly the same as with wireless waves, except that he could get better reception. The same set could be used to get domestic programmes from the wire and international programmes from the air. The capital cost of wiring the country might be large, but not impossibly so, and there would clearly be an immense relief to the crowded ether.

The other possible development is towards the use of much shorter wave lengths. In the form of Frequency Modulation, this is already being experimented with in the United States, and has the great advantage of much improved reception. A Frequency Modulation station has a radius of only a few miles, and the number of them can therefore be multiplied without causing jamming. To cover the whole country with FM stations, particularly if several of them were to be receivable in each district, would mean a lot of stations. But here again there is no reason to believe that the capital expense would be impossible, especially in a small country such as this.

Either of these systems would solve the wave-length problem. A system of a large number of FM stations could be used to transmit the same national programme, or the same national group of programmes, all over the country. So could wired radio. But equally either of them could be organised to provide local variations. Indeed, with either system, there would be the possibility of a "network" on the American pattern—that is, one or two or three chains of local stations, each station taking a proportion, perhaps a large proportion, of its material from national headquarters, but providing the rest locally. This again opens up further perspectives of variety of programmes. It would be a mistake, especially in a centralised country like this, to expect any great volume of interesting programme material to be available outside London, except in a very few large cities. But clearly such local variation, under local management, as can be made to sustain the listener's interest is of value and should be encouraged.

Another large and impending development is the growth of television, which will probably be found to have made large strides during the war. There are those who hold that television broadcasting will soon kill the purely aural brand, just as the talkies killed the silent film; there are others who deny this on the ground that non-visual broadcasting can be listened to with half the attention and will therefore always have a larger clientele than a variety that requires the complete attention of eye and ear. Clearly, television will have an enormous effect on techniques of presentation, and possibly on the social influence of radio. But for the present articles the chief point to be noted is that the influence of television will work in the same direction as the technical factors already mentioned—that is, away from the large-radius medium-wave station, and towards a much larger number of stations with a much smaller radius. If there is a case for FM on aural grounds, it is much stronger when television is added.

(To be continued.)

NOTES OF THE WEEK

The China Problem

General Stilwell's recall is important in itself, since it marks a new phase in Chinese policy. In spite of President Roosevelt's attempt to represent it as a mere clash of personalities, the General's recall really marks the end of the American attempt to use the Kuomintang regime as a major arm in the war against Japan. It has been an open secret for many months that General Stilwell thought the Chinese could do more than they have been doing and could make a more effective use of even the scanty supplies they have been receiving. An accommodation with the Communists has been urged as a means to the same end; but the American pressure has merely resulted in the present explosion. Of even more far-reaching significance than the local military consequences is the reaction that is being produced in America. Informed American circles have long

realised that the truth about China is almost the direct opposite of the popular picture of a democratic and progressive nation, strong and united in its resistance to Japan. But hitherto a discreet and tactful silence has been preserved. Now the floodgates are opened and correspondents recently returned from Chungking are mincing no words. Mr Brooks Atkinson, in the sober *New York Times*, for example, speaks of

a moribund anti-democratic regime which is more concerned with maintaining its political supremacy than with driving the Japanese from China.

How far the reaction will go it is impossible to say, but at least some reality can now be expected to creep into discussion of the Far Eastern problem. It is a very painful position that is thus revealed, but nothing is to be lost by facing the truth. Among the truths to be faced is that China

is not now, and is not likely for a long time to be, a Great Power. Indeed, it is not even possible to be certain that there will be one clearly legitimate Chinese Government, recognised by all the other Great Powers. Is it not most unwise, in these circumstances, to reserve a permanent seat in the new Security Council for China? How can we be sure that, say, America and Russia will agree on the proper occupant?

Russia Stays Away

The International Air Conference has opened this week at Chicago with delegates from fifty-four nations and vacant chairs for those of the fifty-fifth. The Soviet Government's last-minute announcement, phrased as a roundabout denial of reports that it was in fact going to be represented, was generally unexpected. It certainly caused more surprise and disappointment for being delayed so long. The official reason—that Spain, Portugal and Switzerland, which for a number of years conducted policies hostile to the Soviet Union, were to be represented—is most unconvincing. The unpredictable temperament of Russian foreign policy and the peculiar nature of Russia's interest in civil air transport both provide more likely reasons for the refusal to join the conference. Russian domestic air services have to travel over territory equal to about one-sixth of the land-surface of the globe. It will be a long time before Russian civil aviation is able fully to exploit the enormous potentialities of the domestic market for air travel. In the meantime, the Soviet Government will almost certainly not commit itself to any arrangements which would open Russian air routes to foreign aircraft. "Socialism in a single country" was an old slogan; "Aviation in a single country" may be for a long time to come the underlying principle of Soviet policy. Whatever the reason, the Russian withdrawal is a blow not only to the ideal of universality in international consultation, but also to the American campaign against regulation of air traffic by an international authority. Clearly, the US delegation, which includes Mr Adolph Berle and Dr Edward Warner, hoped for the support of the USSR in their opposition to the policy outlined in the British White Paper. The British representatives, led by Lord Swinton, on the other hand, are reinforced in their hopes of gaining something more than a purely technical international authority by the unanimity expressed at Montreal and the outline map drawn up of imperial air routes. With Russia absent, more will depend on the attitude of the smaller countries, which are not likely to be unduly sympathetic to a form of "freedom" that in fact means American dominance.

The Red Army at Kirkenes

For some time the Germans have been withdrawing their Lapland army from northern Finland. The operation took a more dramatic turn when Russian forces landed in Petsamo, newly ceded to them under the Finnish armistice, and advanced from there twenty miles to the west to take Kirkenes, the nearest town in Northern Norway. The arrival of Russian troops in Western Europe may not have any immediately decisive effect on the fighting. True, the Germans are withdrawing towards Narvik down the coastal road which they have built and they may be planning to withdraw even farther south. Near Bodø, to the south of the Lofoten Islands, units of the Royal Navy have attacked German shipping concentrations, which suggests a withdrawal by sea. But northern Norway—Finmark, as it is called—is impossible country for campaigning on a large scale. The Germans will probably keep rearguard garrisons in strategic positions such as Vardø, Tana, Hammerfest and Tromsø. They could bar the way effectively to any important movements southwards. The King of Norway has sent a message to the Russian Government in which he said:—

The population of the northern areas of Norway will greet the armies of our Soviet ally as liberators.

The possibility of a Russian advance was foreseen earlier in the year when the Norwegian Government concluded agreements with Britain, America and Russia covering the question of civil administration in liberated territory. The Germans have tried to create nervousness in Norway, raising the "Bolshevik bogey" and warning the Norwegians that the Russians will demand Kirkenes and Narvik. But more important than any potential scaremongering is the threat of extreme economic shortage this winter. The

German Lapland army under General Rendulic is moving southwards and as the Germans withdraw, the Norwegians will be compelled to feed them from their already very scanty resources. Thus there is a hard winter ahead with no immediate prospect of liberation.

Russia and the North

The symbolic importance of Russia's appearance in the "Western fringe" is greater than its immediate military significance. The traditional basis of international relations in Scandinavia was a balance of power between Russia and Germany. Since the last war this equilibrium has given Norway, Denmark, Sweden and Finland the opportunity of working together and of creating a close though informal Scandinavian bloc. Germany's victories in 1940 destroyed the balance. Norway was occupied, Finland became a battleground, and Sweden purchased immunity only by modifying its neutrality in Germany's favour. The eclipse of Germany is bound to create new attitudes in all three Powers. The Norwegians now look more than ever to Britain, the United States and to the Atlantic community for the bulwark of its independence. The idea of a Scandinavian bloc is not very popular. In Sweden, there are signs of some re-orientation towards Russia, particularly in the economic field. Traffic between Leningrad and Stockholm has been resumed for the first time since 1941. The Finnish merchant navy, placed at Russia's disposal under the armistice, now carries Swedish goods to Russia. Many Swedish business houses are planning for a great intensification of trade with Russia after the war. Meanwhile the Swedish Communists are obediently attacking the Government with allegations that the Germans still enjoy transit rights across Swedish territory; and both the Russian press and the Swedish Communist newspapers criticise the Swedish Government for admitting anti-Russian refugees from the Baltic states. Swedish foreign policy is still somewhat indefinite, but so are the conditions with which it will have to deal. The Government is anxious for closer relations with Denmark and Norway—the Norwegian Foreign Minister and Minister



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of Justice are in Stockholm on a visit. In general terms, the Swedes see themselves as a bridge between Norway, with its Atlantic orientation, and Finland, which must now look East. The Finns are trying hard to adapt themselves to their new circumstances. M. Zhdanov, Governor of Leningrad and now chairman of the Allied Control Commission, is watching the process sternly from Helsinki. He should have little cause for complaint, for the Finns are fulfilling the armistice conditions honestly and scrupulously. The Russians have acknowledged this in not unfriendly words, although they criticise the Finns' rather slow military operations against the Germans to the north of the Gulf of Bothnia. The new orientation in Finland's foreign policy is bound to entail changes in its domestic outlook. Branches of the Society of Soviet Finnish Friendship have been set up throughout the country, and Marshal Stalin recently addressed a friendly message to their leaders. The internal crisis in the Social Democratic Party is not yet over; and M. Tanner is still maintaining his leadership against a very strong opposition. His survival is a sign that, although the situation may be modified quite suddenly, so far Finland has a large measure of internal freedom of action.

First In—Last Out

The size and severity of reconversion problems in any country are directly related to the intensity of its war effort—to the degree to which its resources have been diverted from normal uses and committed to the struggle. That being so, it would have been no more than prudent had Britain begun its reconversion effort (the planning side of it) much earlier. Indeed, if it were thought equitable and reasonable that Britain and America should make a simultaneous return to peaceful production and commerce, the British should by now be much nearer the economic rendezvous. As things are they will be very late, and the Americans cannot be expected to wait. The immense sacrifice involved in the British war effort is apparent from the statistical records belatedly issued by the Government. A higher proportion of available manpower and womanpower has been conscripted for the fighting services by Britain than by any Allied nation. Overseas investments and export trade have been surrendered on the same scale of self-abnegation. By contrast, American sacrifices (material sacrifices, that is) have been much less severe. A very large part of the prodigious American effort of war production has been accomplished, as Mr Garro Jones said last week, "by taking up the pre-war slack." Certainly there has been no sacrifice, by 1939 standards, of American export trade. America will emerge from the war greatly enriched in productive capacity and, very probably, with production and trading plans of both Government and industry far more advanced than in Britain. The Commodity Credit Corporation's scheme of large state export subsidies for high-cost cotton and wheat has reached the stage of provisional agreement. Arrangements for the disposal of surplus war property have been completed. National and regional projects for resource development (notably for a new TVA in the Columbia valley) have been worked out. New York City's new airport at Idlewild is nearly completed. These items are representative of the scope, detail and advanced nature of the American policy of reconversion. By comparison, British industry is still hopelessly in the dark. The Government's intentions—particularly those emanating from the Board of Trade—appear in unsatisfactory dribbles. There are a number of sound, but vague, general principles but very few blueprints.

Successful reconversion is obviously even more vital for Britain than for the United States. The American problem is essentially an employment problem—how to find economic outlets for the productive capacity of an estimated surplus post-war of sixteen million workers. This figure will be reduced by the reversion to normal working hours, by the maintenance of large peacetime armed forces, by industry's need for capital replacement and re-equipment and by the steady improvement in the standard of living implicit in schemes of social security. Even so, the problem is very large. American industrial productivity per head is already about double that of the British worker. The gross national product, at least 50 per cent greater than before the war, is quite sufficient, equitably distributed, to maintain a very high standard of living. For the United States, the search for international markets is not primarily a struggle to pay for necessary imports—as it is for Britain

—but a contribution to the solution of the employment problem. It is essential to the social and economic stability of America—and therefore of the world—that this solution should be found. For Britain, the recovery and expansion of the export trade are almost matters of life and death; certainly matters of prosperity or poverty. Without markets, old and new, the British people cannot hope to maintain their standard of living. The urgency of the task before Government and industry is now perfectly clear. There is no longer any sufficient excuse for delay or vagueness in the Government's plans; and there is a definite need for an overhaul of wartime agreements, lend-lease and other, where they prove inimical to the early execution of such plans.

Background to a Debate

The House of Commons (which is debating the Social Insurance plan as *The Economist* goes to press) will take into consideration the reactions of the various organisations most intimately concerned with social insurance. In general, the principles of the White Paper have been welcomed, but there is much criticism on details. Point of controversy arises on the question of the administration of National Health Insurance and on Workmen's Compensation, which will be debated next week. A group of Liberal National MPs have tabled a motion calling for the retention of the Approved Societies, and the Societies themselves, not unnaturally, have expressed resentment at the proposal to dispense with their services in the administration of health insurance. At an emergency conference last week, the Association of Approved Societies, though welcoming the White Paper as "the most important sociological advance of the century," adopted a resolution that the existing arrangements should only be supplanted if the new system embodied the best features of Approved Society administration. This moderated disapproval is in strange contrast to the attitude of the Midland Employers' Mutual Assurance Limited, which is up in arms against the "socialisation" of workmen's compensation. In a pamphlet called *The Writing on the Wall* it expresses indignation that "one relatively small industry has been chosen as the first free-of-payment offering to the Moloch of Totalitarianism" and compares the Government's proposals to the methods by which Hitler and Mussolini acquired power. "The minnow of workmen's compensation insurance will not satisfy the whale of state control"—therefore, "What industry has the right to regard itself as safe?" This pamphlet, though an amusing example of last-ditch invective, need not perhaps be taken too seriously. More weight will be attached to the views of the Mineworkers Federation, whose members are, after all, the most directly affected of any workers by the new scheme. As Mr Arthur Horner pointed out at Blackpool, the miners represent only 1/26th of the manpower involved in the scheme, but account for one-third of compensation payments. They welcome the pooling of risks and the spreading of the burden, and are not opposed to the divorce of compensation from earnings. But they consider (and this point will be taken up by Labour MPs) that the proposed benefit rates, especially in cases of partial disablement, are insufficient to maintain the injured man's standard of living.

Belgian Crisis Postponed

Last week a political crisis seemed to be brewing in Belgium. The two Communist Ministers threatened to resign from M. Pierlot's Government; and there was some talk of the imminent creation of a Left Bloc including the Communists, Socialists and Liberals. For the time being it looks as if the crisis had been deferred, either because the Communists have decided not to carry out their threat or—which is more likely—because the partners of the proposed Left Bloc have not come to terms among themselves. But in Belgium, as in other liberated countries, the real difficulties lie more in economics than in politics. It is perhaps still too early to assess the general effect of M. Gutt's sweeping monetary restrictions, which are the subject of a note on p. 612. But they have obviously not done away with the black market, if one is to judge from M. Gutt's statement on Saturday last that "we must start the decisive struggle against the black market." He also announced some minor relaxations of the restrictions—for example, after November 17th the 2,000-franc limit imposed on the withdrawal of money deposits will be raised to 3,000 francs. But these measures are unlikely to alleviate the hardships endured by the work-

ing classes or to ease the social unrest in the country. The position in the coal districts is, according to all reports, appalling. The mines have been working only two days a week, because of the acute shortage of pit-props and of food—a few days ago a delegation of the mine-owners promised the Government to start work on the basis of three days a week instead of two. The whole of liberated Europe is short of coal; and so is Great Britain. No effort should be spared to supply the coal-miners on the Continent with food and pit-props. Both in Belgium and in France they are the centres of the greatest political, social and economic dislocation.

Government or Resistance in France?

The ban on the *Milices Patriotiques*, announced in Paris last week-end, marks a decisive step in the endeavour of the French Government to establish a single administration in France. The militias were formed by the National Council of Resistance as a species of auxiliary police force early this year. Their special task was to track down collaborators. Later on, in the days of liberation, the militias were entrusted with the work of protecting industrial establishments, railways and public utilities against sabotage and destruction by the enemy. At that time the ranks of the militias were very much swollen, chiefly by workers in the factories and mines. The militias therefore had a more pronouncedly class character than the French Forces of the Interior, with which they were only loosely connected. After liberation, the militias have tended to obstruct the working of the administration and to substitute themselves for the normal police force. The dissolution of the militias caused some clash between the Government and the National Council of Resistance, which came out in defence of the militias, on sentimental rather than on political grounds. The resolution which the National Council of Resistance passed in reply to the ban "took cognisance" of the Government's decision and at the same time asked that the militias be allowed to continue. The wording of the somewhat half-hearted protest clearly reflected a marked divergence of views inside the Council. The Communists, who exert a strong influence on the militias, are demanding the lifting of the ban; and mass demonstrations against the ban have been reported from Toulouse. But the Communists are fairly isolated in their protest; and the Socialist paper *Populaire* has unreservedly endorsed the Government's attitude. Nevertheless, the prestige of the Resistance and of the Communists as the *parti des fusillés* is such that the Government will have to proceed cautiously in enforcing the ban. The militias are only one example of a general tug-of-war that is going on between the new Government and the old organs of the Resistance. The National Council has asked that no changes in the legal status of the various Resistance organisations should be made without consulting the Council. The Government's attitude, on the other hand, is that the Council must loyally co-operate in the Government's decisions, with or without consultation. In Paris, the Government has decided to replace the Committee of Liberation, which played a leading part in the fight for Paris, by a Provisional Municipal Council, appointed by the Ministry. This has given rise to a struggle and some bitterness. It is, indeed, tragic to see the inexorable needs and developments of government thrusting aside the spontaneous and heroic improvisations of France's fighting days, but all sections of the Resistance, including the Communists, voluntarily accepted the authority of General de Gaulle's Government; and now that the Government demands that its authority should really be accepted, they can hardly refuse to submit.

The Future of Shipping

The war has played ducks and drakes with the world's shipping. When peace comes the total tonnage of merchant vessels afloat will probably be roughly equal to that of 1939, but its composition and ownership will be entirely different; the British merchant navy may be no more than half its pre-war size, while that of the United States is likely to have trebled. In the House of Commons, on Wednesday, Mr Alexander revealed for the first time the figures of Britain's very large wartime shipbuilding achievements. In the four years 1940-43, 4,415,000 tons of merchant shipping and 1,183,501 tons of war vessels, were launched from British yards. Throughout this period the shipyards have operated

with fewer workers, and under greater physical hazards and difficulties than in the years 1915-18, when the tonnage of merchant vessels launched reached 3,770,000. The shipbuilders have not been able to keep one eye on the peace time uses of the ships they have constructed—the U-boat menace has been too pressing. It follows that when normal commerce is resumed there will be acute shortages and embarrassing surfeits of certain special types. The debate on Wednesday was an attempt to elicit from the Government some statement of their policy for rebuilding an adequate and balanced Merchant Navy. In this it failed. Minister had nothing but generalities to offer, save for the very obvious step of appointing a committee to decide on priorities. The questions to which answers are needed are the probable volume of international trade, the source of the finance needed to replace the sunken ships, the responsibility for ensuring a steady volume of shipbuilding, the prospects of profitable operation. These are still unanswered questions.

Unconditional Surrender

Questioned in the House of Commons last week, the Prime Minister said:

Unconditional surrender, in the sense of "no bargaining with the enemy," is still the policy of His Majesty's Government.

If this could have been said when the "unconditional surrender" slogan was first put forward at the Casablanca Conference, much quite needless argument and disunity would have been avoided and the war might well have been shortened. Unconditional surrender, if it is to be taken literally (and no other interpretation was encouraged), is obvious nonsense. It is an unworkable policy which encourages the enemy to fight to the last gasp, and it provides opportunities which Goebbels has certainly used to the full. No German will surrender until he knows, or thinks he knows, what surrender involves. A refusal to bargain is sensible; a refusal to give some indication of the terms—if any terms exist—is, at this stage of the war, to miss the finest chance yet presented for effective psychological warfare. The mischievous phrase of "unconditional surrender"—now admitted to be misleading—has been a barrier to sound policy. It should be buried.

Common Soldier

Lawyers often claim that nothing can be more decisive and clear-cut than a decision of the House of Lords. That is true, but only in a limited way, as was shown by the case of *Blyth v. Lord Advocate (on behalf of the Inland Revenue Commissioners)*, in which that noble body has recently given judgment. The point at issue was of both social and practical importance. Are estate duties payable on the death of a member of the Home Guard killed in the performance of military duty? The facts were very simple. A Major Mirrieles, of Aberfeldy, during an instructional parade of the LDV's, as the Home Guard then were, was on August 17 1940, accidentally killed by the explosion of a hand grenade



He left an estate of some £300,000, which attracted a claim for the not inconsiderable sum of £64,000 in estate duty. The law is not so simple. Since 1694 exemption from death duties for those killed on active service has been a principle of the law, but the principle has not been too well defined in words. The most recent statute in operation, the Finance Act of 1894, contains a provision keeping alive all exemptions from death duties in the case of "common . . . soldiers who are slain or die in the service of Her Majesty." So the avoidance of all death duties in the case of Major Mirrielees depended on whether or not he was, on August 17, 1940, a common soldier. He had been a regular army major, but had retired before 1940. Here is the first unsatisfactory point. Major Mirrielees was, in one sense, a common soldier only because the LDVs in August, 1940, consisted of nothing else. It was not until November, 1940, that the LDVs, by then the Home Guard, were split up into commissioned and non-commissioned ranks. So this decision is only strictly applicable to those Home Guards who were killed between May and November, 1940, a fact which limits its direct application very considerably. But the Crown had other arguments to advance to defeat the claim for exemption. Its advocates argued that the term "common soldier" could only mean "full-time soldier," and that, consequently, no one could ever claim exemption from death duties in the case of the estate of a Home Guard member. That was not an argument that appealed to the House of Lords. A Home Guard on duty is subject to military law and to the commands of his military superiors. He was required and expected to offer his life to defeat his country's enemies, and might forfeit his life if he shirked that responsibility. If "soldier" does not mean an individual in just that situation it is difficult to see what it can mean. The decision leaves uncertain at least one other substantial point: is it necessary for the cause of death to be a direct consequence of the service? Or would a fatal attack of pneumonia caught on a night exercise be as effective as the more rapid grenade in avoiding the liability?

Mr Eden in Greece

During his stay in Greece Mr Eden had a glimpse of the first phase of that country's liberation. He saw Greece in the throes of utter destitution and political chaos; but he also saw the Greek Government making its first brave efforts to overcome the staggering difficulties ahead. M. Papandreou is establishing his Administration without any great difficulty. This is due to a large extent to the unreserved support he is receiving from the leaders of the EAM and the ELAS. Before his departure from Greece Mr Eden saw the Greek Communist leaders, M. Santos and M. Zevgos, who restated their intention to abide by "a democratic solution of national and political difficulties" and pledged themselves to remain loyal to the present Government. Some disturbances and excesses have been reported from various parts of liberated Greece, but they have nearly all been incidents on a minor scale, and in any case unavoidable in a country where German occupation and Greek quislings have left a heavy legacy of bitterness and resentment. Only on the island of Lesbos, the Greek Prime Minister's own constituency, has the authority of the Government been challenged by a local revolutionary administration. Otherwise the Greek scene in many ways resembles other liberated countries. The emergence of the underground movements lends a quasi-revolutionary colour to the picture; but the direct participation of the leaders of the Underground in the Government helps to clear the ground for the setting up of a normal administration. The partisans are partly incorporated into the regular army—M. Papandreou has just announced the mobilisation of four classes for the regular forces—and partly disarmed and sent to their homes. Yet the chief difficulty is only beginning now, after the dissolution of the various partisan detachments and militias. Unemployment is rampant. The food situation is disastrous. The prodigious inflation of currency creates a feeling of insecurity and tension. The prolongation of the war in Europe may give the Balkan front more importance than was estimated this summer. It is therefore essential that economic and political stability in Greece should be achieved as soon as possible. The promise given by Mr Eden on his departure from Athens that Greece will receive 60,000 tons of food a month was very timely. Until last week, only one food cargo had been unloaded in Greek harbours. The currency problem can be solved only if some goods reach the market; and the

British Financial Mission which has gone to Athens under Sir David Waley will find on the spot that it is useless to attempt to tackle the currency situation without working at the same time to get goods into circulation. The political situation is still potentially unstable as a result of these economic difficulties. M. Papandreou has appealed to the Greeks to be patient for another two months. Then, he believes, the sufferings of the population will be relieved. Military necessity, political expediency, and, above all, the Allies' moral obligations to Greece demand that Allied assistance should enable the Greek Prime Minister to keep his promise.

Bulgarian Armistice

On October 26th the Bulgarians completed the evacuation of their forces from Western Thrace and Greek Macedonia. With this they fulfilled the pre-condition of an armistice with the Allies. Two days later, the armistice agreement was signed in Moscow. Its conditions are more lenient than those offered to any of Germany's former satellites. Unlike Finland and Roumania, Bulgaria has not been compelled to make any immediate territorial concessions to its neighbours, although the Greeks have emphatically demanded a rectification of their frontier with Bulgaria. Similarly, no reparations have been fixed, although with this reservation, that a sum may be fixed in the future. The Bulgarian Government has undertaken to supply food to Greece. Bulgaria used to sell a considerable surplus of agricultural produce to Greece, and this surplus may now be available for export without payment. In the years of war, the food grown in western Thrace and Macedonia—the most important wheat-growing areas in Greece—used to go to Bulgaria and Germany. There is therefore nothing harsh in the demand that Bulgaria should now contribute to the relief of starving Greece. But it is very probable that since the Russian forces in the Balkans are compelled to live on the land, there may be some overlap between their needs and relief for Greece. Meanwhile Bulgaria seems to be working its passage home more effectively than any other satellite. Bulgarian forces are fighting with Tito's partisans under Russian command in Yugoslavia; and now that the Bulgarian Armistice Mission in Moscow, headed by the Foreign Minister, M. Stoyanov, has made an effusive confession of Bulgarian guilt, the Bulgars have high hopes of Russia's quick and complete pardon.

Future Budgets

The Chancellor of the Exchequer, in a written answer to a Parliamentary question, has collected the various figures that are available on the permanent increases in Government expenditure that have emerged since 1939. The debt charge, as at March 31st next, will be £230 millions larger than in 1939—though since virtually the whole of this is subject to income-tax, there will be a large offset on the revenue side of the account. Increases in social services already provided cost £75½ millions more (of which £55 millions is in Supplementary Pensions), and there will in due course, in accordance with the provisions of existing Acts, be a rise to £128½ millions above 1939, most of the further increase being under the head of education. There are, in addition, prospective increases under the schemes for social insurance, industrial injury insurance, school meals and trunk roads of £89 millions, rising to £344 millions (of which £279 millions will be for social insurance and £59 millions for school meals and milk). The total of the above figures is an immediate increase of £394½ millions, and an eventual increase of £702½ millions. But these totals are very incomplete. They do not include the cost, as yet incalculable, of housing subsidies, war pensions or war damage. Nor do they include anything for policies not yet determined, such as permanently larger armed forces, or assistance to industry in the transition period. Nor, finally, do they cover the increased cost, due to higher prices, of the general administration of the country. But they are quite enough to underline the severity of the problem that will face postwar Chancellors of the Exchequer.

British Communists

Nowadays the annual Congress of the Communist Party of Great Britain cannot pass unnoticed—as was formerly the case—for the Communists, though small in numbers—their membership between January and July,

1944, is given as 45,070—exercise an influence out of proportion to their numerical strength. This is due to the fact that the Communist Party, like Common Wealth, is attracting young people (the average age of the 754 delegates at last week's Conference was only 32½) who are well disciplined and full of a crusading spirit for the "win the war and the peace" policy put forward by Mr Harry Pollitt in his opening speech. The emphasis in the new "line" is on *British* rather than *Communist*; and recent propaganda is patriotic, straightforward (the use of jargon is deplored) and attractively produced. The traditional picture of the long-haired Bloomsbury parlour Bolshevik is being replaced by that of the trade-union-conscious shop steward. It was significant that one-third of the delegates at the Conference were engineers, while miners and office workers were well represented. There is now a Communist in his own right on the General Council of the TUC. The Executive report gives some interesting information about Communist activity and organisation. The Communist Party's income of £48,000 in 1943 was largely made up of contributions and membership fees (£22,568) and sales of literature (£18,697). In eighteen months it has produced over 100 pamphlets and memoranda, and the *Daily Worker* has a circulation of 100,000. Over 5,000 public meetings have been held in the past year, as well as special "schools" for new and old members. All this activity, at a time when normal political life as a result of the electoral truce and wartime difficulties is largely at a standstill, must make somewhat uncomfortable reading for Transport House. The Communist Party is putting forward 52 candidates at the next General Election, but it is still hoping for affiliation to the Labour Party. Under the Labour Party's three-year rule this issue cannot, however, be raised until 1946. The Labour Party has rejected all Communist approaches, and last week turned down a similar application from Common Wealth. Labour is still suspicious of "dictation from Moscow," but to the outsider it would seem that the advantages to Labour of having the off-white sheep within the fold are more important than the disadvantages.

William Temple

The death of the Archbishop of Canterbury is a heavy loss to the nation. Dr Temple was, above all, a statesman who came at a time when such a man was most needed to resolve the discords between religious groups and to bring the Church back into contact with the life of the ordinary citizen. An Archbishop who was a member of the Labour Party, a leading spirit in the Workers' Educational Association, and the writer of a Penguin, was something of an innovation, and, however much his particular beliefs might be criticised, it was at least a healthy reaction to that exclusive immersion in doctrinal affairs which fails to carry significance in everyday life. Dr Temple had an eager and consuming interest to interpret Christian ideals in terms of modern social conduct and economic activity. The complexity of his chosen subjects may have laid him open on occasion to specialist criticism, but it must be admitted that the ordinary man is just as likely to applaud his zeal as question his wisdom in attacking such an intricate institution as banking. Dr Temple was, perhaps, more of a philosopher than a theologian, and his theory of the nature of personality brought, typically enough, his abstract thought into line with his practical conceptions. But it will not be either as theoretical thinker or as practical reformer that he will be chiefly remembered, but as a tireless worker for social reform. In the century of the common man, he was the common man's Archbishop.

Standing Down

An article on page 609 describes the preparations the Nazis are making for the defence of German territory. In this country, the Home Guard was stood down from November 1st; invasion stocks of food are to be distributed; and evacuees from the south coastal areas are to be given facilities to return home. Home defence is thus officially at an end, and, except in the Greater London area and parts of the south-eastern region, civil defence is drawing to a close. Moreover, although, in Mr Churchill's opinion, the war against Germany will not be over before next year, there will be increased rations for Christmas. Psychologically it is sound to abolish unnecessary restrictions and

regulations, to help people to return home and to allow extra celebrations at Christmas. But the Government would be well advised to follow up this policy with a statement of the sort of controls that will have to be maintained after the armistice. People expect that rationing, both of food and clothes, will go on. They are prepared for shortages of necessities, such as household goods, to continue. But they do not expect to have to work so hard or to save so much. Just as employers have been given no clear indication of the hows, whats and whens of reconversion, so workers have not been told what will be expected of them when the war with Germany ends. There may very well be a general holiday in industry after the armistice, which it would be impossible to deal with by wartime disciplinary measures because of the numbers involved. The consequences on the production of supplies for the war against Japan and on the manufacture of civilian goods for this country, especially if the holiday is coupled with a buying spree, would be disastrous. Since propaganda takes time to have any effect, it is surely not too soon to begin telling the people that standing down must take place in an orderly manner.

War Marriages

The thorny subject of divorce law has been raised once more by the Government's Bill for war marriages—the Matrimonial Causes (War Marriages) Bill. The new measure is to apply only to marriages made between September 3, 1939, and a date five years after the withdrawal of foreign troops from this country. It deals only with marriages between women living in the United Kingdom and men normally living abroad, of whom the greater part will have been soldiers serving over here in one or other of the allied armies. Its limitations are therefore arbitrary, the more so since the redress offered by the Bill does not extend to any wife who has actually visited her husband's country since her marriage, for however short a time. The purpose of such a change, clearly, is to ease the existing law of domicile, which decides that a woman marrying a man from a foreign country automatically loses her British domicile in favour of her husband's. Legally, she is held to live in his country, even if in fact she continues to live in the United Kingdom. This anomaly has the obvious result that if she is given grounds for divorce, she can seek legal redress only in her country of domicile, to which she has never been, and to which she must make a long and costly journey to regain her freedom. Once there, the fact that her evidence can only be fully substantiated in her own country may create further difficulties. Such situations existed long before the war—particularly during the last war. But apparently the Government is only prepared to overlook the threadbare dogma that hard cases make bad law when there are a large number of hard cases.

The Bill will thus create an even more mixed and contradictory system of divorce law than before. Some will be able to get divorce, others not, and the division will rest purely on circumstance and not at all on principle. Moreover, by waiving the general rule that divorce cannot be granted until three years after marriage (for war marriages of this special type but not for others) it makes nonsense of the Herbert Act of 1937. Such in brief is the argument of those who are belittling the present proposal. Led by Mr Herbert, the crusading minority demand the withdrawal of the Bill and its substitution by a more comprehensive reform of divorce. But, even if the inadequacy of the Bill is admitted, there are reasons why a general reform would be better introduced at a later date. For the moment, some relief is better than none at all. When Parliament has fewer urgent demands upon its time, the three-year limit on divorce, which was originally introduced as a compromise clause to win over ecclesiastical opposition, can be reconsidered on its merits. More important in the context of the present Bill, the whole question of domicile in relation to divorce must be a subject of international discussion. Extending the divorce rights of domicile to a woman marrying out of the country clearly invites a conflict with the divorce law of the husband's country of domicile and the position may arise where two people are married in one country and divorced in another. Between the wars, much was done through international consultation to resolve the anomalies of double nationality and statelessness. So long as national divorce laws differ, the next step must be to reach an agreeable compromise on the law of domicile.

Until then it would clearly be premature for this country to invite dispute over its right to extend domiciliary rights to subjects marrying into another member of the family of nations.

Planning Inquest in the Lords

After a rather tame conclusion last Friday to the Town and Country Planning Bill's stormy passage through the Commons, an inquest into its sins and omissions has been conducted *de novo* by the Lords this week. Lord Woolton put the Bill back into its perspective as one step in the Government's rehousing programme, dealing with the requisition of "blitzed" and "blighted" land and tackling them together as being inseparably intermixed. Viewed in this limited light, it is, despite its injustices, a small Bill to cause such a big fuss. Its limitations were illustrated by renewed pleas that neither the County of London plan nor the Plymouth plan, both of which have been widely approved, could begin to be implemented under it. The simple difficulty is the smallness of the financial assistance offered to the "blitzed" cities, which should certainly be increased by supplemental legislation. But, underlying this, is the fact, pointed out by a number of peers, that this is not a town and country planning Bill at all. It grapples, blunderingly and partially, with the question of land ownership, for which a comprehensive policy is essential to physical reconstruction. It does not touch on the reorganisation of local government areas and finances which is equally essential.

A Cold Christmas

An extra eightpence worth of meat and extra supplies of margarine and sugar will not compensate Londoners for leaking roofs and empty cellars this Christmas. It is too late to introduce fuel rationing, with all the extra ad-

ministrative burden it would entail, especially as those with the money and the facilities have been able to stock their cellars to the maximum permitted amount of a ton and a half of coal. Moreover, people who can stock are, generally speaking, those who can supplement their coal fires and boilers with electricity and gas appliances. Every effort from now on should therefore be spent on seeing that necessary supplies of fuel reach those who find most difficulty in obtaining it during the winter, that is, people living in isolated country districts and the inhabitants of working-class blocks of flats. It is not enough to arrange for the coal to be delivered to the wharf or the merchant. Steps must be taken to see that the merchant actually delivers it to consumers with the highest priority. It is well known that coal merchants dislike delivering small quantities and frequently refuse to carry coal to individual flats. The Government should find means of compelling them to do so.

The problem of repairing London's damaged houses is even more urgent and more difficult. In a debate in the House of Commons last week, Mr Willink stated that we are "moving towards a terribly difficult winter." In the four weeks from September 22nd, only 120,000 of the 800,000 houses needing repair—a total which excludes those only needing "field-dressing" and those too serious to tackle this winter—had been brought to a reasonable state of comfort. He admitted that the work, which will cost some £30-35 million, cannot be accomplished before Christmas, but he claimed that everything possible was being done as quickly as possible. In a few weeks, the building force engaged on war damage in the London region will number nearly 140,000 workers. This is all very well, but to the ordinary observer, who cannot count the number of workers or the 46 millions of square feet of plaster board and so on said by Mr Willink to have been delivered to London, there still seems a complete lack of urgency about the actual operations. The loophole for private repairs of a structural nature or for purposes of sanitation seems to be too large. Dunkirk is a nightmare of the past, but Dunkirk methods should be revived for the rehousing of Londoners this winter.

Letters to the Editor

Colonial Constitutions

TO THE EDITOR OF THE ECONOMIST

SIR,—*The Economist* (in company with many less well-informed journals) assumes that universal adult suffrage is always desirable, no matter what the local conditions. The ballot-box has proved its worth in Britain, but Britain has an essentially homogeneous population, with no racial minorities to arouse ill-feeling. The ballot-box is in similar use in Ceylon, but it regrettably has not proved its worth.

Before the recommendations of the Donoughmore Commission were implemented, racial feeling in Ceylon was existent in small degree. Now there is universal adult suffrage, which makes use of coloured ballot-boxes for illiterates, and other devices; and with what result? Unscrupulous persons, in their desire for office, arouse racial and religious animosities, so they may obtain the votes of their compatriots. The illiterate, knowing the colour of the ballot-box and but little more, and being aroused by appeals to their pride of race, vote accordingly—the greater the tension, the more the votes for representatives of the numerically greatest class. Add to this impersonation of voters and widespread bribery—the picture is not pretty. Will the new Royal Commission bow to British public opinion, or will they withdraw the present suffrage and grant the vote only to holders of certain qualifications (whether of literacy, property or otherwise)? Let us hope they study the realities of the present, and not the idealistic hopes for some future generation.

Since the British system of suffrage has clearly shown its present unsuitability in Ceylon, cannot limited voting rights be adopted there and elsewhere, that are adapted to local circumstance? And would not such a slower progress prove quicker and more lasting in the end?

I would mention a suggestion I have recently met referring

to a certain colony. That voting powers should be limited to classes like university graduates, members of professions, holders of responsible positions in commerce and government, ratepayers and property-owners, etc. This, while considerably limiting the suffrage, would yield immediately a more intelligent body of voters—while the right to vote would be extended with the development of education and citizenship.—Yours faithfully,

Brentwood

F. W. STEPHENS

The Shape of Agriculture

TO THE EDITOR OF THE ECONOMIST

SIR,—Few will disagree with the statement in your recent leading article, to the effect that the soundest basis for the future of British agriculture is to secure a rapid and substantial increase in its technical efficiency. The achievement of this ideal involves at least two considerations—viz., (1) the provision of new capital goods, and (2) the development of fuller knowledge and skill amongst employers and employees. In regard to this second consideration, it is certain that capital outlays will be required here also for better housing and other amenities, to attract and hold higher standards of intelligence.

Although the need for new capital is not confined to agriculture (*vide* your series of articles entitled "A Policy for Wealth"), yet farming does, I think, deserve specially sympathetic treatment. In the last hundred years there have been only three short periods of prosperity for British agriculture. The first, 1850-70, was before the modern age; the second, 1915-20, was before the development of farm mechanisation as we now understand it; while in the third, the present war period, the incidence of taxation, coupled

with the difficulty of obtaining materials, has prevented adequate reinvestment. In the intervening periods, surpluses have scarcely been sufficient for the maintenance of permanent equipment, let alone modernisation. Further, at no time have public issues of capital been available to agriculture as they have been to most other industries.

The present need for new capital is, I believe, of prime importance to the future of British agriculture. It may be hazarded that comparatively few farm buildings are less than a hundred years old, while the geographical lay-out of many farms falls far short of what is necessary to permit efficient modern management. Very substantial sums are required to rectify these inherited defects, to supply gravity water to field and buildings, to improve farm roads and fences and to renovate the drainage systems of catchment areas.

In regard to farm equipment, obvious requirements are electric power, threshing mills, chaff blasts, grain and straw conveyors, grain driers, grinding mills and milking machines, together with implements designed to pull behind modern tractors. The provision of proper implement sheds and work shops is a necessary addendum.

In round figures, I suggest that somewhere in the neighbourhood of £1,000 million new capital is required for these various purposes. In so far as farmers are themselves to be allowed to contribute towards this new capital, it seems obvious that during the rehabilitation period (a) there must be a reasonable level of profits for the industry, and (b) taxation must be designed to encourage maximum reinvestment. Depreciation rates on equipment should be made more generous, and the present Inland Revenue line dividing capital from current outlays made more elastic, particularly in regard to outlays classed as "improvements," whether of buildings or equipment.

If British farmers are allowed to acquire the equipment, buildings and amenities that modern conditions call for, they will have a chance to compete in a reasonably organised post-war world market.—Yours faithfully,

R. MACG. CARSLAW

Forreviot, Perthshire

PMH

TO THE EDITOR OF THE ECONOMIST

SIR,—There will be few, I hope, to dispute the main thesis of your article, PMH, in your issue of October 28th, or the contention that it is urgently necessary to raise the technical efficiency of the cotton industry. Yet the answer to the question of the precise direction in which greater efficiency may best be sought is not so simple as is sometimes implied. No doubt the reorganisation and re-equipment of the cotton industry, to enable part of it to produce

on a mass-production basis, is essential. But there is a real difficulty in deciding on how large a part of the industry ought to equip itself for such a type of production, in face of the uncertainty surrounding the opportunities after the war for exports of bulk goods and specialities respectively, and in face of the demands that will be made by other industries on our limited resources for re-equipment.

In this connection the pre-war experience of our main competitor in foreign markets for cotton goods is worth considering. It is well known that in Japan there were, before the war, two distinct sections of the cotton weaving industry; first, that conducted by the combined spinning-weaving firms organised for bulk production and equipped with automatic looms, and, second, that which was in the hands of small and medium specialist weavers equipped with ordinary looms. The former concentrated almost entirely on shirtings and sheetings; in 1935 over 70 per cent of its output was of these two lines, and the concentration of this section of the industry on those lines was increasing. On the other hand, the latter section had a diversified output. One of the most marked features of the period between the world depression and the outbreak of the Sino-Japanese war was the growing importance, both in production and in the export trade, of the specialist, independent weavers. In 1929 these specialists are believed to have been responsible for about 40-45 per cent of the total output of wide piece-goods in quantity; by 1935 this proportion had risen to 56 per cent. In 1929 the specialists provided only 39 per cent of the piece-goods exports in quantity (44 per cent in value) and in 1931 only 36 per cent in quantity (42 per cent in value); by 1935 they were responsible for 51 per cent in quantity and 58 per cent in value. Japan was being forced by competition to diversify the character of her cotton exports, and as she moved from bulk goods into fancy goods the position of the specialist weaver, using ordinary looms, improved in relation to that of the mass producers.

This, of course, does not suggest that mass production methods, including the use of automatic looms, are not necessary for the manufacture of bulk lines, nor is it an argument against the adoption of high draft for spinning. In fact, Japan's spinning mills began to go in for high draft on a significant scale as long ago as 1929, and by 1934 the bulk of her mills were equipped with either newly installed high draft spindles or remodelled high draft spindles. In the weaving sections of the combined spinning-weaving mills the change to automatic looms had been practically completed by 1931. Nevertheless, the trend to which I have referred above ought not to be left out of account in any detailed plans for reorganisation, as I suggest that Japanese experience is just as relevant to the future planning of the British cotton industry as is American experience.—Yours faithfully,

G. C. ALLEN

University of Liverpool

AMERICAN SURVEY

Alaska: The Outside Moves In

(By a Correspondent recently in Alaska)

(Note.—*Alaskans divide the world into two parts: Alaska and the Outside; now the Outside moves in.*)

THIS is a Nordic land, created for Nordic people. . . . It is only waiting for . . . people who are a match for it. . . . Here one can study how a great empire is conquered. If we think of the future of our race, we should not forget Alaska."

Did a Yankee promoter say this? No. It is quoted from *Lebensraum*, a book written for Hitler by one Alfred Woolschlager, when the Nazis planned to take over the world. But the Nazi leader is neither the first nor the last to predict great things; now that the war has front-paged

Alaska, and Alaska-stationed servicemen are vowing to return to this last frontier, Americans have been discovering their continental empire—and making their own forecasts: "Alaska can some day support more than 10—perhaps 35—million people. . . . Northern British Columbia, Yukon and Alaska will provide untold opportunities for thousands of returned servicemen. . . . Alaska has 30,000 square miles fit for farming. . . . It will be a world aviation centre—our bridge to the Orient."

These statements are true if we do not look at the clock. But Alaska's development will be slow, hard, and much more costly than North Americans like to believe. It is

likely to go through three successive stages. First, outsiders will move in, to visit and to live. At the same time, exploring will continue, existing trade will improve and new business grow up, especially in service fields. Next, Canada and the United States must jointly finance north-western highways, waterways, airways, and development of water power. This will take years. Finally, big business will move in. For the north-west empire calls for heavy industries spending huge capital to develop oil, timber, minerals and their by-products.

Alaskans are now preparing for a post-war tourist boom which may be sensational. Before the war, Alaska was just a glamorous name. Since, few have been allowed inside its borders. Shrewd Alaskans and Canadians anticipate a tourist business, the instant war restrictions lift, that may eventually yield profits of \$5,000,000 yearly.

At the same time, some thousands of returned soldiers and other hardy young people seeking frontier work and chances will be finding jobs and starting business in this northland. Exuberant prophets predict "millions," pointing to the flood of inquiries about jobs, homesteads, living conditions, now pouring into the US Department of Interior and offices of Alaska and Seattle officials. Experienced Alaskans and outsiders who know the land foresee no stampede, but rather an immediate postwar population perhaps twice that of 1940—some 200,000 all told. Decades must pass before "millions" can live there. But various opportunities in farming, fishery by-products, furs, diversified mining and urgently needed services will create many

is on the shortest route between North America and the Orient. Passenger and cargo planes will soon end for ever the Far North's worst isolation. So runs common opinion.

Aviation has indeed accomplished wonders. The Civil Aeronautics Administration has developed some 7,000 miles of airways in Alaska, roughly divided into the "inside" airway, up from the American middle west through Edmonton, Whitehorse and Fairbanks to Nome, and the coast airway from Seattle to Anchorage to Nome. Tomorrow's Alaskan aviation centres will be Anchorage, Fairbanks, McGrath and Nome. Local air travel will, of course, expand in step with population and volume of business. But passenger travel still costs 5 cents a mile, and Alaska's strategic air location is vital in wartime, but not in peace. What urgent business calls for many flights from the United States and Canada to Russia, China and India via the north route? Flights to and through Alaska make headlines, but they cannot soon generate much business.

Concerning air cargo, W. A. Patterson, president of United Air Lines, has pointed out that a Liberty ship carries 6,400 tons 7,500 miles in 30 days for \$210,000; to do the same job by air would require 144 large four-engined planes and cost \$29 million. The north-west empire has few materials so precious that they must be air-shipped, nor does it need much costly cargo from the outside.

Highway and waterway networks, on the other hand, would revolutionise the Far North. To build them will cost billions. The North Americans have thus far been pinch-pennies in their north-west domain. In a world that deals in billions and trillions the two governments have allowed mere tens and hundreds of thousands of dollars for study and development of this last frontier. Until Canadians and Americans with brains, vision, vast venture money and the adventurous spirit in the grand manner take over the empire, the land will remain just a place to hunt and fish. The northland waits a Cecil Rhodes.

Timber Prospects

Alaska's timber offers one of the most promising prospects. In time, a large pulp and paper industry might produce at least a million tons of newsprint yearly without depleting Alaska's enormous reserves. This would yield some \$40 to \$50 million of products yearly and employ around 25,000 workers directly and indirectly. But not at the profits that most business now seeks. Frontier costs still hold it back.

Last spring the US Forest Service reconsidered old plans. It invited bids until November 30, 1944, on a Tongass National Forest pulp timber unit. The plan calls for a yearly output of 40,000 tons for the first ten years and thereafter for 130,000 tons yearly.

The United States alone consumed 19 million tons of paper and paper board in 1941. The trend is still upward toward a probable 24 million tons in 1950. If the rest of the world used pulp and paper products on a US scale as of 1935, when *per capita* consumption was 226 lb., world consumption would expand five or six times.

But can a small Alaskan pulp industry compete with Canada's five-million-ton capacity plant, which produced more foreign exchange before the war than any other business and hired half a million workers? Canadians must export. Can Alaska's unborn industry compete with the Canadian giant, which survives only by holding world markets?

And how about Scandinavia? Its forests are in prime shape for postwar exports. Before the war, one in four of Sweden's workers held jobs in the forest products industry, producing nearly four million tons of wood pulp and a million of paper board. During the past three years Sweden has used perhaps less than half its pulp and paper plant capacity.

A new Alaskan pulp and paper industry must have large capital investment, pay high wages and be prepared for high labour turnover, at least at first. It must fight distance from markets as well as the stiff competition of Canada, Scandinavia, the American South, and, in time, probably Russia, which even now has been sending the United States pulpwood under reverse Lend-Lease. Before World War II the Russians were unloading shiploads of north-east Siberian lumber on the Shanghai docks, and had even begun to sell it in New York City at prices far below those which North American mills could meet.

This is the toughness of the task. But the resources are there.

American Notes

Whirlwind Finish

With three speeches in as many days, President Roosevelt has recaptured the initiative from the Republicans. His last minute appearances in the doubtful states have effectively countered rumours of his ill-health which had become so persistent that even the *Herald Tribune* has insisted that the choice really lies between Governor Dewey and Mr Truman, the Democratic vice-presidential nominee. In his speech at New York, President Roosevelt brought the foreign policy issue back to the centre of the campaign. With deadly effect, he pointed to the isolationist records of Republicans like Mr Joseph Martin, Mr Hamilton Fish, Senator Hiram Johnson and Senator Nye, who would succeed to key positions in a Republican Congress. He denounced, as putting party before country, the suggestion that Republican Senators would support a Republican, but not a Democratic, President in the making of the peace; and by his dramatic insistence that the American delegate to the Security Council must be endowed in advance with authority to act, he forced Governor Dewey into almost equal precision. This was reluctant but significant tribute to the President's hard hitting. At Philadelphia, Mr Roosevelt defended his Administration's conduct of the war. This is home ground, and a position already almost impregnable was further fortified by General MacArthur's landing in the Philippines and the news of the great American naval victory in the Pacific. The prospect of continued fighting in Western Europe disposes of Governor Dewey's contention that it is a peace President that is to be elected, and the timely proof that the Pacific theatre is no step-child of the Administration further undermines the thesis that "It's time for a change." Finally, at Chicago, the President made the most of the central dilemma of the Republicans, their realisation that they must support the main reforms of the New Deal while damning their author. In Mr Roosevelt's sparkling parody the Republicans are made to say:

"These incompetent bunglers in Washington have passed a lot of excellent laws about social security and labour and farm relief and other things—and we promise, if elected, not to change any of them."

But the ideological raiding is not all on one side. Mr Roosevelt at Chicago held out the promise of jobs for 60 million, partly through the trebling of American foreign trade, but mainly through private enterprise, whose virtues he extolled without any inconvenient memories of his early battles with the economic royalists. This is a campaign in which the game is to force an unwelcome issue upon your opponent. Governor Dewey has attempted to make the battle one between free enterprise and government regimentation; President Roosevelt has raised the cry of isolationism and internationalism. The last week of the struggle finds Governor Dewey calling the President an isolationist and Mr Roosevelt appearing as the champion of business. But on balance it is the President who has succeeded in manoeuvring Governor Dewey on to ground of his own choice.

Wise Money

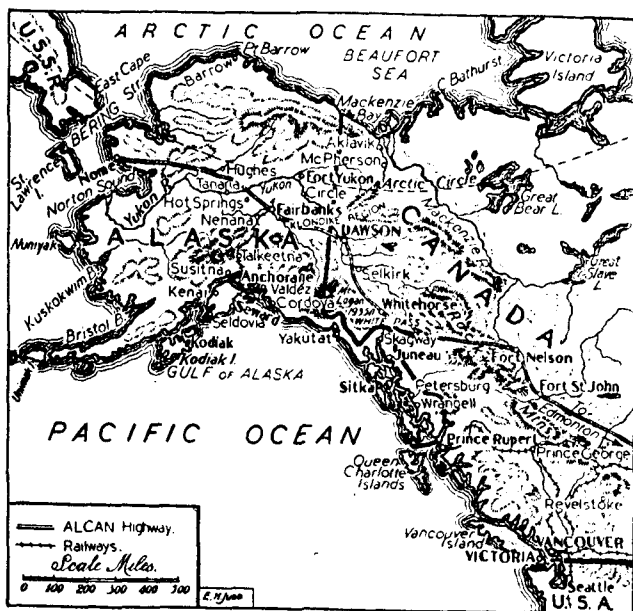
With only a week to go, pollmakers and bookmakers still seem to be talking about two different elections. All the polls predict a "photo finish," except that sponsored by *Fortune*, which gives Mr Roosevelt a 7 per cent lead. It is even suggested that the result may not be known until December, when the votes of Servicemen overseas are finally counted in the eight States whose laws provide for delayed returns. If the race is really close, this is not impossible, for one of those eight is the doubtful state of Pennsylvania, which casts 35 electoral votes. Yet the betting odds, in Wall Street and on Broadway, obstinately stick at 3 to 1 on Mr Roosevelt; and even at that figure there seems to be little Dewey money about. The bookmakers, who have a close, if non-partisan, interest in the outcome, refuse to be influenced by the findings of so eminent a pollster as Dr. Gallup that the President's lead over Governor Dewey has declined to a bare 2 per cent. It is not so certain that the public, which has a human desire to be on the winning side, is equally unaffected, or that the polls have as neutral an effect as their sponsors might wish. There will be no repetition of the *Literary Digest* fiasco of 1936. The polls admit

that there is in their figures a margin of error which is usually put at 4 per cent; and in view of the closeness of their tallies, this is enough to save their technical reputations. It is their forecast of a neck and neck race, rather than of the final outcome, which is at stake. The disparity between the public opinion polls and the views of experienced observers is partly to be explained by the fact that the polls deal with the popular vote, the practical politicians with the vote in the Electoral College, which may be a very different thing. Yet even in specific states, where this consideration does not operate, the same puzzling differences persist. In New York, for example, where Dr. Gallup finds equal popular support for both candidates, the odds are 2 to 1 on President Roosevelt. Would things be different if Wall Street took the poll and Dr Gallup made a book?

* * *

The Rest of the Ticket

No President elected in recent times has failed to bring in with him a House of Representatives of his own political complexion. History and habit are both ranged against those prophets who predict that Mr Roosevelt, if elected, will be saddled with a Republican Congress. The gravitational pull of the "top of the ticket" is always powerful. It helps would-be Aldermen for city precincts as well as Senators with state-wide constituencies. The parties are almost evenly divided in the present House of Representatives—211 Democrats against 212 Republicans, with four members of small parties and three unfilled seats. But this was the House elected in the "off year," 1942, when there was no Presidential election. If Mr Roosevelt carries the country, it is virtually certain that his tide of votes will sweep in Democratic candidates in a number of districts that went Republican by small majorities in 1942 when the general poll was low and local grievances eclipsed national causes, and the greater the President's majority, the more this will be true. As for the Senate, one-third of which is elected next Tuesday, Republicans would have to be elected in the South (a miracle equivalent to Orangemen winning in Cork) before its Democratic majority was destroyed. This should not be taken to mean that Mr Roosevelt, if elected, will enjoy an amenable Congress.



promising and a few sensational opportunities for new settlers.

Before long, the United States and Canada must jointly tackle the toughest job of all, to end the north-west's isolation. The region is Canadian-American; it stretches from Nome to Seattle; its gateways are Seattle, Vancouver and Prince Rupert. Its trade is North American, and long will be. Frontier costs, normally high, eliminate the region from world trade, especially as North America becomes the profit system's last stand. Canada and the United States have long co-operated through such international commissions as the International Fisheries Commission, more recently the North Pacific Planning Project, and the North American Arctic Institute now being considered. There are, indeed, sound arguments supporting E. T. Kenney's year-old proposal to the British Columbia Legislature that all the area north of the 54th parallel in British Columbia, Yukon and Alaska become an International State of America. The TVA pattern could be brilliantly applied here. It might help North Americans to catch up with the Russians in mastery of the Arctic—to-day they are at least generation behind.

The Aviation Dream

It is popular to say that airplanes have ended the north-west's isolation, that Fairbanks is only a few hours' flying time from the States and every world capital. Alaskans are the most air-minded people on earth—many who have never seen an auto have been flying for years. Besides, Alaska



As a matter of fact...

there is still available in this country a cigarette which gives you a pleasure which millions seek but never find. In the full flavour and the rich aroma of the best Turkish leaf you find not the titivation of the senses but smooth soothing satisfaction. And, in Sobranie Turkish No. 6 you have this leaf blended by a master hand into a cigarette which enables you to cut down your consumption of cigarettes while you increase the pleasure of smoking. That is why we are proud to offer you the satisfaction of

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Anti-Administration Democrats have shown that they can be as obstructive as any Republican, and in the past they have joined hands with the Republicans more often than not on domestic issues. But this elasticity of party conscience is less operative on international questions.

*

The race for the Presidency has inevitably absorbed attention, but there are a number of interesting contests for the House and Senate in which principles and personalities are equally involved. One of the most genuine Liberals in American public life, Senator Robert F. Wagner (Dem.), comes up for re-election in New York, and the closeness of the Presidential struggle in that state gives point to the strong appeal of the *New York Times* for discriminating support for a Senator whose virtues are esteemed by all sections of the community. In Ohio, Senator Robert Taft, the ablest exponent of Isolationism in the Senate in the days when that doctrine was still respectable, seeks a renewal of power, this time as a believer in international co-operation, with reservations. But that mystical quality "human interest" most closely attaches to two Congressional races. The one is in upper New York State, where Mr Augustus Bennet, supported by a galaxy of literary talent, is striving to unseat that *bête noire* of American Liberals, Mr Hamilton Fish. The second is in Connecticut, where Mrs Clare Boothe Luce is challenged by a woman Democrat, Miss Margaret Connors. Mrs Luce, who once wrote an acid play about her own sex, "The Women," has herself become a target of widespread feminine criticism as a result of her intemperate campaign against the President, and to be opposed by a woman is regarded as a novel form of poetic justice.

* * *

Spot Authorisation

The publication, though not the preparation, of far-reaching plans for the reconversion of American industry on the defeat of Germany now appears to have been a trifle premature. Equally, last summer's insistence by the Services that claims for any expansion of civilian production should be rigidly sifted are shown to have been no more

than prudent. Some expansion is taking place, but it is on a small scale, and only under the "spot authorisation" plan which proved Mr Nelson's swan song at the War Production Board. Applications have been coming in at the rate of 500 a week from companies, particularly small businesses, who feel that they have surpluses of man-power and materials which might be used with advantage for civilian production. So far, however, only 1,278 plants have been authorised to go ahead, and their scheduled production only amounts to \$202 million, with \$57 million expected in the last three months of this year. This is partly the result of the continued high level of demand for basic materials, such as steel, by war industries; but it is also proof of the effectiveness of the controls which the Services demanded should be included in the plan. These provided that even where materials are available, the War Manpower Committee may refuse its consent on the ground that man-power might be diverted from more essential work, and a further veto power was granted to special production committees in which the Services have a voice. These general restrictions will hardly be abandoned until the end of the war in Europe. There is, however, a possibility that spokesmen for small business may secure an earlier relaxation. Congress in the recent demobilisation law provided for an exemption for small concerns. A good deal hinges on the definition of smallness. The Manpower Commission, which in this matter is the spokesman of the Services, might be persuaded to allow plants employing fewer than 50 workers to reconvert without its permission; but to go much higher than this, it is felt, would disrupt the man-power controls.

Shorter Note

The Commodity Credit Corporation has announced agreement among the industry advisory committees on the principles to govern cotton and wheat export subsidy programmes. In both cases the plan is for the payment of Government subsidies to permit wheat and cotton to be sold at competitive world prices. A textile export subsidy may be considered later.

decisions which all members shall be expected to accept. This is the substance of a repeated observation by Mr Mackenzie King—that, to ensure peace in the future, the nations must organise a preponderance of force on the side of peace. If that preponderance of force is composed entirely of the resources of the Great Powers, the result may satisfy the requirements of peace for some time. But this would not produce a genuine world organisation. It would not be an organisation of the world community at all. It would be necessary, to achieve such a world organisation, to devise methods by which a small-power membership acquired sufficient significance, in the eyes of the citizens of the secondary nations, to justify their honest and continuing support. That this can be done without disturbing the principle of ultimate and decisive responsibility resting upon the Great Powers may be expected to be the viewpoint of secondary powers when the Dumbarton Oaks draft finally reaches a conference of united and associated nations.

The difficulties are smaller than might appear at first glance. Since the new League serves as a continuation of the alliance of nations opposed to the Axis, the function of the middle and smaller powers could be recognised. They have had their place on a growing scale in the allied organisations for directing and mobilising the war effort. Possibly all that is needed at the present time is an assurance that this tendency will be encouraged in future organisations of the United Nations. At the Dumbarton Oaks conference of officials, it is now clear, the attitude of the United Kingdom has been to favour the erection of a world organisation assuring a place to the smaller nations, while the United States and Russia have not looked upon this principle with such favour. The attitude of the United States, it is felt in Ottawa, may change after the presidential election. In any case, the views of the British Dominions are well known to the United Kingdom Government as a result of the Commonwealth Conference in London last May, and they are known to one another. When the Dumbarton Oaks draft comes before a general conference of governments, discussion of how to assign a role to the smaller powers will undoubtedly find many of them ready to present their views.

Uneasy Stabilisation in Germany

GERMAN armies are retreating rapidly from the southern Balkan countries, but for some time there have been no major movements on the western, eastern and Italian fronts. The great summer campaigns on all fronts and the collapse of Roumania, Bulgaria and Finland have reduced Germany territorially to what it was after the defeat of Poland in the autumn of 1939, except that Northern Italy, Denmark and Norway are still under German domination. Against tremendous odds the Nazi regime is determined to defend Central Europe to the last.

Nazi Germany's ability to maintain a defence against new major offensives from the west and the east cannot be measured in anything approaching exact terms. The ability to prolong an effective resistance is not a purely political, military or economic problem; but the mainstay of resistance must at present be sought in the political sphere, that is, in the determination to continue the war at any cost. The regime has been able to overcome an extremely dangerous situation, and there has undoubtedly been some temporary recovery from the first shock of the heavy military defeats.

One of the secrets of this recovery is the structure of the totalitarian administration. The conspiracy of the generals left the leading circles of the Nazi party intact. The rank and file of the army and the people at home are not equipped, either morally or materially, to oppose the regime; they will be directed to fight and to work as long as the administration remains effective. It is of some importance that after the conspiracy of the generals the huge bureaucracy was the chief victim in the search for manpower to make up the losses in Russia and in France. The comb-out of the administrative machinery has undoubtedly yielded a considerable number of men and women either for the armed Forces or for war production. Indeed, this comb-out seems to have been conducted with utter disregard for the functioning of social and so-called cultural services. In towns and

THE WORLD OVERSEAS

Canada and Dumbarton Oaks

[FROM OUR OTTAWA CORRESPONDENT]

October 13th

THE statement issued by the Prime Minister, Mr Mackenzie King, in commenting upon the draft proposal for a world security organisation prepared at Dumbarton Oaks, made a point of the fact that:

Before the draft charter takes its final form, there will be full opportunity for its revision in the light of views expressed by other countries.

The extent to which the Canadian Government may in due course offer suggestions for changes in the draft has not been indicated in definite form, except insofar as Canada's attitude has been revealed in previous discussions on post-war international organisations. The substance of it has been that although, admittedly, the fullest reliance should be placed upon the principle that ultimate responsibility for success or failure must lie with the Great Powers, ample scope should be provided for the influence and functioning of other nations.

This is the view, in general, which may be expected from a power such as Canada, occupying a middle position between the Great Powers and those of insignificant weight in world affairs, and from some other nations such as Brazil in the Western Hemisphere, Australia in the Pacific, and the Netherlands, Belgium or Norway in Europe. These nations have a genuine stake in the preservation of peace,

for they play a part in the world community as trading nations, and they possess economic resources which must be taken into account in the employment of sanctions to preserve peace.

The Council of the United Nations League, as the draft sets it out, will exercise the exclusive responsibility for the preservation of peace. Within the Council, the rule of unanimity will apply only to the five nations which qualify as Great Powers—the United Kingdom, the United States, Russia, China and France. The other six elective memberships, which are likely to be filled on most occasions by delegates representing middle powers, would be able to exercise a limited measure of authority by means of unanimity in veto action. In short, the decisive authority will rest with the Great Powers, and there can be no reasonable dissent from this principle.

Nevertheless, the exercise of decisive authority by the Great Powers need not exclude the smaller powers, and the extent to which such nations find scope for registering their influence upon League decisions may well be the main concern of a country such as Canada. This depends in the main upon political considerations. If the impression existed that the new League would operate merely as a façade in which domination of the Great Powers assumed the appearance of a world community, the governments of second-class powers would encounter obvious difficulty with the electorates from which they derive their authority. No less than the Great Powers, these governments must solve the problem of marshalling public opinion behind the decisions of the new League Council. The technique must not be that of imposing the will of the powerful majority upon a minority, but rather of furnishing the means by which the minority shall exert some influence upon the

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villages these only exist to a minimum extent. Secondary schools and universities have been cut down. The production of books has been suspended, and the numbers of newspapers and journals that are still being published are extremely small. Only the cinema and the radio are left for entertainment.

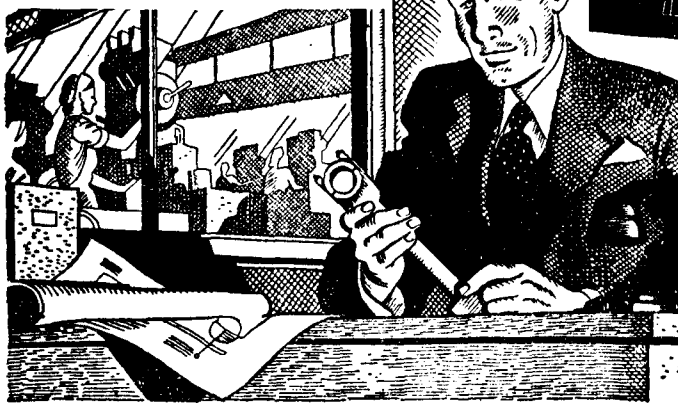
The huge and complicated financial machinery of the regime has been reduced by the simple device of suspending the assessment of taxes. A great number of taxes are now being paid on the basis of former assessments. The postal services are barely sufficient for necessary business correspondence; and civilian travelling has become almost impossible. All these measures have certainly yielded manpower, and there are signs that the war factories cannot absorb at once the men and women who have been directed to work by the labour exchanges. This apparently paradoxical situation is the result of a political move which is designed to bring home to the entire people the need for an extraordinary effort.

The latest and probably the last step in this direction was the organisation of the "Volkssturm." Here, again, the political importance is greater than the direct military value. The young and the very old in this "Volkssturm" will mainly do sentry duties at home and will thus replace fit men sent for service to the fronts. Nevertheless, this is a formidable array of the 85 million German-speaking people who live in the territory dominated by the Nazi regime. In addition, there are roughly eight million prisoners of war and foreign civilian workers available as well as the people of Norway, Denmark, Bohemia and Moravia, western Hungary and western Poland, who number 40 millions. Foreign workers and people in occupied countries are, however, a potential danger, and full service either at the front or at home can only be expected from Germans.

From a purely political point of view the regime could probably continue to resist for some time yet. The question arises, therefore, how long the country's resources will last against an incomparably stronger Allied combination of armies and resources. In simple terms, it could be said that Germany's material ability to resist will end after the loss of the Ruhr-Rhine area and of Upper Silesia. But as long as these areas are not captured, production will remain for some time on a considerable level.

Any estimate of the size of this production would be

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purely speculative after five years of war. It can, however, be said that some important industries will have to deplete during this winter the carefully accumulated stocks of raw materials such as high-grade iron ores, manganese ores and other hardening metals, copper, tin, lead and bauxite.

Virtually the entire output of the manufacturing industry is now reserved for the war. Household goods, clothing and furniture are no longer manufactured for civilian use. The barter of civilian goods has become general over the whole country, and under a help-your-neighbour scheme household appliances such as electric irons, and even pots and pans, are lent from one household to another or by retailers to customers.

The most important problem is, however, the maintenance of factories under constant bombing, particularly in western and central Germany. The first great bombing offensive in 1943-44 led to an extreme dispersal of factories over the whole countryside, with a decided trend to transfer them from the west to the east. The smallest towns and villages were invaded by new prefabricated factories. At the same time, dispersal was carried further by engaging the population, especially women and children, in assembly work in their own homes. This dispersal naturally demanded the utmost standardisation of plant, machinery, machine tools and design and, above all, mobility of the labour force. Foreign workers living in camps could easily be transferred, but the German population, too, has become very mobile, a position which has even been forced upon it by the destruction of many towns.

Below Ground

While this dispersal was being carried out, growing numbers of vitally important factories have been established underground. Propaganda to the effect that all such factories have been or will be established underground is quite exaggerated, but it is a fact that with some initial expenditure of labour a considerable number of factories can be put below ground. The southern fringe of the Ruhr area and the mining district in southern Westphalia are honeycombed with disused mines which were closed down during the rationalisation period from 1924 to 1929. In Central Germany there are a number of potash and salt mines which can also be converted into underground factories. The actual number of these factories must remain small. But the point is that extreme dispersal above ground, combined with the establishment of some factories below ground, provides effective protection against even heavy and continuous bombing. If the determination is there, production can be carried on even under bombing from the air and shelling from the ground, although the actual output will be small if the assault is continuous.

The dispersal of factories naturally creates special transport problems which may in the end prevent it from being successful. The authorities concerned have conceived the idea of making the different fronts in the west, the east and the south, and even particular sections of these fronts, autarkic as regards supplies. The idea seems simple, but its realisation would entail a great deal of decentralisation and initiative, which are alien to the totalitarian regime. It is clear, however, from the present position on the fighting fronts that the Ruhr area, with a system of underground factories, could make the western front autarkic for most of its necessary supplies. A considerable stretch of the eastern front could be served in the same manner by the Upper Silesian industrial area. The industries in Central Germany and in Bohemia could then manufacture specialised products for the supply of all the fronts. But there is as yet no indication that the transport system, and indeed the whole system of economic organisation, have been adapted to this plan.

There has been no shortage of ideas or resourceful experimentation in Germany's war industry. The bombing offensive and the retreats on all fronts have provided an impetus, and there is no doubt that some very difficult problems have been solved, as is shown by actual experience at the fronts. There is, however, an overriding question, and that is the time factor. A comparatively quiet winter on the fighting fronts would doubtless allow many plans to be achieved. For a final production programme stocks of raw materials will be sufficient, especially as there is no lack of machine tools. Heavy bombing may hamper this programme, but bombing alone cannot stop it. It can only be prevented by a break-through this winter into the vitally important industrial parts of Germany in the west and east.

THE BUSINESS WORLD

Scotland: Development Area

THE Government's decision to rechristen the former Special Areas "Development" Areas has been welcomed in the country generally—and nowhere more than in the Areas themselves—as an indication of a positive approach towards the problem of industrial location. Indeed, perhaps the most concrete and progressive section of the Employment White Paper is the chapter on "the balanced distribution of industry and labour," which recognises the need for securing a greater diversification of employment in areas hitherto dependent on certain heavy industries. According to the White Paper, it is proposed to "steer" new industry into the Development Areas, by such means as the use of building permits, the granting of financial assistance to suitable enterprises and by developing and improving the Areas' basic services and communications. The Government has thus shouldered responsibility for preventing the re-emergence of Depressed Areas after the war. It is reported that legislation is shortly to be introduced to give effect to these proposals. There is little time to lose. Unless the necessary measures are taken before their wartime activity comes to an end, the Areas may well sink back to their pre-war state of chronic depression. The available evidence suggests that not much progress will be possible in the regions until a concrete policy has been formulated at Government level.

Scotland provides an example of an area which is now working at nearly full capacity on war production, which used to contain one of the country's largest Special Areas, and where there is grave concern for the future. Scotland used to be one of the most depressed of the depressed Areas. In 1932, nearly 400,000 workers, or one-third of its insured population, were unemployed. To-day there are less than 20,000 out of work. But Scotland, as was pointed out in an article in *The Economist* on September 25, 1943, was relatively late in the day in securing war production. It had no shadow factories, it missed the first waves of aircraft production, and until the autumn of 1942 was regarded mainly as a useful storage dump. The position has improved since then. Between October, 1942, and February, 1944, the three Supply Departments spent over £10 million on factories and plant; and in the last six months of 1943 they approved 79 new production units or extensions which provided employment for 10,000 workers. But Scotland to-day is afraid that the same delay that was experienced in the first two years of the war may operate to its disadvantage in the process of reconversion from war to peace, and that unless positive measures are taken now it will again "miss the bus." An independent estimate is that the end of the war will find Scotland with some 180,000 unemployed.

Fears have been expressed that the Government's policy of concentrating permanent munitions production in the Development Areas, though it will guarantee employment to a certain number of workers, will mean in practice that other areas, released from war production, will be first in the field in securing peacetime production. There are, it should be said, very few signs that the reconversion to peacetime industry is beginning in Scotland. Many firms are anxious to start on post-war projects. Their war orders are slowing down, and though the programme changes have not affected industry in Scotland to the same extent as in the Midlands, there are already beginnings of redundancy. So far, only experimental work is being allowed and many firms, though they have their own plans for production, complain that they are not allowed to go ahead with them.

Plans there are in plenty. Quite apart from the White Papers which are being produced in Whitehall, Mr Tom Johnston, Secretary of State for Scotland, has appointed a multiplicity of committees and councils to advise him on various aspects of postwar reconstruction. The Scottish Council on Industry—a non-political body which represents industrialists, trade unionists, chambers of commerce and

local authorities—is acting as a focal point for planning activity. It is surveying and reporting on every possible future development; it claims that it was largely responsible for reversing the pre-1942 tendency to "ignore" the north, and for stopping the "export" of Scottish girls to the south, which was regarded in some quarters as a kind of industrial white slave traffic.

There are two aspects of this problem of industrial balance about which there can be no degree of certainty. One is whether the firms which evacuated to Scotland or set up branch factories will remain after the war; the other is what new enterprise can be attracted to the north. Though some firms have not yet made up their minds, it is safe to say that at least 50 per cent of those now in Scotland have decided to stay, though what they will produce and how much employment they will provide is still not known. For example, a well-known southern firm which now employs over 20,000 workers on aeroplane engine production near Glasgow, is likely to stay, but it will hardly employ anything like the same number of workers on peacetime production. The most compelling reason for remaining is said to be the quality of Scottish labour, which has given great satisfaction and in many cases has resulted in a higher output per head than in similar production in England.

The Council on Industry has evidence that many firms from the south are thinking of settling in Scotland after the war. There are, however, many deterrents, some physical and some psychological, some genuine and some illusory. The lack of amenities; the bad housing conditions and the shortage of suitable houses for business executives in industrial towns; the distance from London; the Scottish Sabbath—these are only a few of the factors which business men will take into consideration. The legend of turbulent Scottish labour has largely been disproved by the experience of the war—the time lost through industrial disputes for the whole of Scotland for 1943 was only one-third of a working day per worker per year. A more real deterrent for an industrial area at a distance from the main market is the weight of railway charges—a matter on which the Government will have to pronounce if there is to be an effective location policy. But perhaps the most formidable obstacle is the shortage of suitable factory premises. In a region so largely dependent on heavy industry there are few factories which can be adapted to modern engineering needs, and much war production has been carried on in converted textile mills. The factories built by the Govern-

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ment during the war cannot fill the gap, because the majority are for explosives or other special products; there are perhaps not more than a dozen suitable modern Government factories which could be turned over to peacetime production. In Dundee, which is Scotland's problem child number one, such new war production as it has is carried on in converted jute mills, but nothing can be done about Dundee unless and until it can offer suitable accommodation to new enterprise.

What is needed, therefore, is sufficient modern factory premises and the extension of trading estates, with standard factories built on speculation or to order, and providing communal facilities and services. At present it is impossible to obtain building materials or building labour to start on these factories, though it is claimed that there is immobile labour in the area which could be utilised. The very few new standard factories, which have already been approved, will help, but far more are needed. It might, of course, be argued that all available resources should be concentrated on meeting housing needs, both from the political and the social standpoints, but it is obviously useless to build houses for people unless they are assured of work. There are very many goods which could as well be manufactured in Scotland as anywhere else: light engineering products, electrical and radio equipment, machine tools, textiles and textile machinery, household goods, clothing and footwear—the list could be continued indefinitely. Housing alone should be able to provide plentiful employment. The present target—500,000 houses in 10-12 years after the war, with 20,000 in the first and 30,000 in the second year after the war—seems miserably inadequate in view of the appalling congestion and slum conditions in Glasgow and Lanark.

Whether the Government's proposals for "steering" new industry to Development Areas and the exercise of a rather negative control over industrial location will suffice to meet the needs, remains to be seen. The experience of financial inducements to industrial settlement during the depression years was not too happy. But compulsory location, except under very exceptional circumstances, would hardly be feasible, so it will be necessary to provide very substantial inducements, in the form of factory buildings and cheap credit, combined with the revision of rail transport charges and the measures that the area can itself take to improve its communications, amenities and services.

But it will not be enough merely to bring new "light" industry to Scotland. Many of these industries will employ mainly female labour and work must be provided for the men, who will not be needed in their present numbers in shipyards, iron and steel works or coal mines. This is one of the main anxieties of the trade unions. The Scottish Trades Union Congress convened a conference in Hamilton last Saturday of trade unions and trades councils in Lanarkshire, which called upon the Government to provide suitable work for male labour. It seems likely that shipbuilding and heavy industry generally will continue to work at high pressure for some years after the end of the war with Germany to meet requirements for the Japanese (mainly

naval) war and the capital rehabilitation of Europe; but there is bound to be some contraction of the war-swollen capacity, especially if the much-needed modernisation and rationalisation of these industries is effected. There is already redundancy in the Lanarkshire iron and steel industry; its long-term prospects depend on how far it can be rendered technically fully efficient and on the stabilisation of the price of coal. In shipbuilding, an important need is for the unions to abandon some of their demarcation practices. As regards coal, the Fife collieries are among the most efficient in the country; while many of the Lanark mines (on which the prosperity of Clydeside was originally based) are nearing exhaustion. The miners' claim that the introduction of a centralised pumping system would release many millions of tons now lying under water is regarded by some authorities as uneconomic. This proposal should be carefully examined, and, if "dewatering" is found to be impracticable, then it is essential that alternative work should be provided in the area, or that the workers should be transferred elsewhere under properly organised schemes, and not allowed to rot in the derelict coalfield. The need is for a long view; Scottish heavy industry cannot be maintained by artificial respiration, and its hope must lie in a concerted effort to improve its technical efficiency and its competitive position.

Scotsmen are inclined to pin their faith on two projects, both of which are of long-term rather than of immediate significance. The first is Prestwick, which has become one of the United Kingdom's major airports in war-time. Scottish Aviation, Limited, has ambitious plans for developing world air services and for constructing an amphibian station, but it is still waiting to know the Government's intentions on civil aviation. Prestwick, together with a scheme which is still very much in the air for developing an international seaport in the Clyde, should help to promote the Scottish tourist trade, which has considerable employment possibilities. The second hopeful factor is the hydro-electric scheme. Eventually it is hoped to develop chemical and electro-metallurgical industries, such as light alloys, fertilisers, synthetic rubber and plastics, all of which depend on cheap and plentiful electric power, but the time-lag may be considerable; it will be perhaps ten or twelve years before such industries can come into full operation.

It would be foolish to be pessimistic about Scotland's industrial prospects. The Scots have many plans, and Scotland is rich in natural resources, many of them still undeveloped. It has two great assets: power and skilled labour. It is true that it contains only five million out of Great Britain's 45 million population, and that it has no right to expect priority over the rest of the country. But Scotland and other Development Areas are entitled to ask for help in working towards the maximum utilisation of their resources of material and men. The Government has announced its principles for the Development Areas. It should lose no time in putting them into practice. Sir Charles Bruce-Gardner, now in charge of Industrial Reconversion, should realise that the Board of Trade's "Make do and mend" policy is all very well for war-time trousers—but it cannot be applied to industrial development.

favour a security with a life of a full decade. So, for a period which the Chancellor fixed as "a few months only," a concession is to be made to this view, and, incidentally, the neglected field of the discount market is to be tapped for the first time in recent years. For the banks immediately, and for the discount market after mid-February next, there is to be a chance to "fund" TDRs, in the case of the former, and Treasury bills, in that of the latter, into genuine "shorts." The present intention is that the Exchequer bonds should not remain on tap for long, and that the total issued should not be very large. The Chancellor said that the Treasury will "in due course revert to an issue of the type of National War Bonds." That does not seem to exclude the possibility of a second issue of Exchequer bonds on terms even more favourable to the borrower than those now announced. But it is reasonable to assume that, after adding real shorts to their portfolio, the banks may be more willing to convert TDRs into medium longs. The "tap" for the old bonds closes on Monday, and the new Exchequer bonds will be on offer from the following day.

Market Reaction

As already indicated, the terms offered for the new 1½ per cent Exchequer bonds fit nicely into the scheme of yields existing before the offer was known. Some sample net redemption yields, grossed up at the full rate of tax, showed 25s. 10d. per cent for National War 1946-48, 30s. for 2½ per cent Conversion 1944-49, and 41s. 7d. for National War 1949-51. It is, therefore, surprising that the immediate effect of the announcement on the market was a stepping-up of all quotations. It is intelligible that there should have been a very slight appreciation in such few real shorts as exist and in the medium longs, since the increase in supply is to be suspended for a period. But there seems no justification for rises of ½ point in 3½ per cent War Loan and of ½ point in Old Consols. Certainly it was not easy to discover any enthusiasm for the terms among bankers. Possibly the marking-up was a precautionary measure, taken by the market in view of the misleading character of some of the first reports of the evening papers. If so, it has already lasted far too long. It is, however, possible that the rise owes as much to the Prime Minister's statement that no election is to be looked for until next autumn. It is a tradition on the exchange that elections are destructive of investors' morale.

While awaiting the final effects of the new issue on prices, the market is already speculating about what security will follow it. In the decade 1945-54 there are compulsory maturities amounting to some £3,700 million, excluding maturities amounting to some £3,700 million, excluding £1,911 million of 3½ per cent War Loan which will almost certainly be dealt with in 1952. On that assumption there are large maturities in every year except 1946. After 1954 there is an optional maturity of some £302½ million of 3 per cent War Loan in 1955 and then nothing of importance until 2½ per cent Funding and 4 per cent Consols in 1957. No claim can be made to forecast the intentions of the Treasury, but if there is a reversion to past policy, of the issue made in the spring of next year, to mature in the spring or early summer of 1956, would fit well into the pattern. When the 1949-51 issue was made in October, 1941, the maximum life was almost nine years and ten months. The corresponding figure for the 1952-54 offer of September, 1943, was 10½ years. The suggested dates would give some 11½ years. Bonds of that life, carrying the usual 2½ per cent and offered at par, would provide the customary stepping-up of the terms against the lender.

Taxing the Foreigner

A point of some interest in the new issue of 1½ per cent Exchequer bonds is the fact that the concession of tax exemption in favour of non-residents in the United Kingdom is not being made. Before the war this exemption was granted in respect of certain stocks, and all the wartime issues of National War Bonds and Savings Bonds have contained a provision exempting non-residents. It is not easy to say exactly what this change portends. If it is merely a recognition of the fact that this issue is, or will very soon be, a genuine "short," it may be that no great harm is done by the change. It is the case that there is no point in encouraging "hot" money which may be switched at any moment from one centre to another as soon as exchange control is relaxed. If, however, it marks a new policy of discouraging the investment of foreign money in this country, that would be another matter and would set a very bad example to any countries which are still disposed to regard Britain as a leader in matters of finance. It is very possible that the short date of the bonds has been the deciding factor, but in the absence of any definite statement on the point it is possible that the wrong conclusions will be drawn, both here and overseas.

The Russian Currency Puzzle

The Russian armies are now fighting on the soil of eight foreign countries, not counting Germany. Four of these countries are Allies: Norway, Poland, Czechoslovakia and Yugoslavia. Three—Finland, Roumania, Bulgaria—are satellites who have already concluded armistice agreements. In all these countries the Russian armies must somehow buy food and other goods, and spend their roubles.

Yet with none of those countries has any currency agreement been concluded so far, or if some agreements have been concluded they have not been announced. In the case of Czechoslovakia it is known that negotiations on currency arrangements have been conducted since early this year. On some points agreement has been reached easily and quickly. Right from the beginning the Russians have accepted the principle that the Czechoslovak Government is to be the only authority entitled to issue banknotes on Czechoslovak territory that militarily comes under the Russian Command. But for many months now the negotiations have turned, without any positive result, on the rate of exchange between the rouble and the new Czechoslovak currency unit that is to be issued. In Roumania and Bulgaria most of the needs of the Russian armies must have been met by requisitioning, but it is hard to believe that no transactions involving the exchange of money have taken place at all. It is possible that the Soviet Government should against all precept and precedent leave the rouble in those countries to find "spontaneously" and freely its own parity in the unfettered interplay of supply and demand. If so, the rouble may well fetch a very high rate of exchange, since the currency of a victorious power is a victorious currency; but it may also largely eliminate the national currencies.

Belgium's Financial Plan

At the end of last week the Belgian Finance Minister, M. Gutt, was able to give a fairly hopeful and reassuring review of the immediate results of the currency conversion and blocking operation. On the eve of the issue of new notes there were about 100,000 million francs of Banque Nationale notes of 100 francs and over in circulation. Of these, 14,000 million francs were immediately exchanged for new notes at the rate of 2,000 francs per head. Since the population of Belgium is just over 7,000,000, it will be seen that every person in Belgium, however poor, somehow managed to mobilise the maximum permissible holding of notes for exchange into new. In addition, 76,000 million francs were declared and credited to temporarily blocked special accounts. This left 10,000 million francs unaccounted for. Part of this probably represents old notes held abroad, and the balance notes lost or destroyed because the holder did not wish to attract the official inquisition which the declaration of such holdings would have invited. Reports of a widespread strike against the Government's note conversion plan which was said to have occurred, especially among the peasants, are thus seen to have been without foundation. M. Gutt announced that from November 17th people in Belgium will be allowed to draw 3,000 francs per head from blocked bank deposits, as well as from the special accounts created by the deposit of old bank notes. This is the first of the promised releases of blocked currency and bank deposits. It accompanies a definite easing of the supply position in Belgium, and thus conforms to the original plan of the Government, which, after the first drastic compression of the currency, was to allow a gradual expansion as the supply of foodstuffs and other consumer goods increased. Every indication goes to suggest that the bold currency schemes of the Belgian Government are going according to plan.

Greek Currency Crisis

In dealing with the problems of Greek liberation, the Allies are giving deserved priority to the currency question. In his review of British relations with the Allied nations,

The New Issue

Sir John Anderson's announcement in the House on Tuesday that the Government proposes to suspend the issue of 2½ per cent National War Bonds, 1952-54, which have been on offer for 14 months, caused no surprise. The issue amounts to about £690 million, and both from the standpoint of securing a convenient size of maturity, and from that of the investor, who has a very limited market for the bonds so long as they are on tap, a change was fully due. The decision to issue instead 1½ per cent Exchequer bonds at par marks, however, a new departure. In view of the maturity date, February 15, 1950, the terms offered fit very closely into the existing rate structure. There is a slight stepping up of the terms against the lender, but it is no greater than is usual in the field where the demand of the institutional investor is the deciding factor. What is interesting is the acknowledgment by the Treasury of the undoubted fact that, as the war wears to its conclusion, industry and, presumably, the banks, are less inclined to view with

Business Notes



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Mr Churchill last week pledged British help in the task of stabilising the Greek currency, "which has been a special mark of sabotage by the Germans," and announced that highly competent officials from the Treasury were on their way to Athens. The experts, headed by Sir David Waley, have arrived. Their immediate problem is to determine whether anything can be salvaged from the existing drachma currency and to devise appropriate conditions for launching the new circulation which has been prepared to take the place of the old. The conditions that face the experts are wholly chaotic. It is true that a statement by the Minister of Finance last week that "the drachma had not become entirely worthless" was followed by an appreciation of the exchange rate from 1,865 milliard to 655 milliard drachmae to the pound, but these rates are becoming increasingly meaningless. The primary task of the authorities is to keep some monetary system functioning until a sufficient stock of consumer goods has been accumulated to give the launching of the new currency a reasonably propitious start. To meet the immediate requirements for currency, further issues of old drachma notes are inevitable. Long before an inflation has reached the stage at present prevailing in Greece it acquires an irresistible momentum which cannot be repelled unless the whole economic life of the country is thrown on to a barter basis. This cannot be allowed to happen in a community that has reached the stage where certain individuals have merely their services to offer. In order to pay the salaries of bank clerks and other urban vicious circle of inflation by introducing a certain amount essential. Some attempts have been made to break the vicious circle of inflation by introducing a certain amount of gold currency from the Middle East, but existing conditions in Greece have rendered the country a sponge for bullion and the coins have immediately disappeared from circulation. As soon as supplies of foodstuffs and other materials have been built up, the position should be ripe for a drastic monetary conversion in which the existing drachma is unlikely to meet a better fate than that of the German currency in 1923 when one million million marks were made equal to one new mark and the old currency, together with all debts expressed in it, was in effect wiped out.

Crude and Synthetic Rubber

The United States, British and Dutch Governments have recently considered the means by which crude rubber supplies found in Eastern producing countries after their re-occupation can be speedily accumulated and shipped to war factories in this country and the United States. Practical arrangements, which include the accumulation of equipment behind the front line for rubber planters, are understood to have been concluded, and will be kept under review by the three Governments to ensure the best possible results. Two American statements, published last month by the Foreign Economic Administration and the Petroleum Administration for War, indicate that the United Nations' supply position of aviation petrol and synthetic rubber has reached a new stage. Their production is no longer hampered by competition for the same basic materials. United States' production has for some time filled the domestic demand for synthetic rubber and is this year supplying 86,000 tons to this country, as well as a substantial quantity of finished tyres. The larger production of 100 octane aviation petrol allows for the accumulation of working stocks. The importance of these improvements cannot be overestimated. Nevertheless, the report of the FEA is a reminder that the natural rubber supply position has become more critical. Despite progress in the manufacturing practice of synthetic rubber and the reduction in the quantity of natural rubber needed for admixture, the present average ratio between crude and synthetic rubber consumption is still about one to four. The amount of crude rubber needed in the United States this year will be at least 200,000 tons. This means that crude rubber stocks, which early this year were down to a bare working

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minimum, will be considerably further reduced. The tyre supply position will therefore remain critical until the re-opening of at least part of the rich Far Eastern sources of natural rubber.

Skilled Engineers in the Transition

Serious disagreement has arisen between the Amalgamated Engineering Union and the Minister of Labour about the re-allocation of engineering labour in the immediate postwar period. The union and the employers reached agreement a few months ago to the effect that where there was redundancy of labour in engineering factories, the principle of "last in, first out" should apply, and that dilutees should be discharged before skilled men. Mr Bevin, however, stated in the House of Commons, on October 11th, that skilled men were needed in key reconstruction work, and should be the first to be transferred. The union, in a bellicose statement issued last week, has thrown the ball back to the Minister, by insisting that voluntary industrial agreements should be honoured—a principle on which Mr Bevin has frequently expressed himself very strongly. The AEU accuses the Minister of "distorting the facts" in stating that it asked for the retention of skilled men and the discharge of dilutees. The point made by the union is that workers who are discharged will be deprived of the protection afforded by wartime legislation, such as the guaranteed weekly wage under the Essential Work Orders. It asks that instead of a discharged worker receiving the 24s. a week unemployment benefit which is now allowed, workers who become redundant should not be treated as unemployed, but as "temporarily displaced," and receive the guaranteed working wage. Further discussions between the union and Mr Bevin will take place in the near future, which it is hoped will clear up the issue. It is, however, difficult to treat the engineers' case in isolation, especially before the general plan for reallocation of civilian labour is announced or the future of the Essential Work Order is decided. The union's anxiety, remembering the last post-war slump, to protect its members is very understandable. At the same time, it is obviously in the interest of the AEU that its skilled men should be placed in key reconstruction jobs rather than in the diminishing war sectors, and it would be foolish to stick out for principle, when principle is opposed to practical needs. The answer lies clearly in the adoption of a programme for industrial reconversion, which would give the engineers an assurance that, as soon as practicable and as rapidly as possible, skilled men would be reabsorbed into peacetime production.

A Better Tone

The general level of industrial equities showed only minor fluctuations during the month of October. The "bulls" confidently suggest that prices are "bumping along the bottom." The index of *The Financial News*, of which a chart appears on page 620, shows a rise of one per cent on the month, and the optimistic view is encouraged by the fact that since last Saturday, the point up to which these figures are carried, there has been a further improvement of similar extent. It is difficult to discover any logic behind the movement at the moment, but it undoubtedly owes something both to the clear indication that an election is not imminent and to the continuous appreciation in fixed interest securities. This has been in progress, with few halts, since early August, and, although it still amounts to less than one per cent, against a 5 per cent net fall in equities over that period, it has an appreciable influence. The past few days have seen some expansion in turnover, but there is as yet no clear indication that any major movement is in sight. Outside the industrial list there have been opportunities for considerable speculation both in foreign bonds and in rubber plantation shares. At the moment the leaders in the former field, Brazilian bonds, still suffer from lack of sinking fund buying, but there is some sporadic speculation for a rise. Meanwhile, a rather premature boomlet in plantation shares has been followed by a moderately sharp reaction which coincided, oddly enough, with the statement of international agreement to ensure collection of any rubber available in liberated territories.

Safety in Mines

The 22nd report of the Safety in Mines Research Board shows that good progress has been made in the past year with research into methods of accident prevention. The report covers research into coal dust explosions, fire damp explosions, new methods of using electrical apparatus, conditions of gas ignition by mining explosives, falls of the ground and methods of roof support and roof control, improved haulage and wire rope systems. The Board is an independent body, financed largely by grants from the Miners' Welfare Commission. Its work is of exceptional importance, both from the immediate point of view of reducing loss of tonnage through accidents and extending mechanisation without increasing risks, and from the long-term point of view of rendering the industry safer and more attractive to new entrants. Its expenditure of £65,000 a year on research into safety seems very inadequate, and it seems essential that the Board's work should be extended and, equally, that its findings should be translated into practice and passed on to miners in their safety instruction. The general toll of mining accidents has been steadily rising. The death and injury rate per 1,000 workers employed increased from 165 in 1938 to 229 in 1942, and many of these accidents were due to falls of ground. It is, however, encouraging to find by contrast from a report of the Northumberland Falls of Ground Advisory Committee that in that county accidents due to this cause were the lowest on record in 1943, with 15 deaths—nine less than in 1941—and 42 non-fatal accidents. Northumberland's death rate was 2.23 deaths per million tons of saleable coal in 1941 and last year was only 1.41, appreciably lower than the rate for Britain as a whole. Further improvements were recorded in the first six months of 1944. The improved position is attributed to higher standards of roof control in general, better support of roadheads and more careful attention to safety by managements and miners.

Scottish Coal Output

While it is somewhat invidious to single out any particular coal-producing area as particularly responsible for the general decline in coal output, there seems to be little doubt that the Scottish coalfield is one of the blackest spots at the present time. According to Lord Traprain, Regional Fuel Controller for Scotland, output is going down at the rate of 20-30,000 tons a week, and stocks of house coal are about half as much as at this time last year. Scotland is now importing coal from the North of England to meet the deficit, but with the reduced allocations of house coal and coke allowed to domestic users during the coming three months, and the continued demands of coal for the war fronts, the future outlook is very gloomy. Lord Traprain considers that increased absenteeism and unofficial strikes are mainly responsible for the present state of affairs. A very important factor, which largely accounts for the bad attendance, and to which insufficient attention has been paid, is the shortage of consumable goods in mining towns and villages. Though miners now have more money to spend, they have little on which to spend it and consequently less incentive to increase their output, while the savings habit has nowhere been adopted. This is true of nearly every coal-producing area. Scotland's absenteeism has increased by about the same rate as that of the country as a whole, that is by about 25 per cent since the conclusion of the wages agreement last April, but the loss of coal through unofficial disputes, contrary to the union's advice, is above the national average. In fact, in September, 1944, Scotland was responsible for nearly half the nation's total tonnage (60,000 tons) lost through strikes. The majority of these disputes have been in Lanarkshire, where there is some evidence of activity on the part of irresponsible elements among the miners. It is significant that output per man-shift at the coal-face has actually increased in Scotland compared with a decline in the country as a whole. But, as a result of fewer man-shifts being worked, output per face worker has declined. It was 12.38 tons per week in September, 1944, compared with 12.71 in September, 1943. Absenteeism and strikes are, of course, not the whole story, and they do not apply with equal strength in all parts of the Scottish coalfield. There is room for increased mechanisation, especially in the process of coal conveying, and the structure of the industry, particularly in Lanarkshire, which is the largest of the three

Scottish coalfields, is in great need of technical re-organisation.

Gold Sales in India

The underlying weakness of bullion prices in the Bombay market has been accentuated in the last few days by the increase in the Reserve Bank of India's sales of gold and silver. The daily offerings on official account have been raised from 30,000 to 50,000 tolas in the case of gold and from 100 to 200 bars of silver. Bullion prices were already sagging when on Tuesday of this week the news of increased offerings caused the gold quotation to fall from Rs 64/8 to Rs 62/8 per tola while that for silver followed from Rs 119/4 to Rs 116 per 100 tolas. These quotations compare with this year's highest prices of Rs 76/15 and Rs 143, respectively, which were reached towards the end of last April when the Japanese invasion of Manipur State led to a heavy hoarding demand for the precious metals. The severity of the drop is in large measure explained by the happier turn of the war news, which conjures up visions of a return to freer international movements of gold and silver and, therefore, of reasonably integrated bullion prices in all the principal markets of the world. The downward movement of prices has also been helped by official sales of both gold and silver. These have been canalised through the Reserve Bank, but are made on British and American Government account. They serve the dual purpose of mopping up the inflation of rupee notes and of providing the British and American Governments with the rupees they require for their large expenditure in India. It has been suggested that the larger offerings by the Reserve Bank are intended to keep pace with the continued increase in that expenditure.

Money and the New Loan

There was some surprise in money market quarters that for the past week, which would normally have seen heavy Government disbursements, floating debt borrowing should have been kept down to such small dimensions. Apart from the £10,000,000 excess of Treasury bill payments over maturities, Treasury Deposit Receipt payments of £60,000,000 called for only £2,000,000 of new money. It is true that expectations of abundant money were completely contradicted on Tuesday, the last day of October, but the shortage of credit on that day, which called for considerable special assistance to the market, was largely due to the fact that Barclays Bank, whose monthly calling normally affects the market to a considerable extent, was making up for its October return. By Wednesday the position in the money market was exceptionally comfortable. The true reason for the Treasury's small floating debt borrowing became apparent with the news of the imminent closing of the National War Bonds tap. This was bound to lead to a rush of last-minute applications for these 2½ per cent securities, and, in fact, this factor began to affect credit conditions by the latter part of the week. Fortunately these subscriptions could in no circumstances become a really serious drain on the volume of bank cash

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since the banks would, on the threat of such a development, finance their clients' subscriptions to War Bonds by pre-encashing TDR's. Such pre-encashments have probably been made on a fairly large scale and will have helped to balance the bank cash position during a week of exceptionally heavy monetary turnover.

Texas Land Dispute

A considerable volume of evidence exists to support the suggestion that, since the early spring of this year, a struggle has been in progress for the control of the Texas Land and Mortgage Company. The business of the company has for long been the lending of money on mortgage in Texas and the holding of securities of an investment trust character. For a substantial period the loan business went badly and large amounts of real estate fell into the hands of the company. Over recent years it has been possible to sell this land and invest the proceeds in London. By March 31st of last year, the latest date for which figures are available, this movement has gone so far that real estate stood in the balance sheet at £30,000 odd and investments at some £813,000. The position had been made clear in the statements of the chairman from year to year, and there seems no reason to suppose that the proprietors were dissatisfied with it. The issued share capital of the company consists of 66,000 shares of £10 each, on which only 50s. per share is paid up. The fact that they are partly paid gives the board power to refuse transfer of shares, and this power they used until a point was reached where numbers of sellers raised considerable protests. The board had the right, and the duty, to satisfy themselves that the new buyers were sufficiently solid to find the money for the call of £7 10s. per share which they can make, and it is understood that there was no difficulty under this head. It appears, however, that they sought to make the registration of transfers contingent upon the transferee giving an undertaking to retain the existing board in office. In these circumstances, a group of shareholders has decided to attempt to secure representation on the board and to put through a scheme of reconstruction which would, *inter alia*, eliminate the uncalled liability.

Whatever the reason for which it was sought to purchase control, there would seem to be no legal objection to such action. Too often in such circumstances the financial facts are not disclosed, but in this case the accounts are reasonably informative. Proprietors who sold did so with a fair knowledge of the financial position. But there remained the trouble that the proprietors could have no idea that an attempt was being made to obtain control of their undertaking, since the buying was done in the name of nominees. For the same reason, the existing management was unable to give chapter and verse for any movement which they considered might be in progress. Clearly this is a case where an obligation to disclose beneficial ownership would have brought the whole matter into the open in a way which is still impossible. As to the appropriate action for the existing proprietors, it is clearly in their interest to eliminate the uncalled liability. They are at present receiving 5 per cent free of tax from properties, mainly stock exchange securities, which have a break-up value, according to the 1943 accounts, of just under £6 for each

share of 50s. Since the concern has for long been run in part as an investment trust there is no obvious reason to distrust the existing board's ability to run it entirely as such. The points which the shareholders ought to bear in mind are whether continuance or liquidation is desired, and, if the former, whether there is any reason to support a change in management. This question cannot be answered satisfactorily without an exact knowledge of true earnings.

Murex Declining Profits

The profits of Murex, which fell by £110,000 last year, have gone down by a further £75,000 for the year ending June 30, 1944, to £443,000. Taxation, however, requires £120,000 less, partly due to the recovery of £40,000 over-provision for the last three years. Earned for ordinary works out at 27.3, against 33.2 per cent, the lowest, except for 1939, for the last twelve years. The 20 per cent dividend, which has been paid regularly since 1936, is still adequately covered. The accounts are analysed in full on page 617. Clearly there has been a considerable falling off of wartime activity, and according to the chairman, Mr George Joseph, demand has slackened for certain of the company's main products. One of these is magnesium, manufactured by one of Murex's two wholly-owned subsidiaries, which has now ceased work. Since the post-war market for this product is unpromising, and surplus capacity large, the works in question may close down permanently, and the investment be written off out of reserves created for that purpose. On the other hand, the great wartime strides made in the application of electric welding should lead to increased postwar activity on the part of the other wholly-owned subsidiary, Murex Welding Processes. The parent company has developed a number of new departments for different types of metal production during the war, although sustained demand for their products cannot be guaranteed. Mr Joseph rightly stresses the need of modernising plant, towards which an obsolescence reserve of £350,000 has now been created. An encouraging factor is the increased strength of net liquid assets, which are now over £750,000. Ordinary capital is £1,000,000, of which £730,000 was created as a capital bonus in 1935 and 1937. Murex will have to plan a full and efficient deployment of its strong reserves if there is to be any hope of such windfalls in the post-war world.

Packing for the Tropics

The provisioning of armies operating in the tropics involves methods very different from those in more temperate climates. In packing and transportation, the greater distance of the battlefields, the climate—hot, humid and wet, the terrain—mud and jungle, and the insects all have to be reckoned with. Unless adequate protection is provided, metals corrode, paper disintegrates, textiles rot and glass deteriorates. Even when the distances were shorter and climatic conditions less severe, during the Tunisian campaign for example, stores were often wasted by insufficient and inefficient packaging. If it was difficult to achieve wasteproof packing for temperate zones and relatively short distances, it is much more difficult to pack for the Far East. An Anglo-American Services Exhibition on Preserving and Packing has been arranged at the Central Ordnance

Depot, Feltham, so that manufacturers and others concerned may see the latest methods of "tropic proofing," worked out from information received from the war fronts and on the results of research in Britain and America. The importance of efficient packaging cannot be too strongly stressed. Without it the effort of making munitions is unstressed, and the hardships endured by the troops are increased unnecessarily. Hitherto the main burden of preserving, labelling and packing war material has fallen on the Services themselves. The policy now is to get manufacturers to do as much of the packing as possible, but the shortage of suitable labour is almost as great an obstacle in the factories as it was in the Services. The aim of the exhibition is to inform the manufacturers of the technical progress made by Service packing units, and to encourage them to put the object-lesson into practice. Before the war it was usual for the manufacturer to pack his products for shipment, and this will be necessary after the war. The Services' research will be useful in this context, despite the smaller peacetime strain on transport and storage. The packaging of warlike stores has to be done in a "retail" fashion, and spares packed in quantities sufficient for the requirements of small units; after the war "wholesale" packaging will be good enough. Nevertheless it is essential that manufacturers should learn to pack war supplies to meet Service requirements.

After Utility Furniture

Following representations by the Post-War Reconstruction Committee of the furniture industry, the President of the Board of Trade has decided to appoint a Furniture Production Committee to advise him on questions relating to the manufacture of an abundant supply of domestic furniture at reasonable prices. Its terms of reference are wide. Essentially, they cover the provision of furniture in the transition period, which means the gap between utility production, with all its restrictions of materials, design and distribution, and full peacetime freedom for manufacturers and consumers. Prices of secondhand furniture show that it is not possible to pass from one period to the other without a gradual relaxation of control. Utility furniture has done its wartime job well, but it is only temporary furniture. The new Committee can point the way towards furniture of more lasting quality and more varied design, but still at reasonable prices. It will not presumably be hampered as the designers of utility furniture were hampered, by quite such severe restrictions on materials, and designs will consequently be correspondingly more varied. It is to be hoped that the Committee will be able to investigate the possibilities of new materials and methods of construction discovered during the war. The Report of the Furniture Industry Post-War Reconstruction Committee, which has been in the hands of the President of the Board of Trade for ten months (it was reviewed in *The Economist* of March 18, 1944, page 380), will provide the Committee with a basis for their discussions on the relaxation of control.

The Post-war Biscuit

The Cake and Biscuit Manufacturers' War Time Alliance has published a Report on the Post-war Rehabilitation of the Biscuit Industry. Biscuit production has been cut to one-third, and the labour force in proportion. There has been control over variety, materials, packing and prices, and biscuits have been zoned and rationed. The report envisages three stages in the return to peacetime production, the first covering six months, the second a year and the third two years after the end of the war in Europe. There appear to be no special difficulties attending the return to full production, provided factory space, materials and labour become available, and controls are relaxed. The restoration of factory space is of first importance. Enough machinery exists, and no major replacements are required in the early stages. Apart from a few key workers, most of the labour employed in biscuit production is unskilled, which leads the industry to suggest that it could provide a useful outlet for labour in the transitional period when some unemployment is inevitable. The industry is in a fortunate position compared with many others whose wartime products are radically different from those of peace. There is no problem of re-tooling to be solved, and new products do not have to be found. So far as the export trade is concerned, competition is likely to be less keen than in many other industries; the report claims—not without pride—that "Britain has been acknowledged as the maker of the best

biscuits in the world." Good biscuits depend on the use of the right kind of flour, and British-grown wheat is especially suitable. While the industry is anxious to resume its export trade at the earliest moment, it quite rightly expresses the view that it would be detrimental in the long run to begin until quality can be raised to pre-war standards. To avoid unnecessary delay, an allocation of materials specially for the export market is recommended. The report is in the hands of the Ministry of Food. Last month, when the Minister of Food spoke to the Alliance, he said that Army and welfare requirements were dropping off, and that he had authorised an extra allowance of biscuits for civilians, which would not only increase supplies but would make for more variety.

Company Result

Murex. (Light metals and welding)

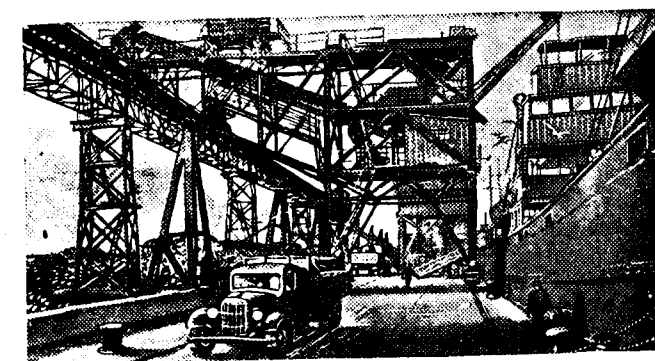
	1942	1943	1944
Profit after depreciation	598,707	488,990	412,514
Dividend from subsidiary (net)	30,000	30,000	30,000
Total profits	629,368	519,768	443,023
Taxation	423,250	323,500	200,000
Obsolescence reserve	25,000	25,000	177,075
Directors' fees, etc.	4,174	3,261	3,577
Staff funds and A.R.P.			23,889
Preference dividend	1,750	1,750	1,750
Ordinary stock:—			
<i>Earned</i>	175,194	166,257	136,732
<i>Paid</i>	100,000	100,000	100,000
<i>Earned %</i>	35.0	33.2	27.3
<i>Paid %</i>	20	20	20
Special reserves	17,000	11,999	5,931
General reserve	50,000	50,000	25,000
Carry forward	115,339	119,597	125,398

<i>Consolidated Balance Sheet:—</i>			
Net fixed assets†	1,187,945	1,183,713	1,089,819
Net associated company items	28,733	27,734	25,497
Net liquid assets	538,755	625,027	781,639
Gross liquid assets	2,054,319	2,144,732	1,990,871
Stock	920,621	705,729	768,018
Debtors	709,187	854,385	697,830

† Including special writing off of plant and machinery of £27,075.
‡ After deducting obsolescence reserve of £235,000 in 1942, £275,000 in 1943, and £350,000 in 1944.

The £1 units of ordinary stock, standing at 97s. 6d., yield 4s. 2s. 1d. per cent.

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UNITED DAIRIES, LIMITED

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MR L. MAGGS'S STATEMENT

The twenty-ninth ordinary general meeting of United Dairies, Limited, was held, on the 27th ultimo, at the Connaught Rooms, Great Queen Street, W.C. Mr Leonard Maggs (chairman and manager director) presided.

The Chairman, in opening the proceedings, said: Ladies and gentlemen,—I regret that I have to apologise for the absence of my brother, Mr Joseph Maggs, who has been seriously indisposed. This is the first annual general meeting since the company was formed which he has missed, but I am very pleased to say that he is definitely making good progress.

The Secretary (Mr Allan Mair, C.A.) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which was circulated with the report:

The deaths of Mr A. Gordon Raymond and Mr John W. Rigby, referred to in the report, are deeply regretted by their colleagues. Both were primarily associated with the management of our retail business in London, Mr Raymond having relinquished his manager directorship in June, 1940, and Mr Rigby having retired from active management in December, 1942.

The accounts do not call for much comment. The liquid assets, including Government securities £1,349,188 and tax reserve certificates £1,553,400, show an increase on last year, and a considerable increase compared with pre-war days. Under war conditions, with the Minister of Food acquiring our manufactured products on production, the general curtailment of credit allowed, and the restrictions limiting re-equipment and repairs, the operating companies do not need the same amount of working capital, and the increase in liquid assets is to a great extent reflected in the reduced amounts owing by subsidiary companies. Undoubtedly when the war is over, and we are freed from Government control, very large sums will be needed for re-equipment and for working capital, including the financing of stocks.

The profits of the group are slightly higher than last year, but the same conservative policy has been adopted as in previous war years, and only sufficient revenue has been brought in from subsidiary companies to maintain dividends as previously. The reserve for deferred repairs has been increased, and provision has been made in the accounts for the estimated liability for all taxation, including taxation on the profits under review.

TRIBUTE TO FOOD MINISTER

Naturally with every year of war things have become more difficult. The shortage of all equipment and materials has become more acute, and there has been an increasing depletion of our trained staff. To add to our difficulties, during recent months we have had to contend with the menace of flying bombs, which have caused considerable and widespread damage to our properties in the London area, and a reduction of trade as a result of evacuation, though I feel sure that this latter will revive when the population of London returns, as was our experience during the lull following the blitz period of 1940-41. The conduct of our London staffs in all departments during this very trying time

has been beyond praise. Colonel Llewellyn, the Minister of Food, recently paid a very welcome visit to one of our South London processing depots, and in addressing the staff expressed appreciation of the way workers in the milk trade generally had carried on with their duties. Despite all these difficulties we have striven to maintain the quality of our milk and products at the high pre-war standards, though it has been impossible to continue to give the same standard of service as in normal times.

As I predicted last year, realisation of the desirable measures taken by the Minister of Food to improve the quality of the nation's milk supply has been hampered by the difficulty of securing the necessary machinery and equipment, but undoubtedly progress, although slow, is being made along the right lines.

During the war years dairy farmers have responded wonderfully to the Government's appeal to keep up the production of milk. The present milk production is actually in excess of what it was before the war, but the liquid consumption has increased to an even greater extent, with the result that the quantity available for manufacture is less.

EFFICIENCY OF RAILWAY TRANSPORT

The milk industry is very dependent on the railways, and despite the strain which must have been placed upon them by war-time traffic, particularly during the invasion period, I feel they are to be congratulated on the efficient way in which they have handled the traffic in this highly perishable commodity.

Since my last statement to you we have acquired two more country creameries, at Wrexham (Denbighshire) and at Dunchurch (Warwickshire). We have also acquired wholesale and retail milk businesses in the Cardiff area of South Wales, which it is our intention to develop on similar lines to our milk business in London, though we are hampered in making rapid progress by the difficulty of securing the very necessary equipment.

I am glad to say that we have been able to assist in connection with the latest marvel of medical science, Penicillin, by supplying one of the constituents used in the manufacture thereof.

Our engineering and utensil companies are still required to devote much of their productive capacity to essential government work, with the result that they are unable, with their depleted staffs, to satisfy fully the demands of the dairy industry.

Our laboratory and scientific departments have maintained their rigid control on the quality of our milk and milk products, and carried on with their researches despite their dwindling staffs.

I should like to pay tribute to the splendid service rendered by all members of the staff under most trying and difficult conditions, and to express the hope that the 5,121 members away with the Services may soon be back with us.

The report and accounts were unanimously adopted.

The auditors (Messrs Peat, Marwick, Mitchell and Co.) were reappointed, and a hearty vote of thanks to the chairman, directors, management and staff concluded the proceedings.

THE UNITED STEEL COMPANIES, LIMITED

HIGH LEVEL OF PRODUCTION

SIR WALTER BENTON JONES'S STATEMENT

The annual general meeting of the United Steel Companies, Limited, was held, on the 1st instant, at the Iron and Steel Institute, Grosvenor Gardens, London, S.W., Sir Walter Benton Jones, Bt. (chairman and managing director) presiding.

The secretary (Mr R. Gresham Cooke) read the notice convening the meeting and the report of the auditors.

The chairman said:—Gentlemen, before proceeding with the business of the meeting there is a personal matter to which I wish to refer. Since my statement was made—in fact only on Friday of last week—we have suffered a severe loss in the death of Dr Thomas Fwinden, our director of research. Dr Fwinden was the foremost metallurgist in this country and his reputation was world wide. He was a great scientist and a man of great experience and capacity, but what we feel more at present is a loss of a colleague of long standing, whose patience and sympathetic and genial personality made everyone his friend.

The following is the statement by the chairman which had been circulated with the report and accounts and was taken as read:—

The form of the balance sheet has been rearranged so as to show capital, reserves, liabilities, and assets in a more orderly form. As usual, a statement of combined assets and liabilities of the company and its subsidiary companies is included.

The balances of profit for the last three consecutive years are stated in the directors' report. The variation in results from year to year may be taken to be due more to the intricacies of assessing war-time taxation than to any other factor.

Production has again been maintained at a high level for which we have to thank our operatives as well as our staff.

TRIBUTE TO STAFF

Continuous working at high pressure and under conditions which require even more attention than in normal times leaves a little opportunity for relaxation and puts a great strain on the staff. On behalf of the shareholders I take this opportunity of conveying to them our special gratitude.

With regard to the future, post-war conditions are likely to require the production of our raw materials and primary products, coal, coke, sulphate of ammonia, basic slag, benzol, and tar derivatives, iron ore and pig iron, at a maximum rate, as well as heavy finished steel products for buildings, railways, road vehicles and shipbuilding. It is hoped that the demand for our lighter products may also be well maintained.

Programmes for overtaking such normal replacements of plant as have not been permitted in war-time, and also post-war developments for a number of years, have been prepared for all the branches and will be proceeded with as and when we may be allowed to undertake them.

The report and accounts were unanimously adopted and the proposed final dividend at the rate of 5½ per cent. less tax, making 8 per cent less tax for the year, was approved.

The retiring directors, Mr. J. Ivan Spens, Sir Herbert Walker, Mr Richard F. Summers, and Mr Gerald Steel, were re-elected; and the auditors, Messrs. Peat, Marwick, Mitchell & Co., having been re-appointed, the proceedings terminated with a vote of thanks to the chairman and directors, and to the management and staff.

ZINC CORPORATION, LIMITED

INCREASED PROFIT

MR J. R. GOVETT ON RECAPITALISATION

The thirty-third ordinary general meeting of the Zinc Corporation, Limited, was held, on the 26th ultimo, in London, Mr John R. Govett (the chairman), presiding.

The following are extracts from the chairman's statement, which has been circulated with the report and accounts:—

The net profit for the year, namely, £103,716, shows but little change from that of the preceding year.

Provision for taxation has again called for a large amount, namely, £228,930. It will be realised that such provision can only be based on estimates; however, earlier provisions have proved sufficient to date to meet the corresponding liabilities and I trust that this year's provision will prove no different in this respect. Realising as we must do the necessity of meeting as much of the cost of the war as is possible from current income, this heavy taxation is paid ungrudgingly. I am, however, entitled to emphasise two points, namely, the heavy strain it imposes on our liquid resources and the fact that our revenue which is subjected to taxation is in the main received from the mining and treatment of the ore in our mine—in other words, our capital. We carry on in the hope that some relief from both these factors may soon be given to us.

It is interesting to note that in the four years ending December 31, 1943, we have provided for taxation and royalty a total of no less than £1,000,000 sterling, or £1,250,000 Australian.

RECAPITALISATION ARRANGEMENTS

I regret that it has still not been possible to complete arrangements whereby the scheme of recapitalisation could have been put before you to-day for your approval. Various changes have had to be made in the original proposals, to which I referred last year. In its modified form I am glad to say it has received the approval of the Association of Investment Trusts, who will be prepared in due course to recommend it to their members for acceptance.

As soon as approval is received from the authorities to whom it has now been submitted, special meetings of shareholders will be called to consider, and if thought fit to approve, the proposals. The delay has been great, but such matters are not easy to arrange in time of war.

TONNAGE TREATED

As a result of the continued shortage of manpower, the tonnage treated during the year showed a reduction of rather over 80,000 tons, the deficiency being to some extent counterbalanced by an improvement in the grade of ore. Notwithstanding the decline in output, it should be recorded that considering we are in the sixth year of war, that we lost many men for war service and that practically no new labour has been or could be expected to be available, we have preserved a relatively excellent production and efficiency record in all our operations. To meet the demands of the war, we have had to sacrifice normal exploration and development work to the requirements of production. We have now arrived at the time when special efforts must be made to make up the leeway in

exploration and development and this may, for a time, prevent the expansion in our output which we had hoped to achieve in 1945.

Our ore reserves remain at just under 4 million tons; but for the effect of our response to the urgent demands for production they would have been substantially greater.

Your property and the mine are in excellent shape, and everything is being done to make living conditions of our employees at Broken Hill second to none in Australia.

The report and accounts were unanimously adopted.

CABLES INVESTMENT TRUST, LIMITED

The ninth ordinary general meeting of Cables Investment Trust, Limited, was held, on the 26th ultimo, in London.

Sir Edward Wilshaw, KCMG, who presided, said: The improvement in the value of the company's investments which was reported at the last meeting has been sustained in the period under review.

The profits on sales of investments and discount on debenture stock purchased during the year amounted to £66,395, which raises the capital reserve to £378,230. This figure, added to the carry-forward of £258,150, makes a substantial total reserve of £636,380, which your directors consider to be not unsatisfactory.

The report and accounts were unanimously adopted, and a final dividend of 3 per cent., making 5 per cent. for the year, was approved.

ALLIED INDUSTRIAL SERVICES, LIMITED

PRODUCTION MAINTAINED

The tenth annual general meeting of Allied Industrial Services, Limited, was held, on the 27th ultimo, at Bradford, Mr W. H. Rhodes (the chairman) presiding.

The following is an extract from the chairman's speech circulated with the accounts: Whilst the trading results for the year under review show that the total production of the company's factories—including those additional units which commenced operations since the outbreak of war—has been maintained, the profits for the year show a slight decrease attributable in the main to those difficulties inescapably associated in the fifth year of the war with the maintenance of adequate supplies to our customers, so many of whom are engaged on work of vital importance.

After making proper provision for depreciation of the company's properties, plant, etc., the trading profit for the year amounts to £228,327, of which £161,500 has been absorbed to meet taxation and £25,000 placed to general reserve. The balance of profit, namely £41,827, together with the amount carried forward from last year of £13,774, make a total of £55,601 available for allocation, as set forth in the accompanying report, to which your approval is sought.

Whilst I am able to report that so far during the present year our factories have been well engaged, your directors in reviewing the prospects for this year are fully aware that the hoped-for early Allied

victory in Europe and cessation of hostilities there will create for a time a period of transition, and that this change-over can undoubtedly bring with it a certain amount of trading difficulties and probably some measure of dislocation.

The report was adopted.

NEW BROKEN HILL CONSOLIDATED, LIMITED

The eighth ordinary general meeting of New Broken Hill Consolidated, Limited, was held, on the 25th ultimo, in London, Mr John R. Govett (the chairman) presiding.

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

Further diamond drilling has been done from the Nos. 16 and 18 levels. Borehole No. 50 intersected 86½ ft. of about average-grade ore, a true width of approximately 70 ft. (namely, 13 per cent. lead, 2.9 oz. silver, 11.9 per cent. zinc) and No. 53 intersected sections with many high values, suggesting a substantial tonnage of good-grade ore. We consider that the results from borehole No. 50 may be accepted as confirming the extension of the Zinc Corporation lead lode on the 18th level to at least 1,000 ft. into our leases.

The report and accounts were unanimously adopted.

NEEPSSEND STEEL AND TOOL CORPORATION, LIMITED

MR STUART C. GOODWIN'S REVIEW

Mr Stuart C. Goodwin, J.P., chairman of directors, presided at the 24th annual general meeting of the Neepsend Steel & Tool Corporation, Limited, held at the registered office, Neepsend, Sheffield, on October 26th. In his statement he said the directors considered the results satisfactory and have confidence in the prospects of the company and its subsidiaries in the post-war period.

On the assets side of the balance sheet sundry investments at £370,901 represented an increase of £26,474 due to additional investments, less certain redemptions. The market value of their securities had improved over that of last year and the present depreciation reserve of £38,493 covered their small fall in value several times over. Cash at bank and in hand stood at £47,973, which together with £28,813 in the bank and cash accounts of their subsidiary companies made a total of £76,786, which the directors considered sufficient for current requirements.

On the liabilities side the sums owing on current account to certain of their subsidiaries by the Corporation amounted to £176,805, whilst the sums owing on current account to the Corporation by other of their subsidiaries amounted to £113,094. This left a net amount of £63,711 of subsidiary companies' monies held by the parent company, a decrease of £100,186.

Net revenue after deduction of taxation was £109,702, compared with £108,216, an increase of £1,486. The general reserve receives £20,000, making that fund £110,000, and a further £5,000 is transferred to contingencies reserve. It was not considered necessary to increase the £150,000 which had already been provided towards the anticipated E.P.T. liability of the subsidiary companies.

MONEY RATES, LONDON.—The following rates remained unchanged between October 26th and November 2nd:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 4-14%. Short Loans, 1-14%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between October 26th and November 2nd. (Figures in brackets are par of exchange).

United States. \$ (4-88½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-88½) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25-221)

(Continued on page 622)

(Continued from page 620)

FINANCE AND BANKING

THE MONEY MARKET.—The Bank return reflects all the influences on the money market discussed in a note on page 615. Bankers' deposits though £10,746,000 down, remain at the comparatively high level of £193,037,000. The whole of the net outflow of bank cash is accounted for by an end-month rise of £6,644,000 in the note circulation and by an increase of £5,226,000 in Public Deposits. The latter movement was probably due mainly to the incidence of TDR payments.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Clothing Industry Labour.—New measures have been announced to increase the labour force of the clothing industry. In addition to the suspension of withdrawals from nucleus firms in reception areas, and the restoration of the cut in their "approved labour force" previously announced, clothing workers in all areas who are not required for other work will be allowed to return to nucleus firms even if these already employ their approved labour force. Skilled tailoring workers who have been released from war-work will not be submitted for other vacancies while they can be absorbed by nucleus tailoring firms. These measures are necessary to overcome the present prospect of a shortage of clothing.

Trade Disputes.—The number of working days lost in September through industrial disputes was 186,000, a rise of 62,000 on the August figure. The number of people involved was 50,000 against 34,300. In coal mining, 27,000 workers were involved in stoppages during September, and an aggregate of 51,000 working days were lost. In the metal, engineering and shipbuilding industries 19,400 people lost 119,000 days.

Cotton Yarn for Experiments.—The Cotton Controller is to issue licences for the use of cotton and rayon yarns for experimental work in textiles. While the announcement is welcomed by the trade, it is believed in Lancashire that these special licences will be granted with caution, as supplies of yarn are still below essential needs of the war effort.

"The Economist" Sensitive Index.—There was no change in the index during the week ended October 31st. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	Sept. 1, 1944	Oct. 1, 1944	
Beef, British—				
Ribs	s. d. 1 2½	s. d. 1 3½	s. d. 1 3½	11
Thin Flank	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs	0 9½	1 1	1 1	35
Thin Flank	0 4½	0 6	0 6	29
Mutton, British—				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	50
Baron	1 3	1 10½	1 10½	27
Fish	0 11½	1 2½	1 2½	29
Flour (per 7 lb.)	0 8½	0 9	0 9	9
Bread (per 4 lb.)	2 4	2 10	2 10	27
Tea	0 3	0 4	0 4	32
Sugar (gran.)	0 6½	0 9	0 9	27
Milk (per qt.)	1 4½	1 8	1 8	31
Butter (salt)	0 10	1 1	1 1	30
Cheese	0 6½	0 9	0 9	12
Margarine, special	0 2	0 2	0 2	1
" standard	0 2	0 2	0 2	9
Eggs, fresh (each)	0 6½	0 8½	0 8½	22
Potatoes (per 7 lbs.)	138	169	168	
Index all foods weighted (July, 1914=100)				

Source: Ministry of Labour Gazette.

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

	Mar. 31, 1937*	Aug. 30, 1939	Oct. 26, 1943	Oct. 10, 1944	Oct. 24, 1944
Cereals and Meat	93.0	66.9	108.2	106.6	106.9
Other Foods	70.4	61.1	107.5	107.3	107.3
Textiles	74.2	54	91.4	103.7	103.5
Minerals	113.2	95.4	135.9	145.5	145.5
Miscellaneous	87.0	77.6	127.1	128.9	128.9
Complete Index	87.2	70.3	113.6	117.9	117.9
1913=100	119.9	90.3	156.3	162.2	162.2

* Highest level reached during 1932-37 recovery.

INVESTMENT

Capital Issues

Week ending November 4, 1944	Nominal Capital £	Conversions £	New Money £
Particulars of Government issues appear on page 621.			
Year†	Including Conversions	Excluding Conversions	
1944	1,234,845,333	1,216,193,883	
1943	1,441,246,655	1,421,441,966	

Destination* Nature of Borrowing

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1944	1,213,791,228	2,147,721	254,934	1,209,682,205	2,393,289	4,118,38
1943	1,418,134,862	2,068,427	638,677	1,409,987,685	2,127,701	9,326,58

* Conversions included. † Includes Government issues to Oct. 25, 1944, only. Above figures include all new capital in which permission to deal has been granted.

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Oct. 26	5,117	4,954	110.5	135.2	3.14	3.81
" 27	5,551	5,006	110.8	135.2	3.14	3.79
" 30	6,967	6,003	110.9	135.2	3.14	3.79
" 31	5,593	5,295	111.5	135.3	3.13	3.77
Nov. 1	6,099	5,463	111.8	135.5	3.13	3.76

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		Oct. 11, 1944	Oct. 18, 1944	Oct. 25, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	106.1	106.4	104.6
32 Rails	88.9 (a)	106.8	103.7	104.4	103.5
40 Utilities	85.0	93.5 (c)	92.7	93.5	92.6
419 Stocks	93.6 (a)	105.7	103.9	104.3	102.7
Av. yield %†	4.84 (b)	4.43	4.75	4.57	4.66

† Common Stocks. (a) Feb. 9. (b) May 3. (c) October 18.

STANDARD STATISTICS INDICES

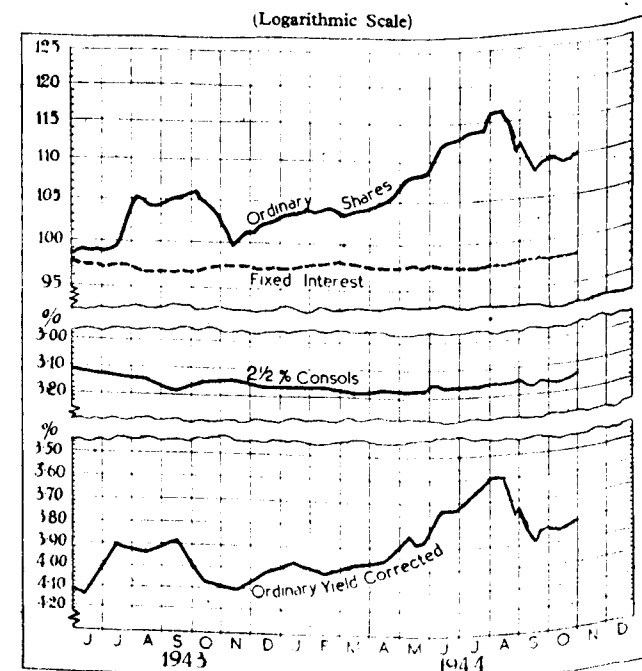
DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Oct. 19	128.3	829,000	Oct. 25	125.9	1,025,000
" 20	128.2	745,000	" 24	126.1	854,000
" 21	128.4	357,000*	" 25	126.2	638,000

1944: High 131.8 (July 14). Low, 115.8 (Feb. 8). * Two-hour session.

FIXED INTEREST AND EQUITY PRICES. CONSOL 2½% AND EQUITY

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols



(Continued at foot of previous page)

GOVERNMENT RETURNS

For the week ended Oct. 28, 1944, total ordinary revenue was £69,896,000, against ordinary expenditure of £123,979,000 and issues to sinking funds of £220,000. Thus, including sinking fund allocations of £349,408, the deficit accrued since April 1st is £1,876,280,000 against £1,858,605,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Oct. 30, 1943	April 1 to Oct. 28, 1944	Week ended Oct. 30, 1943	Week ended Oct. 28, 1944
ORDINARY REVENUE					
Income Tax	130,000	404,835	474,568	9,066	18,718
Corporation Tax	80,000	15,174	12,868	350	439
State, etc.	100,000	55,924	62,423	1,690	1,824
Duties	19,000	10,580	7,891	30	...
Grants	500,000	18,056	19,053	660	607
L.P.T.	285,342	286,479	9,153	8,790	...
Other Ind. Rev.	1,000	238	130	...	...
Total Ind. Rev.	200,000	790,149	863,412	20,949	30,378
Customs	564,900	310,196	328,578	7,172	7,502
Excise	472,900	282,400	293,215	30,600	29,015
Total Customs & Excise	1,037,800	592,596	621,793	37,772	36,517
Motor Duties	27,000	4,369	4,714	188	370
P.O. (Net Receipts)	4,850	2,190	2,240	500	550
Down Lands	800	650	650	180	180
Receipts from Sundry Loans	7,350	2,287	2,457	...	...
Receipts from Sundry Receipts	24,000	44,508	50,052	1,326	1,900
Total Ord. Rev.	3,101,800	1,436,750	1,545,318	60,915	69,896
SELF-BALANCING P.O. & Brdcastg.	112,370	62,550	66,200	3,100	3,450
Total	3,214,170	1,499,300	1,611,518	64,015	73,346

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Oct. 30, 1943	April 1 to Oct. 28, 1944	Week ended Oct. 30, 1943	Week ended Oct. 28, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	221,737	251,525	1,207	1,266
Payments to N. Ireland	9,000	4,008	4,663	332	356
Other Cons. Fund Services	7,000	3,770	3,845	8	...
Total	436,000	229,515	260,033	1,547	1,622
Supply Services	550,139	305,806	315,321	12,059	12,356
Total	593,739	328,750	341,324	12,205	12,397
SELF-BALANCING P.O. & Brdcastg.	112,370	62,550	66,200	3,100	3,450
Total	604,976	335,007	347,944	12,515	12,749

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £917,075 to £2,608,313, the other operations for the week (no longer shown separately) raised the gross National Debt by £54,558,252 to £21,461 million.

NET ISSUES (£ thousands)	
War Damage Act	834
P.O. and Telegraph	100
Total	934

NET RECEIPTS (£ thousands)	
Overseas Trade Guarantees	262

MONTH'S CHANGES IN DEBT (£000's)

NET INCREASES		NET REPAYMENTS	
Treasury Bills	54,535	5% Conv. Loan, 1944	50
Nat. Sav. Certs.	10,500	2½% Nat. Defence Bonds, 1944	75
3% Def. Bonds	5,277	3% Term. Annuities "Other Debt"	1,502
2½% Nat. War Bds.	20,800	Internal	4,179
1952-54	22,155		
3% Savings Bonds, 1965-75	48		
" Other Debt "	26,910		
External	123,000		
Ways and Means Advances	8,200		
Treasury Deps. by Banks	271,425		5,806
Tax Reserve Certs.			

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1943						
Oct. 30	1200.0	1872.3	326.5	16.7	1213.0	4628.5
1944						
July 29	1430.0	2138.9	483.9	1.2	1418.0	5472.0
Aug. 5	1430.0	Not available	Not available	Not available	Not available	Not available
" 12	1430.0	"	"	"	"	"
" 19	1430.0	"	"	"	"	"
" 26	1430.0	2199.0	390.9	"	1478.5	5498.4
Sept. 2	1430.0	Not available	Not available	Not available	Not available	Not available
" 9	1430.0	"	"	"	"	"
" 16	1430.0	"	"	"	"	"
" 23	1430.0	"	"	"	"	"
Oct. 7	1430.0	3695.3	449.8	21.0	1582.0	5748.1
" 14	1430.0	Not available	Not available	Not available	Not available	Not available
" 21	1430.0	"	"	"	"	"
" 28	1450.0	2300.0	497.0	0.8	1705.0	5952.8

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1943				
Oct. 29	100.0	193.4	100.0	20 0.48
1944				
July 28	110.0	214.3	110.0	20 0.46
Aug. 4	110.0	217.1	110.0	20 0.11
" 11	110.0	208.9	110.0	20 0.51
" 18	110.0	200.9	110.0	20 0.83
" 25	110.0	202.9	110.0	20 2.84
Sept. 1	110.0	222.5	110.0	20 2.45
" 8	110.0	217.7	110.0	20 2.81
" 15	110.0	220.4	110.0	20 2.47
" 22	110.0	207.2	110.0	19 11.60
" 29	110.0	228.3	110.0	19 11.70
Oct. 6	110.0	227.1	110.0	20 0.27
" 13	120.0	227.0	120.0	20 0.30
" 20	120.0	227.5	120.0	20 0.16
" 27	120.0	223.3	120.0	20 0.69

On Oct. 27 applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 37 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £120 millions of Treasury Bills are being offered on Nov. 3. For the week ending Nov. 4, the banks will be asked for Treasury deposits to the maximum amount of £60 million.

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

(£ thousands)				
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1952-54
Aug. 22	5,315	1,404	2,272	4,689
" 29	5,229	1,339	3,628	3,332
Sept. 5	5,421	1,419	4,260	6,587
" 12	4,022	1,483	4,228	13,178
" 19	4,552	1,442	5,621	4,809
" 26	4,713	1,444	4,214	4,094
Oct. 3	4,108	1,511	4,977	5,036
" 10	4,030	1,753	7,667	4,010
" 17	4,356	1,768	7,144	6,441
" 24	4,377	1,812	3,449	4,621
" 31	...	...	5,037	5,168
Totals to date	1,247,756*	763,522*	1,778,292†	739,155‡

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK—Million £'s

	Sept. 20, 1943	Sept. 4, 1944	Sept. 11, 1944	Sept. 18, 1944
ASSETS				
Gold and English ster.	38.27	50.54	50.54	50.54
Other coin, bullion, etc.	11.13	18.21	17.39	17.78
Call money, London	47.59	122.12	127.65	129.74
Secur. and Treas. bills	221.67	241.49	241.34	247.29
Discounts and advances	20.52	29.31	27.53	23.24
LIABILITIES				
Notes issued	149.01	197.24	197.24	197.24
Deposits, etc.	171.34	212.15	215.60	217.94

BANK OF CANADA

Million Can. \$'s

	Oct. 6, 1943	Sept. 27, 1944	Sept. 30, 1944	Oct. 4, 1944
ASSETS				
Reserve: Gold	44.4	48.19	45.89	48.64
Other	1178.0	1456.04	1458.50	1458.65
LIABILITIES				
Note circulation	822.9	978.55	982.80	990.07
Deposits: Dom. Govt.	74.5	35.63	21.90	24.23
Chartered banks	303.1	443.25	454.84	455.67

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

U.S. FEDERAL RESERVE

Million \$'s

	Oct. 28, 1943	Oct. 13, 1944	Oct. 19, 1944	Oct. 26, 1944
RESOURCES				
Gold certifs. on hand and due from Treasury	19,852	18,039	18,030	18,021
Total reserves	20,293	18,802	18,814	18,820
Total cash reserves	329	242	254	262
Total U.S. Govt. sec.	9,291	17,016	17,087	17,261
Total loans and sec.	9,316	17,173	17,281	17,592
Total resources	31,497	37,781	38,367	38,278
LIABILITIES				
F.R. notes in circ.	15,521	20,499	20,564	20,634
Excess m. bank res.	1,050	1,000	900	800
Mr. bank res. dep.	12,005	13,433	13,814	13,940
Govt. deposits	530	211	315	229
Total deposits	14,194	15,487	15,728	15,755
Total liabilities	31,497	37,781	38,367	38,278
Reserve ratio	68.2%	52.2%	51.3%	51.7%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,132	20,725	20,728	20,727
Treasury & bank currency	4,103	4,113	4,114	4,115
LIABILITIES				
Money in circulation	19,090	24,099	24,157	24,216
Treasury cash and dep.	2,825	2,577	2,577	2,588

CENTRAL BANK OF IRELAND

Million £'s

	Oct. 23, 1943	Oct. 7, 1944	Oct. 14, 1944	Oct. 21, 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. sec.	21.65	25.10	25.60	26.09
Sterling balances	1.77	2.05	1.75	1.62
LIABILITIES				
Notes in circulation	26.26	30.29	30.67	30.78

THE ECONOMIST, November 4, 1944

CENTRAL BANK OF TURKEY

Million Turkish pounds

	Aug. 28, 1943	Aug. 12, 1944	Aug. 19, 1944	Aug. 26, 1944
ASSETS				
Gold	201.7	275.9	275.9	275.9
Clearing and other exch.	66.3	68.0	67.7	67.7
Treasury bonds	132.4	128.6	128.5	128.5
Commercial bills	401.9	559.4	563.1	558.1
Securities	62.3	50.9	51.0	51.0
Advances	255.9	246.5	245.8	247.1
LIABILITIES				
Notes in circulation	722.8	956.8	953.6	952.1
Deposits	214.5	206.3	209.8	202.2
Clearing and other exch.	30.3	28.9	29.6	28.1

RESERVE BANK OF INDIA

Million rupees

	Oct. 22, 1943	Sept. 29, 1944	Oct. 6, 1944	Oct. 13, 1944	Oct. 20, 1944
ASSETS					
Gold coin & bullion	444	441	444	441	444
Rupee coin & bullion	139	160	161	161	161
Balances abroad	1,152	3,049	2,982	2,987	3,023
Sterling securities	6,748	8,343	8,443	8,503	8,563
Ind. Govt. rup. sec.	583	578	578	578	578
Investments	103	116	116	116	116
LIABILITIES					
Notes in circulation	7,764	9,413	9,500	9,570	9,622
Deposits: Govt.	516	2,032	1,870	1,940	1,967
Other	685	1,362	1,065	1,011	1,035
Reserve ratio	99.9%	92.4%	92.5%	92.6%	92.7%

UNITED STATES: MONTHLY STATISTICS

Unit of Measurement	Monthly Average							1943				1944				
	1929	1932	1939	1940	1941	1942	1943	May	June	July	Aug.	Apr.	May	June	July	Aug.
Population June, 1940: 131,954,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.																
1. Industrial production, adj. F.R.B. 1935-39=100	110	58	108	122	155	199	239	239	237	240	242	239	237	235	233	232
2. Manufacturing, dur. adj. F.R.B. 1935-39=100	110	58	108	122	155	199	239	239	237	240	242	239	237	235	233	232
3. Manufacturing, non-dur. adj. F.R.B. 1935-39=100	132	41	109	139	201	279	361	359	358	360	365	361	357	353	350	349
4. Minerals, adj. F.R.B. 1935-39=100	93	70	109	115	142	158	176	176	177	177	178	171	169	169	168	166
5. Building contracts awarded:—	107	67	106	117	125	129	132	129	117	134	135	140	143	143	140	142
6. Total, adj. F.R.B. 1935-39=100	117	28	102	121	155	199	239	239	237	240	242	239	237	235	233	232
7. Residential, adj. F.R.B. 1935-39=100	147	13	60	72	89	82	40	31	32	35	35	31	32	32	36	40
8. Other, adj. F.R.B. 1935-39=100	142	40	81	89	149	235	92	68	55	80	79	52	46	46	54	61
9. Freight-car loadings, adj. F.R.B. 1935-39=100	152	78	101	109	130	138	137	135	127	141	140	138	138	138	142	...
10. Dept. store sales, adj. F.R.B. 1935-39=100	117	75	106	114	133	149	168	158	167	171	165	173	181	175	193	...
Employment:—																
11. Non-agricultural, adj. F.R.B. 1935-39=100	...	...	30,353	31,784	35,668	38,447	39,728	39,740	39,755	39,876	39,737	38,868	38,675	38,550	38,579	38,687
12. Agricultural, adj. F.R.B. 1935-39=100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
13. Factory, adj. F.R.B. 1935-39=100	106.0	77.6	100.0	104.7	117.5	126.7	130.7	130.9	131.0	131.4	130.9	128.1	127.4	127.0	127.1	127.4
14. Unadj. F.R.B. 1935-39=100	106.1	66.4	100.0	107.5	132.1	152.3	168.7	167.9	169.0	169.7	169.6	161.5	159.6	158.6	157.6	157.6
15. Payrolls, unadj. F.R.B. 1935-39=100	119.8	50.7	100.0	114.5	167.5	242.3	316.4	313.5	317.1	315.6	322.2	318.2	318.3	317.0	301.2	...
16. Average hours, B.L.S. 1935-39=100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
17. Hourly earnings, B.L.S. 1935-39=100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
18. Cost of living, F.R.B. 1935-39=100	122.5	97.6	99.4	100.2	105.2	116.5	123.6	125.1	124.8	123.9	123.4	124.6	125.1	125.4	126.1	126.3
Wholesale prices:—																
20. Farm products, B.L.S. 1926=100	104.9	48.2	65.3	67.7	82.4	105.9	122.6	125.7	126.2	125.0	123.5	123.2	122.9	125.0	124.1	122.6
21. Foods, B.L.S. 1926=100	99.9	61.0	70.4	71.3	82.7	99.6	106.6	110.5	109.6	107.2	105.8	104.9	105.0	106.5	105.8	104.8
22. Other commodities, B.L.S. 1926=100	91.6	70.2	81.3	83.0	89.0	95.5	96.9	96.7	96.8	96.9	97.1	98.4	98.5	98.5	98.5	98.6
23. Wholesale com'dity prices, unadj., F.R.B. 1935-39=100	95.3	64.8	77.1	78.6	87.3	98.6	103.1	104.1	103.8	103.2	103.1	103.9	104.0	104.3	104.3	103.9
Bank Debts:—																
24. Total, all reporting centres	81,878	...	35,328	37,155	44,783	53,481	66,078	64,246	66,894	65,347	60,614	66,707	67,276	83,866	...	...
25. New York City	50,257	...	14,265	14,299	14,810	18,905	24,697	25,737	25,464	25,976	21,221	25,297	24,708	33,563	...	...
26. Gold stock	3,936	3,952	17,644	21,995	22,737	22,726	21,938	22,426	22,388	22,335	22,243	21,429	21,264	21,173	...	...
27. Money in circulation	4,476	5,328	7,598	8,732	11,160	15,410	20,449	24,114	24,114	24,114	24,114	24,114	24,114	24,114	...	...
28. Member Bank Res. Balances	2,356	2,114	10,466	13,331	...	...	...	...	...	...	...	...	...	...	...	...
29. Excess Reserves	43	256	4,669	6,376	...	...	...	...	...	...	...	...	...	...	...	...
30. Capital issues, C.F. Chronicle	595	99	186	163	238	89	51	44	41	31	26	107	112	...	...	...
31. 354 Indus. securities, Stand. Statistics	3.60	3.66	2.36	2.21	2.05	2.09	1.98	1.96	1.91	1.91	1.92	1.94	1.94	1.91	...	...
32. Yield on Govt. bonds	122.9	70.6	105.5	113.8	137.3	171.9	211.4	205.3	212.1	213.4	229.4	230.7	234.6	...	...	...
33. Income payments, adj.	4,032	2,076	5,595	7,606	8,269	13,668	23,385	17,422	4,569	2,048	3,005	3,119	3,256	6,249	2,212	2,859
34. Treasury receipts	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
35. Expend., national defense	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
36. Expend., total	3,852	4,320	9,528	12,774	12,711	32,397	78,179	7,435	8,327	7,112	7,617	7,859	8,292	8,625	8,110	8,119

(Continued from page 619)

17-30-40. French Empire. France 1971-2001. Syria. p. 8-81-85. Sweden Krona (18-159) T.T. 16-85-95. Dutch West Indies. Florida (12-11) T. 58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 4-02-04; mail transfers 4-02-04. Brazil. 82-8456 p. cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between October 26th and November 2nd.

Egypt. Piastres (871) 971-1. India. Rupee (18d. per rupee) 17-18-1/2 d. Belgian Congo. Francs 176-1/2. China. National 3-3-1/2. Iran. Rl. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-15 pesos.

NEW YORK EXCHANGE RATES

New York	Oct. 25	Oct. 26	Oct. 27	Oct. 28	Oct. 30	Oct. 31	Nov. 1
Cables							
London	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
Montreal	89-930	89-930	89-930	89-930	89-930	89-930	89-930
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-90	24-88	24-88	24-88	24-88	24-88	24-88
Rio de Janeiro	5-19	5-19	5-19	5-19	5-19	5-19	5-19
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-20	9-20	9-20	9-20	9-20	9-20	9-20
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78.

† Free Rate.

§ Bid.

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to date (October 28th), and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000**RESERVE FUND - £3,000,000**Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIATHE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies
The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

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

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West End Branch:

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Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

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Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Amritsar Bombay Calcutta Cawnpore Chittagong Dar-es-salaam Mwanza	Cochin (S. India) Delhi Kandy Karachi Lahore Tanganyika Territory	Madras Mandalay Nuwara Eliya Rangoon Tuticorin Zanzibar	Kisumu Mombasa Nairobi Nakuru Entebbe Jinja Kampala	Kenya Colony British E.A. Uganda
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SUBSCRIBED CAPITAL ... £4,000,000**PAID-UP CAPITAL ... £2,000,000****RESERVE FUND ... £2,200,000**

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



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London Directors:

I. C. Geddes C. L. Dalziel

London Manager: H. E. Holiday

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CZECHOSLOVAK INSTITUTE, 18, Grosvenor Place, S.W.1.
7th November, 8 p.m. "Economic Future of Czechoslovakia." Lecture by Dr. Frank Munk, Professor of Economics at the University of California in Berkeley.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 114 Liberty St., New York, 6.—Saturday, November 4, 1944

THE HONGKONG AND SHANGHAI BANKING CORPORATION

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

Head Office (temporarily),

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

Chief Manager: A. MORSE, C.B.E.

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As at 30th June, 1944—General Bank Balances	£399,100,808
Savings Bank Balances	800,285,765
Note Issue Department	199,536,045
Rural Credits Department	2,472,059
Mortgage Bank Department	1,360,420
Other Items	22,320,811
Total	£925,076,908

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1958-63.

For the purpose of preparing the Interest Warrants due 1st January, 1945, the BALANCES will be STRUCK on the evening of the 1st December, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the Dominion of Canada in London.

EDWARD POPE, Manager.

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

PROVINCE OF ONTARIO

THREE AND A HALF PER CENT. REGISTERED STOCK, 1946, and FOUR AND A HALF PER CENT. REGISTERED STOCK, 1945-65.

For the purpose of preparing the Interest Warrants due 1st January, 1945, the BALANCES will be STRUCK on the evening of the 1st December, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL.

EDWARD POPE, Manager.

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

PROVINCE OF QUEBEC

FOUR AND A HALF PER CENT. REGISTERED STOCK, 1954.

For the purpose of preparing the Interest Warrants due 1st January, 1945, the BALANCES will be STRUCK on the evening of the 1st December, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL.

EDWARD POPE, Manager.

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

PROVINCE OF NEW BRUNSWICK

FOUR PER CENT. REGISTERED STOCK, 1949.

For the purpose of preparing the Interest Warrants due 1st January, 1945, the BALANCES will be STRUCK on the evening of the 1st December, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL.

EDWARD POPE, Manager.

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

NUNDYDROOG MINES, LIMITED

The question of the declaration of an Interim Dividend for 1944 has been considered at a meeting of the Board of the Company held to-day.

The Company's operations during the six months ended 30th June showed a profit in spite of the failure of the power supply resulting from the accident to the Government Power Plant on the 19th May. The full effect on the results for the six months to 31st December cannot yet be assessed and in the circumstances the Directors decided to postpone the consideration of a dividend until the results for the full year are available.

By Order of the Board,

C. H. D. GARLAND, Secretary.

2, White Lion Court, Cornhill, London, E.C.3. 26th October, 1944.

Parliament on Beveridge

LAST week's debate on the Social Insurance White Paper was remarkably free from atmospherics. Reception on all sides was good. Most speakers, whether they had any real criticism to offer or not, seemed awed by the significance of the occasion—as though they still found the Government's arrangement of "Beveridge" too good to be true. It is almost two years since Sir William Beveridge produced his famous report and twenty months since it was first discussed in Parliament; but the delay has not been unfruitful. It has permitted the fullest public discussion of principles, ways and means and has enabled the Government to produce a scheme that is broadly satisfying to all parties.

The Government's scheme is a compromise between ideals and hard facts. But it is not perfect and may require amendment at several points before it is drafted for legislation. There is much criticism, for example, of its proposals regarding family allowances. The Government are accused of robbing the children to pay the pensioners by reducing the scale of family allowances suggested in the Beveridge report from 8s. to 5s. They are accused, too, of infringing the principle of parental responsibility when they propose to supply school meals and milk to every child between the ages of five and sixteen.

These arguments are overstated. The suggested allowances in kind are eventually to cost virtually as much as the cash allowances. It is true that they will be spread over a larger number of children, since they cover first children as well as the second and later children for whom cash allowances will be given. But they are certainly not negligible. Moreover, they are allowances that would reach the children directly—even those children with the least responsible parents. The argument that parental responsibility forbids the gift of allowances in kind is an extremely old-fashioned one which it is astonishing to hear from Sir William Beveridge himself. On the contrary, the provision of school meals and milk for all children represents a particularly worthy and economic form of communal activity; and a logical development of a service already well established. It will be some time (Mr Butler mentioned a three-year programme) before all children can be catered for; when they are, the nation will surely have made an excellent start in the task of eliminating want among children. It is true, as Sir William Beveridge pointed out, that the scheme is inconsistent with the White Paper judgment that assistance for the first child is not normally necessary. But the inconsistency is surely a creditable one. It is true, too, that the under-fives would not, at present, share in these allowances in kind; nor, under existing conditions, would any child absent from school or on holiday. The retention of the national milk scheme and the provision of welfare foods (such as orange juice) would solve the first difficulty; Mr Butler's

new powers might be invoked to find an answer to the second. With children's allowances, as indeed with all benefits, there are strong temptations to be more generous on paper than is either prudent or practical. The Government's solution of a difficult problem is certainly worth trying.

The outstanding difference between the Beveridge and White Paper proposals is that benefits under the latter are not guaranteed to be adequate for subsistence. They may be related to the cost of living but do not provide, and are not intended to provide, a basic standard of material security. Sir William Jowitt's defence of the Government's attitude was that subsistence is a term that defies precise definition. If subsistence needs are interpreted as a basic minimum, as enough to keep body and soul together, it is still necessary to prescribe differently for each body and soul. In a comprehensive insurance system it is not possible to relate individual payments to individual needs which vary "from person to person, from place to place, and from time to time." The provision of an adequate basic minimum is further complicated by the extreme variety of rents, the least flexible of all household expenses. Since the Government have decided to preserve the contributory principle and a flat rate of contributions (rates levied according to ability to pay would be more equitable but less in keeping with traditional policy), a guaranteed subsistence benefit for all could be financed only by very high contributions from all.

The Government's case is that those who cannot provide additional cover for themselves through voluntary insurance should, where necessary, obtain supplementary relief from the Assistance Board. Without a clear relation of benefits to the cost of living the whole justification for the scheme breaks down. If rising prices widen the gap between benefits and subsistence, and the great majority of beneficiaries have to apply for supplementary assistance, the logic and economies of a unified system of insurance would disappear. Everything depends on the manner in which the Government's principle of "reasonable premiums and reasonable benefits" is interpreted. At the moment there is no clear indication of their intentions. During the debate Sir John Anderson would say only that

there is nothing whatever in this scheme to prevent the Government and the House from taking the question of subsistence rates, of what is adequate for subsistence, fully into account in settling rates of benefit and the rates of contribution for which provision is to be made in the Statute. . . .

The Government's approach to the problem was "make up your minds what you think is right. Fix the rate of benefit and fix the contribution, and if circumstances



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change by all means look at it again." This was something less than frank. There is a need for caution, and it should be stated. The difference between reasonable-benefits-plus-assistance and subsistence benefits is partly one of principle, and the country will not be happy until it gets the principle. But it is also one of administrative economy. It is common ground that no one is to be allowed to fall below subsistence level, but one method combines a fine and sweeping principle with a good deal of waste; the other secures economy at the cost of the principle. With so many factors unknown in the immediate economic future—the level of prices, the yield of taxation, the size of competing claims on the revenue, the shape and size of the national income—the Government are playing safe.

Whether they are right to play safe depends on the answer to the question "Can we afford it?", which has been disputed and submitted to attempted ridicule so often during the past two years that it is now almost as unpopular as an unsavoury cliché; so unpopular, indeed, that it was avoided far too carefully during the debate. Mr Greenwood contented himself with a downright "We must afford it," and Sir William Beveridge said that "the change of a few figures" would turn the Government's plan into "a plan to abolish want." It was left to Sir George Schuster to tackle the cliché boldly:

Having declared these postwar dividends, it is high time that we put our heads together—and they [the Government] must be frank with us—about how we are to earn the revenue from which these dividends have to be paid.

These are words of elementary caution. The Social Insurance plan is one part only of a great scheme of social improvement and re-development. It takes its place (a dominant place, it is true) in the reconstruction of Britain along with housing, a national health service, a new system of education and the regeneration of industry and commerce; and each of them will make great demands on the national income and capital. When the question "Can we afford it?" is posed to each of these separately, the answer is clearly affirmative. But when it is posed to all of them together, the public has no material for an answer. Sir John Anderson has been unable to supply the *pro forma* budget of national resources which he pro-

mised last February; and the figures he produced during the debate are a poor substitute.

While Social Insurance is financed almost entirely by a redistribution of the national income the effects of that redistribution on the nation's economic life may be very considerable. Social improvements in the last analysis involve more consumption. All reasonable people regard the ultimate perfection of these services as a highly necessary and desirable objective. The supreme problem at the moment is how much of the national effort can "reasonably" be employed in the provision of goods and services for domestic consumption; for the solution of that problem determines automatically how much can be devoted to the task of equipping the country with the capital goods it so sorely needs. The present tendency is to make haphazard allocations of resources for increased Government activity (armed forces, education, medical services), for increased consumption (social insurance) and for increased provision of consumers' capital (housing). All these things are necessary and desirable; each of them, separately, can be afforded. But if the net effect of the whole process is to crowd out the fourth category and to leave no allocation at all for producers' capital—that is, wealth-producing equipment—then the national income will be too low and too stagnant to support the burdens placed upon it. The standard of living—and the social services are a real element in the maintenance of that standard—depends ultimately on the efficiency of British industry; and efficiency requires the rapid accumulation and maximum utilisation of capital resources. Until that is safeguarded, all caution cannot be abandoned.

The nation can probably afford the Government's "Beveridge" as it stands; how much more it can afford in the way of social security is impossible to assess until the national resources have been listed and computed. Parliament has given the White Paper an encouraging welcome. It is now a time for action. Sir William Jowitt's advice:

Do not let us lose the good which is in this scheme by stumbling forward towards what we think is a best which may prove unattainable

is sensible and practical. If it is followed there should be no great difficulty in getting the forthcoming Social Insurance Bill on the Statute Book before the general election.

Beveridge on Employment

WHILE the House of Commons, with Sir William Beveridge's personal assistance, has been debating the Government's proposals for giving effect to his famous Report, Sir William himself has published his long-awaited report on another of the great economic problems of the age. The Report on Social Insurance, landmark though it was, was in the main a monument of administrative clarification. The new Report essays a much more difficult task, that of re-formulating the common-sense truths of modern economic theory in a language which, Sir William hopes, will enable any interested person to see the truth behind the paradoxes of the economist. His new Report on "Full Employment in a Free Society,"* which he prepared "in a wholly private capacity" on the basis of "continual consultations with economists outside the Government Departments," is a masterpiece of clear thinking and brilliant exposition. It surveys the facts and theories of unemployment in peace and in war; it presents a programme for action in the peace to come, without neglecting the internal and the international implications of full employment to the political setting within of a full employment policy; and it relates the economic which it will have to be tackled. Altogether, the Report represents an outstanding achievement of Sir William's private enterprise.

The first impression is that the differences between Sir William Beveridge's diagnosis and prescription and those

* "Full Employment in a Free Society." Allen and Unwin. 429 pages. 12s. 6d.

of practically all modern economists, inside the Government and out, are small. "The main diagnosis," he says himself, "is on the same lines, representing the general agreement of economists that employment depends on expenditure. . . . This is common ground, as it is common sense." Nor does Sir William depart from the common ground of informed opinion when he demonstrates, by statistics and by argument, that the two principal factors that impart instability to total expenditure are, first, the fluctuations of private expenditure on investment and, second, the variable expenditure on imports in relation to exports. This wide measure of agreement is a phenomenon of very recent years, and it is the chief reason for encouragement. But the unanimity is not perfect; beneath the wide agreement on the nature of full employment policies there are still difficulties, and there are disputes of some substance.

Moreover, even where economists are agreed, there remains the fundamental difficulty of carrying the public with them—of becoming not merely intelligible but convincing. This difficulty arises only partly from the economist's jargon; its main cause rests in the fact that the economist's way of looking at the "body economic" is necessarily different from that of the ordinary business man, trader, or employee. The individual knows that his expenditure is (by and large) determined by his income; the economist proclaims that, on the contrary, income is determined by expenditure. While each nation knows that its capacity to pay for imports is determined by its exports, the economist insists that, on the contrary, the imports

of the world as a whole determine how much can be exported. The individual knows that he must save before he can invest; the economist says that the community's investments create its savings. Of such paradoxes there is no end; on all the general economic questions of our society, the economist is driven to conclusions which appear to run directly counter to the daily experience of all those who are actually engaged in the economic process. And even when the logic is accepted, there is the almost irresistible temptation to relapse, when it is a question of practical measures, into the habits of mind bred by individual experience. The exposition of the new doctrines, therefore, requires a more than usually lucid and vivid pen—such as Sir William Beveridge commands. His new Report is bound to exert a most healthy influence on all economic discussion; it will help immeasurably to bridge the still existing gulf between the economists and the general public.

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It may also help to bridge some of the remaining gulfs among the economists. Even if they will not all be able to follow exactly his line, his factual and theoretical exposition of the problems and possible remedies should make it easy for the various schools of thought, if not to agree, at least to understand one another better. Perhaps the three most important grounds for dispute are, first, the extent to which a full employment policy will prove compatible or incompatible with the present structure or ownership of industry; second, the extent to which it will require the abandonment of the canons of "sound finance"; and third, the extent to which it can be pursued, or ought to be pursued, by one country alone, if other countries do not adopt similar internal policies.

Sir William Beveridge is quite unambiguous on all three of them. For example, while he does not rate the liberty of a private individual "to own means of production and to employ other citizens in operating them at a wage" as one of the essential rights of citizenship, he does not propound a Socialist doctrine in the accepted sense of the word. He is more concerned with asserting the state's control over the total volume of expenditure than with "different phip of the means of supply"; "socialising grammes. Tr than production" is, in his view, the next There is, fir be taken.

designed foration of the means of production in every relaxation ould not be an alternative to the policy of dians, musiutlay for full employment; it would only e. ne conditions under which that policy had to be ed. Nationalisation of particular industries may be us ul as part of this policy, but it is even less of an alternative to it; the adjustment of total outlay to total manpower (which is the essence of a full employment policy) is meaningless, except as a global policy covering the whole of industry.

Sir William Beveridge, as he claims himself, "by-passes the socialist-capitalist controversy."

The policy outlined in the Report . . . can be accepted by persons holding many different views on that controversy—by those who desire Socialism at once, by those who oppose Socialism at any time, and by those who are prepared to judge private enterprise and public enterprise on their merits in the light of experience.

The system of private enterprise must justify itself not merely by enterprise and efficiency, but also by stability. If private investment expenditure, to whose notorious and "dangerous" instability the Government White Paper on "Employment Policy" referred as one of the two "most serious obstacles to the maintenance of total expenditure," cannot be stabilised through the actions of private business men themselves or through the efforts of the state to induce stability, then some modification of the system will indeed be necessary. But Sir William evidently does not think it will be necessary to go so far. It is quite true that he is far more insistent than the White Paper—and rightly so—on the necessity for stability in private industry.

My Report, in place of accepting the inevitability of fluctuation and aiming merely at offsetting it (through counter-fluctuations of public expenditure), accepts the

necessity of stability not merely in total expenditure but in each main section.

And the inference is that this can be done. But it is only an inference, for the main gap in Sir William's otherwise very comprehensive treatment is that he does not adequately discuss the practical ways and means by which public policy can exercise a stabilising influence on private industry. This is unquestionably the region towards which the attention both of economists and business men should now be turned. A public works policy, offsetting fluctuations in industry, is not only distasteful in principle, since it assumes that large masses of labour will be shuttled to and fro, but it would almost certainly run up against crippling practical difficulties. Nor can the problem be solved by wholesale nationalisation which, even if it were desirable, would impose an intolerable strain on the administrative apparatus of the country. If full employment is to be attained, the only practical route is by inducing private industry to stabilise itself. But to say this is not to say that it is an easy route or one that has been fully surveyed.

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The second "debatable" subject—that of fiscal policy—is developed in the Report at considerable length. There are here none of the financial inhibitions so painfully prominent in the Government's White Paper. Sir William lays down three rules of national finance:

The first rule is that total outlay at all times must be sufficient for full employment. This is a categorical imperative taking precedence over all other rules, and over-riding them if they are not in conflict with it. The second rule is that, subject to this over-riding categorical imperative, outlay should be directed by regard to social priorities. The third rule is that, subject both to the first and the second rule, it is better to provide the means of outlay by taxing than by borrowing.

On the first rule—adequacy of outlay—there is already widespread agreement. The second rule—on social priorities—runs counter to one of the most cherished of the newer doctrines, that a deficit is good or bad according to what it is spent on. The rule that "social priorities," and nothing else, should determine state expenditure demolishes the idea of the "double budget" (of which the part devoted to public investment can safely be borrowed) and so does his third rule. It is *always* better to provide the means for state outlay by taxation than by borrowing, irrespective of whether the outlay of the state leads to the creation of permanent assets or not. In one respect, therefore, Sir William carries "unorthodoxy" a stage further: he says, in effect, that there are no particular reasons for treating funds raised by borrowing any differently from funds raised by taxation. In another respect, however, he is far more orthodox than the advocates of the "double budget"; he says, in effect, that the balanced budget remains the ideal budget, and that capital expenditure is no sufficient excuse for a deficit.

To the two established schools of Public Finance there is thus added a third. There is, first, the traditional orthodox theory, based on nineteenth century economic doctrine, which holds that all budget deficits are "unsound"; there is, second, the now widely-held unorthodox theory, which holds that budget deficits, incurred for the purpose of avoiding unemployment, are quite sound provided—but only provided—that they lead to the creation of "productive" assets for the state; and there is, third, the neo-orthodox theory, vividly summed up in Sir William Beveridge's three rules of public finance, which reinstates the ideal of a balanced budget, subject to the over-riding rule of adequate total expenditure. This is, of course, the policy pursued by Governments in wartime and the position at which the man in the street, without the advantage (if it be one) of theoretical reasoning, has already arrived by instinct.

Sir William's objection to Budget deficits is not an economic one—not that they are "economically unsound" or likely to lead to bankruptcy—but a social one, that they expand the rentier class. And similarly, his advocacy of taxation serves a social purpose as well as an

economic. Progressive taxation inevitably acts to redistribute net incomes, which is not only good in itself but also increases the "propensity to consume"—that is, diminishes savings and thereby reduces the dimensions of the gap in the circular flow of income by which unemployment is caused.

But, under this head, as under the previous one of public *versus* private ownership, Sir William does not expect anything very revolutionary to be necessary. One of the Appendices contains some calculations by Mr Nicholas Kaldor according to which, in 1948, under conditions of full employment, the pre-war rates and structure of taxation would yield as much as 94 per cent of the necessary current expenditure of the Government, on the probable post-war scale. The budget deficit, or alternatively the increased taxation, will, on this calculation, not need to be very large. There are some distinctly optimistic assumptions in Mr Kaldor's estimates, but even if the precise calculation is not accepted, the basic conclusion stands. Instead of unbalanced budgets being necessary for full employment, full employment is necessary for balanced budgets.

The third major issue named above—that of the international implications of full employment policies—has in the Report a part to itself which is distinguished by its clear and well-documented exposition of the conditions of multilateral trade. These problems have received a great deal of attention in this journal and Sir William's conclusions are not markedly different from those reached here. In this field, too, public discussion, both national and international, will benefit greatly from the sober and scientifically-minded exposition.

Sir William Beveridge is to be congratulated on the great public service he has rendered by producing this

new Report.* There are aspects of the policies proposed that are questionable—for example, the proposal to create a permanent sellers' market for labour has implications for wage policy and for Trade Union responsibility which require much more careful examination than Sir William has given them. But the main triumphs of the book are in exposition rather than in advocacy. Perhaps no one was better qualified to sift and to combine into an authoritative document the many promising and valuable ideas which modern economics has produced since Lord Keynes gave a new realism, and thus a new effectiveness, to the whole science by the publication of his "General Theory." No one who has followed the public debate of recent months can fail to be struck by the sense of responsibility and scientific honesty which is slowly gaining the upper hand in discussions only too easily vitiated by dogmatic political partisanship. Whatever political effect the new economics might have in the future—and no economic theory worth the name is without political implications—its effect is likely to be a healthy one. Sir William Beveridge, a born educator, declares ignorance to be "an evil weed, which dictators may cultivate among their dupes, but which no democracy can afford among its citizens." To win full employment and to keep it, we must will the end, but we must also understand the means. The new Beveridge Report will be invaluable both for clarifying ends and means, and for advancing general understanding.

* Sir William fully acknowledges his debt to others, and particularly to the Institute of Statistics at Oxford, of which he is chairman. The Report draws special attention to a book entitled "The Economics of Full Employment" recently published by the Institute (Basil Blackwell, 213 pages, 12s. 6d.), in which, Sir William says, "many of the difficult economic problems briefly noted in this Report are the subject of special study." The book, which is by several authors, contains what is perhaps the first consistent attempt to develop, in rigorous scientific terms, the body of theoretical doctrine lying behind Sir William Beveridge's report.

A Plan for Broadcasting—III

THE second article, in a technical digression, set out the reasons for believing that broadcasting is not likely to continue for long on the basis of a comparatively small number of stations covering the whole country on medium wave-lengths. The overcrowding of the ether is becoming so serious that broadcasting is likely to move either in the direction of a larger number of Frequency Modulation stations on ultra-short-wave lengths, each with a restricted radius, or else to diffusion by wire, a large number of programmes being diffused on a wire network, from which the listener's receiving set would select one. (This should not, of course, be confused with the present rediffusion services, which are merely distributing at retail programmes which are transmitted at wholesale by medium wave radio.) In either case, something more like a network of local stations instead of the present national stations would come into being. This conclusion is likely to be greatly reinforced by the advent of television, which, if it is to cover the country, requires a large number of small-radius stations.

This is the technical framework within which any system of broadcasting would have to be organised and financed. The preceding articles have also argued that, whatever system is adopted, it should not be one of monopoly. To many people, to plead for a competitive system of broadcasting is the same thing as asking for the American system of programmes "sponsored" by advertisers. But this is not so in the least. Let it be made quite clear that these articles, in arguing for competition and variety, are not pleading the case of the advertiser. An advertiser-sponsored radio would probably be distasteful to the British public. This is a probability, not a certainty, for most of those who have had a real opportunity of comparison would probably agree that the American radio is usually very unjustly treated by British critics—most of whom have never listened to it.

The advertising talk itself is, admittedly, different. It does not make the American programme the British in standards of taste, while it makes the British in standards of interest. Perhaps, more comedians and fewer symphonies, but not very many, and both the comedian and the symphony concerts are of very high quality. The level of comment on public affairs on the American radio is infinitely above the British—because there is virtually none on the British radio. There is a less self-consciously uplifting air about the American radio, and a great deal of inane patter—the one, perhaps, offsets the other, lack of dignity balancing lack of dullness. A course of listening to the American radio is calculated to give an Englishman a higher opinion of its merits than he sets out with.

Nevertheless, the sale of time to advertisers can hardly be recommended as a desirable means of financing radio. If the results are not actually bad in America, they will be in Britain. It is not right that the radio, with its great powers, should be even potentially and negatively at the command of commercial interests. If there is any way by which competition on the air could be secured without advertising it should be preferred.

There is a school of thought which holds that since this country will probably be bombarded, after the war, with advertising programmes, either from the Continent or from Eire (where American interests are believed to have secured a foothold), British broadcasting will have to admit advertising "in self-defence." But the argument is not very convincing. Such evidence as there is tends to show that the average listener does not roam the ether to distant stations unless the dullness of the local fare drives him to it. Most of the pre-war triumphs of Radio Luxembourg were scored on Sundays. If the local fare is interesting, there will not be much listening to foreign stations. And even if there were, why does that make it necessary

to follow suit? British advertising, after all, is hardly an infant industry which has to be protected. The utmost concession that should be made to advertising on the air is that, if other sources of finance are inadequate, the sale of time might be admitted as a small supplementary source of income in off hours. As a main source of income it should be rejected.

The problem, then, is to find some means by which a competitive organisation of broadcasting can be financed other than by selling time. The only other ways are by direct state subsidy out of the general Budget (which would be even more dangerous) or a licence duty, as at present. It should not be very difficult to adjust a licence duty to the needs of a competitive system. Suppose that there are three competing broadcasting companies, the ABC, the BBC and the CBC. It could be provided that, out of each licence fee paid, one-quarter should go to each company, while each individual listener, when paying his fee, should nominate which of the three was to receive the final quarter. Each company would then receive a certain minimum income. But it would also have the possibility of doubling its income if it could please the customers better than its rivals. These proportions are not, of course, sacrosanct; one-sixth might go automatically to each of the three and the remaining half be competed for; the smaller the automatic proportion the larger the element of competition. But, whatever the exact proportions fixed, here is a simple method by which a licence fee could be combined with competition. Each company could be required, in return for its fixed income, to perform its social duty (in so far as this is distinct from giving maximum pleasure to the listeners); the condition of the licence should be that certain general stipulations as to number, type and length of programmes were observed. But each company would also have the maximum incentive to make its programmes genuinely interesting. Each company would have an impregnable defence against the busybodies and the interests.

This would secure both competition and variety. But it would be desirable to go further and attempt to introduce the second sort of variety—not merely several different programmes, but several different sorts of programmes. Three broad categories can be distinguished. There is, first, the general entertainment programme designed for the great mass of people who listen for relaxation only. This would cover such things as comedians, music hall, dance bands, light music, the simpler

and more popular talks, and so forth. Then there is, secondly, the cultural programme, consisting of more serious music, plays, opera, serious talks and the like. And thirdly there is the educational programme, designed to give instruction not merely to children and the schools but also to anyone of any age who is bent on improving his mind. These three categories are not, of course, by any means mutually exclusive, nor is there any reason why they should be. News, for example, enters into all three; so, probably, does religion. The broad outlines of the distinction, however, are tolerably clear. It would be unreasonable to insist on having all three programmes going at all hours—there is probably little call for symphony concerts or serious talks in the middle of the morning. Indeed, the practical way of envisaging the matter is probably to think of a general programme which divides into three separate programmes at the peak hours.

The competitive system would, therefore, consist of an ABC, a BBC and a CBC, each committed, by the terms of its licence, to produce a general programme for, say, about eighteen hours of each day and two special programmes, defined in the licence, for say, about eight hours a day each. The definitions of these programmes would necessarily have to be in somewhat broad terms. In the case of the educational programme, for instance, the licence should list the sorts of items that were to be regarded as being educational and specify that not less than, say, two-thirds of the time allotted to the educational programme should consist of these items. But beyond that, the greatest latitude of judgment should be left to the programme-maker.

If this scheme were carried out, the listener—in urban areas at any rate—would at all times have three programmes to choose from, and at peak hours he would have nine—three of each of three different sorts. (In country districts, the choice would necessarily be smaller; in addition to the nine programmes put out by wire or by short-wave, the general programme of each company might be broadcast on the present medium waves or on long waves, for the benefit of less thickly populated areas.) Compared with our present meagre fare, this may seem a bewildering variety. But it is very much smaller than the choice the public has of every other form of entertainment or instruction, such as books, newspapers, periodicals, theatres, cinemas or concerts. And it is only in such competitive variety that radio will find both the freedom and the incentive to develop its full potentialities.

(To be concluded.)

Spotlight on Palestine

THE two Jewish terrorists who murdered Lord Moyne in Cairo on Monday performed, as they struck, the greatest disservice to official Zionism, which naturally condemns any deed so wanton and so politically stupid. They deprived it, as Mr Churchill has pointed out, of a good and well-informed friend; they also created for the British Government a situation in which, for some time to come, any concession to the Zionists will be interpreted as yielding to violence. Their act, together with the almost simultaneous swearing-in of Lord Gort as the new High Commissioner in Jerusalem, have focused attention on a state of affairs in Palestine that comes as news to many people in Britain. All recent visitors from the Middle East are astonished at our ignorance. The reasons for it are two: first, the smallness of our newspapers and their absorption with war news; second, the fact that the troublemakers of 1944 have been the Jews, that every British daily but one employs, for lack of other journalistic talent in Palestine, a Jewish correspondent, and that these have tended to play down the degree of tension that prevails.

Last Monday's murder turns the spotlight full upon it. Jews all over the world condemn the murders, as they have condemned all this year's other attempts on British lives, but they cannot escape one implication of it. Lord

Moyne was, to Zionists, more than HM Principal Representative in the Middle East. No matter how much he had changed his mind during his twenty-seven months of office there, he was by many of them, both in public and private, steadily criticised for a speech he made in the House of Lords on June 9, 1942. In that speech, which Englishmen have forgotten because it was so balanced, he made three points which are, to any liberal spirit, logical, but to a Zionist, heresy:—

(1) Lord Wedgwood's proposal that the Arabs should be subjugated by force to a Jewish régime is inconsistent with the Atlantic Charter and that ought to be told to America...

(2) Surely it is time for the Zionists to abandon that appeal to force and to seek a settlement with the Arabs by consent... The war will end with the heavy problem of trying to resettle these most pitiable victims of Nazi abominations... A merciful settlement must be a quick settlement. We ought therefore to look at once in all directions... The Zionists look only to Palestine... It is to canalise all the sympathy of the world for the martyrdom of the Jews that the Zionists reject all schemes to resettle these victims elsewhere—in Germany, or Poland, or in sparsely populated regions such as Madagascar...

(3) But even in their wish to occupy the pre-Christian

home of the Jewish race, the Zionists are far too narrow in their outlook. Palestine itself is but a small fraction of the ancient land of Syria. I do not believe that the problem of overcrowding applies to Syria and the Lebanon and Transjordan as it does to Palestine. It would be physically possible for those states, if they were willing, to absorb large numbers of Jews to mutual advantage and without any threat to their political independence. If the fear of Jewish domination could be removed they might indeed be glad to welcome Jewish immigrants with their well-known industry and intelligence and with their capital.

There spoke a man who knew the Middle East. That he should in time be murdered represents in miniature the crux of the present problem, which is that the Zionists, with American backing, want the whole of Palestine and that anyone who proposes less is earmarked as their enemy.

The thread of events in the war years, which have had such poor coverage in the British press, is not difficult to pick up. On the outbreak of war, both Jews and Arabs gave proof of loyalty to Great Britain. The latter, through their notables and newspapers, gave out that they had no intention of embarrassing Britain while it had a major war on hand. The bombing and gunning that had been euphemistically called "disturbances" was, they said, off for the duration. They have kept their word. The few Jewish bodies that had retaliated in kind also declared a truce, while the official Zionists asked leave to raise a Jewish force fighting under its own flag for the defence of Palestine or indeed to fight elsewhere. This request was refused; on political grounds the British Government decreed that all who served must serve as Palestinians. Many did so. From 1940 to 1942, the local problem was in abeyance, overshadowed by greater events, notably in Crete and at Alamein. But during those years of local quiet and war-time boom, Palestine was full of arms, and also is—like Britain—full of money but short of goods. Both communities, Arab and Jew, therefore invested in armaments. The difference between their investments was that, whereas the Arabs bought sporadically and individually and because it was pleasant to have a good gun, the Jews bought on a large and organised scale for their two secret organisations the *Hagana* or "Defence" and the smaller but more extreme *Irgun* or "National Military Organisation," both of which had developed, out of legitimate self-defence during the pre-war Arab "disturbances," into illegal but fully fledged military formations. In the summer of 1943 a court-martial of two British soldiers, followed by the trial of their Jewish suborners, publicly revealed the large-scale method by which these formations were amassing armaments. Thus equipped, the extremists began to practise terrorism on fellow Jews. In 1942 the notorious Stern gang, which stood for no truce (and from which Lord Moyne's assassins were drawn), ran bank robberies and hold-ups in order to secure funds; by 1943 non-Zionist Jewish newspapers were finding bombs in their printing works.

Beginning early in 1944, the terrorists switched their fire on to Englishmen in an attempt to force Britain to change her policy. Their attacks included fully-equipped assaults on the well-fortified Tegart police posts that sprinkle the country, on the Immigration Office and on the Government broadcasting station. That the *Irgun* was back at work became clear through its own statements, through the use of its flag during assaults, and through the strength and discipline of the attackers who on one occasion fought in a formation 150 strong. Relatively few of the offenders have been caught. Jewish authorities deny the official British statement that the Jewish community does not co-operate in catching them, but the fact is that anyone in a non-self-governing community—from a Jew to an Irishman or Dutchman—respects the call of kinship more strongly than the arm of the law. The terrorist of a night is the peaceful farmer by morning.

Murders of British officials became common, and on August 8th an attempt was made on the life of Sir Harold MacMichael, the then High Commissioner. Unfortun-

nately this was followed on September 20th by a British War Office announcement that the Government had decided to accede to the request of the Jewish Agency that a Jewish brigade should take part in active war operations. Not unnaturally, many people deduced cause and effect. Thereupon Sinn Féin tactics grew in volume and intensity; the Moyne murder has several features in common with that of Sir Henry Wilson in 1922.

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Throughout the quarter-century of the mandate, there run several constant factors which must be remembered before any solution can be proposed. One is the truly understandable Zionist longing for a national background that will enable Jews to look the world between the eyes and say "I am a Jew" with the same significance as other men impart when they say "I am an Englishman," or "a Swede" or "a Pole." Another is that the Arabs of Palestine fear being outnumbered, and that to impose this fate upon them is to jettison the first of the four freedoms. A third is that Britain, which cannot please both local communities, cannot, as second best, go straight for a solution shaped to its own imperial ends because it always needs to take into account two outside pressures. The first comes from the United States Government, which invariably responds to Zionist influence. The second outside pressure on Britain is that of Egypt, the Arab states and the other Moslem peoples who dwell along the lines of communication and among the oil-sources of the Commonwealth.

But besides these constant elements there is one variable factor which is often forgotten. It governs the dimensions of Britain's problem. It is the degree of Jewish (as opposed to Zionist) desire and need for refuge. The year 1933—the date of Hitler's accession—was the date at which it began to swell. At the date of his fall, we do not yet know how many Jews will be left in Europe, but we do know that their exodus will abate. We also know that many Jews who have escaped have chosen to await return in Britain or America, or even on a "transit" ticket in Lisbon, rather than embark on a life exclusively among fellow Jews in an eastern land. We can also guess that, once the Nazis are discredited and gone, few people in Europe will care to profess the anti-semitism that was their rallying cry. We also hear that a queue of Jews over 10,000 strong awaits exit permits from Palestine. It is premature to fix on a solution until we know the long-term answer to the all-important question: "How many Jews will want to go to Palestine once Jewry no longer needs a refuge from Hitler?" All that can be said is that of the four major possibilities—to wit, a Jewish Commonwealth, partition and Lord Moyne's suggestions numbered 2 and 3 above—the first is incompatible with one of the freedoms for which the war is being waged and the second involves a welter of corridors and enclaves in a land the size of Wales. Of the other two, federation in a greater Syria looks attractive to all liberally minded gentiles, but fails to give the Jews any more than they already possess in more congenial countries. There remains unlimited Jewish immigration, subject to placing upon the Jews the onus—never yet shouldered—of winning Arab consent. This might be coupled with the establishment of territorial dependencies of the National Home in Europe or Africa or both; again, when the present abnormal conditions abate, such extra living space for refugees might not be wanted or necessary.

Difficult though the task may be, Lord Gort must therefore hold the balance while enlightenment on this point is awaited. Proper timing by the British Government is the key to a conundrum that has baffled it for twenty years, and which is, for the moment, at an unnatural zenith because the Zionists are in a position to capitalise the humanitarian instincts of the whole world. To offer a solution now would be to solve on a basis that is transitory. It would also—in view of recent Jewish terrorism—be interpreted as a surrender to violence that would afford a fatal example not only to Palestinians but to the many communities whose affairs will come up for settlement at the peace conference table.

NOTES OF THE WEEK

Mission to Paris

General de Gaulle has invited Mr Churchill and Mr Eden to Paris, and has addressed a similar invitation to the President of the United States and to the Secretary of State. Few of his many wartime journeys could have had so much attraction for the Prime Minister as this one. Mr Churchill was the godfather of the Fourth Republic, and has now been invited to the ceremony of confirmation. He and General de Gaulle have not always seen eye to eye, but each in his own way has worked for the same end—the liberation of France. The time has now come for both to review the results of their labours, to consolidate a common victory and to gather in its first fruits. The French Provisional Government has been recognised by the Allied Powers, which is a political success for Mr Churchill as much as for General de Gaulle. Will the French Government now recognise its wider international responsibilities? Will the future of the Anglo-French Alliance be secured? Can the Western Union become an economic, political and strategic reality? These questions should figure on the top of Mr Churchill's and Mr Eden's agenda. Inside France the need for the two countries to come together and to pool their forces after the war has not yet been clearly realised by all sections of public opinion. One trend of opinion tends to scent in all suggestions of a Western Union an attempt on France's national pride. Another trend sees in it a hostile alternative to a Russo-French Alliance, though it should be clear that those in Britain who support the Western Union also support the consolidation and strengthening of the alliance with Russia. British policy, on the other hand, should be permeated more thoroughly than it has been hitherto by active sympathy for France's desire to regain a status among the Great Powers. Finally, there are misunderstandings to be cleared away. For instance, Lebanon and Syria recently again became the subject of somewhat uneasy comment in France.

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The Caudillo Speaks

"Cervantes smiled Spain's chivalry away." . . . General Franco hopes to talk away the domestic miseries of his regime and his black record in the war. In a recent press interview he labelled his dictatorship "an organic democracy," in which "the popular will and purest Christian tenets make up the fundamentals of Spanish political organisation." "The process," he went on, "is now being studied"—presumably by the numberless inmates of the Spanish concentration camps. Not satisfied with this democratic masquerade, the Caudillo staked his claim to a seat at the Peace Conference, basing it on the grounds that "the nations that have remained at peace must take part in making the peace." In other words, those who have not taken part in the fighting have thereby demonstrated their right to share in the fruits of victory. General Franco conveniently forgets the period of Spain's co-belligerency with Germany, the Blue Division on the Russian front, the Tangier coup and the innumerable provocations of Great Britain by the Falange. Not without reason he has interpreted Mr Churchill's "kind words to Spain" as an enervated sign of Britain's short memory. But Mr Churchill cannot now say that Franco has shown even the gratitude that is the lively sense of favours to come. Before he received this encouragement the only prospect before Franco's eyes was that of a steadily widening political abyss. Now he has regained enough self-confidence to boast that

Spain could never ally herself ideologically with nations not guided by the principle of Catholicism.

* * *

What Next?

The moral of the story is short. The attempt to appease the present Spanish regime has been as undignified as it was futile. As long as the regime lasts, Spanish policy will not be friendly towards Great Britain. It is Franco's ambition to sponsor the idea of a "Catholic bloc" to counter British influence in Western Europe and the Mediterranean. British policy would commit a grave error if it were

to confound politics with religion and allow itself to be drawn into an obsolete controversy between Catholic and anti-Catholic conceptions. The real issue is not Catholicism but the fate of Franco's dictatorship. It is obviously in Britain's interests that it should vanish. To overthrow it is essentially the task of the Spanish Republicans. But British influence can be used to strengthen the hands of General Franco's opponents. Hitherto, it has been used to weaken them and to strengthen the hands of the present rulers. This should now cease. Constitutional and democratic groupings inside and outside Spain that work against the dictatorship should know that from now on they can count on whole-hearted British sympathy and British help. But this is not enough. There is at least one unsettled and strangely forgotten issue between Great Britain and Spain. The international status of Tangier was abolished by Spain at a time when Great Britain could not afford a conflict over it; and the Spanish action has not yet been reversed. What could be more natural and justified than a British ultimatum to Madrid demanding the immediate restoration of the international status of Tangier? If General Franco refuses to accept the demand, sharper forms of pressure, such as economic sanctions and political warfare, would be justified, since, in this case, they would almost certainly achieve their purpose of destroying a regime which is already rotten.

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Mr Hudson's Economic Defeatism

Mr Hudson's speeches on agricultural policy show a remarkable alternation between home truths and half-truths. In one speech he tells the farmers that they will have to increase their productive efficiency if they are to deserve a growing share in the home market. In the next speech he argues that because of the collapse of international trade, they will have to supply most of the market in any event. It was the latter aspect that was uppermost in last week's speech, in which he maintained that "one of the difficulties facing agriculture today"

is the existence of many people . . . to whom it seems that there is an antithesis between our export industries and home food production. Such people argue that our export trade is vital to our livelihood as a nation, and that if we wish to export we must be prepared in exchange to import all the food and raw materials that other countries wish to send to us in payment.

This is indeed perversity—or ignorance. There is no virtue, in the long run, in the export trades, except in so far as they provide a means by which the country can get goods it cannot produce, or cannot produce so cheaply, at home. To argue that employment in the export trades is the reason why people prefer cheap imported food to more expensive domestic food is to ignore everything that has happened in the past decade, both in nutrition policy and in employment policy. The argument for imported food is that it is cheaper and that British wage-earners can buy more of it with a given income. It should be one of the objects of public policy to see that this great advantage is not withheld from the nation if it can possibly be secured. It is true that our international economic affairs may be so badly bungled that the country may not be able to pay for all the imports it wants. But this is a contingency to be warded off, not one to be capitalised in advance—and made inevitable—by restrictions on food that is badly needed. A manufacturer whose factory has been damaged may reasonably fear that his custom has suffered in consequence. What should he do—work hard to regain his business, for which he has experience and natural aptitudes, or abandon the attempt before it is made and try to support himself by growing vegetables in his back garden? Mr Hudson, being an economic defeatist, would have Britain do the latter.

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Planning Now

From the Lords this week have come renewed demands that the Government should put the Town and Country Planning Bill into its proper context by outlining national policy for physical reconstruction. If, as Lord Simon ad-

mitted, this Bill is no more than a necessary first instalment, what and where are the other instalments? The immediate issue is that the Bill cannot, as the Government seems to imagine, stand indefinitely in isolation. Such as it is, it will have to be accepted. But Lord Simon's vague and dilatory defence contained only one definite statement, that the Commons would debate the White Paper on the control of land use next session—or a good six months after its publication. There was no mention of any proposed legislation. On the subject of compensation and betterment, he reiterated the importance and difficulty of securing agreement and, when pressed, defined agreement as a plan "which will command the support of the great mass of the country." What the Government apparently refuses to realise is the degree to which the present opportunity for planning is fugitive. When the need for action is inescapable almost any solution is better than none. Even a costly plan of land compensation would cost the nation much less than the waste of resources which will take place if there is no plan ready when the first houses are built and the first roads laid.

—Or Never ?

Compensation and betterment is by no means the only problem that must be faced soon. Persons other than the Lords now suspect that necessary administrative changes could be made immediately without costing anyone a penny or upsetting any interests other than those that are supposed to be servants of the public. The Planning Bill assumes that there will be dispersal of population and industry from congested cities. The need for their dispersal is not merely the one accepted principle of modern town planning—it is common ground between all parties. The present local authorities cannot themselves direct this movement. Yet recent Government pronouncements give the alarming impression that it is for the smaller authorities to prepare the plans, and that it will then be for the Minister of Town and Country Planning to piece together the bits of paper as best he can. In fact, it is obvious that nothing can be done without national direction and regional co-ordination—in that order. Without such machinery, how can the "blitzed" and "blighted" cities be supposed to know where to put their surplus industry and population, what open spaces to acquire, what road and housing schemes to start on? By all means, as the Government insists, let local considerations have full play. But these problems are all regional to start with; ultimately they, become national problems too. If the aim is merely to put patches on war-time scars, then purely local policies will of course suffice. Already it is stated that Plymouth's council is considering reducing the scale and scope of its very fine plan, because the means to carry it out are lacking. In reply, Lord Woolton could only state that the Boundary Commission, which the Government hope eventually to set up, would give prior attention to the "blitzed" cities. But, apart from the fact that this is "jam tomorrow" again, it is not the sort of jam that is wanted.

Chicago Conference

The opening stages of the international conference on air transport have been covered more or less according to expectations. Full—and conflicting—statements of policy have come from British, American and Canadian delegates, but beyond that, little progress has been achieved save in the field of technical agreement, and in the discussions on international air routes in the transitional period. In spite of the strong bargaining position enjoyed by the United States delegation, the policy of free competition in international air traffic advocated so disarmingly by Mr Berle seems unlikely to be accepted without modifications. Quite apart from the attitude of Great Britain, the Dominions and the European powers such as France, Belgium and Holland, the agreement of the Latin American countries to the US plan has been seriously hindered by what the Mexican delegate denounced as the "dictatorial" methods used by Mr Berle in seeking their support. Some correspondents have seemed perhaps unduly optimistic in their hopes of a compromise solution to the deadlock. The wide difference of opinion on the main question of whether or not the international air authority shall have power to allocate routes and frequencies of service, may yet prove too great. The conference

has less than two weeks to run; if it should adjourn without making substantial progress on this question, the effects of indecision will be a more severe disappointment to the British countries than to the Americans, since the British conception requires the positive act of empowering an international authority, while the American wish for bilateral negotiations is much closer to the existing *status quo*. Whether things would actually work out as the Americans wish would depend on how much willingness they found in other countries to concede, in bilateral negotiation, the "freedom" the American airlines desire. It would also depend on the extent to which the British nations and the others who hold their views decided to share their cabotage rights and build up regulated joint services from which the Americans would have excluded themselves. The present position gives every nation the freedom to do what it likes. The Americans, for all their talk of freedom, want to limit other countries' freedom to do what the Americans do not like. If they cannot get this, they may yet find the British plan the next best thing.

Canadian Liberals in Trouble

For more than five years Mr Mackenzie King has been giving one of the most perfect exhibitions of the party politician's art ever seen. His problem has been to keep a heterogeneous party together in spite of an irreconcilable difference of opinion within it on the most important problem of the day. The Canadian Liberal Party draws support from all over the Dominion, and it therefore reflects within itself the majority view that, in time of total war, man-power should be conscribed for overseas service. But the particular advantage that the Liberal Party has over its rivals is that it normally commands the allegiance, in Federal politics, of the French Canadians of Quebec, and they are unalterably opposed to conscription. Mr Mackenzie King has hitherto, with great skill, driven this most unruly team. The shifts and devices to which he has had recourse have been extraordinary—but he has kept his party together. In deference to the majority, he has always said that conscription would be enforced if it became necessary; he has even enforced it for service within Canada—but overseas service is still voluntary. He held a plebiscite to give himself powers to conscribe for overseas service—and refrained from using the powers when he had them. The performance has been wonderful; but success is getting more difficult. Last week, Colonel Ralston, the Minister of National Defence, who recently returned from a visit to the Canadian Army in Italy and the Netherlands, resigned from the Cabinet, and it is understood (though not yet admitted) that the cause was his failure to persuade the Prime Minister that conscription was now at last necessary to replace the heavy losses of troops in action. But the Prime Minister's skill is not exhausted, for he has replaced Colonel Ralston by General McNaughton, the very popular commander, until a few months ago, of the Canadian Army in Europe, who has always been a firm advocate of the voluntary method. The General's prestige is, for the moment, muffling the explosion of protest provoked by the Colonel's resignation. But it is rumoured that other resignations were threatened and may yet come. Even Mr Mackenzie King's virtuosity may not save his Cabinet. Yet his political dilemma is exactly what it was before. The tide has been running so strongly against the Liberals in the Provincial elections and in Federal by-elections that their only hope of avoiding signal defeat is to hold their Quebec seats, and Quebec will not have conscription now or at any time, whatever may be the effect upon the Battle of Holland. He cannot yield, yet the pressure of the majority is becoming so great that he cannot not yield. He cannot even wait, since the General Election must come before next summer. The irresistible force is about to meet the immovable object—with Mr Mackenzie King in between. He will have to be very slippery to get out in time.

The Persian Conflict

The refusal of the Persian Government to accept the Russian demand for oil concessions in northern Persia has been followed by a violent war of nerves against the Saad Government. The Russians report that in the whole of

Persia, but especially in the northern provinces, mass demonstrations against the attitude of the Teheran Government have taken place. The "people's anger" is said to have expressed itself in general strikes which ended in sanguinary clashes between the pro-Russian demonstrators and the Persian army and police. The Persians, on the other hand, complain that Russian army units stationed in Persia have given armed protection to demonstrations staged by the People's Party at Teheran; if this is true, it constitutes a flagrant act of interference in Persia's internal affairs and a breach of the promises given to Persia by the chiefs of the Allied Governments in the Teheran declaration. The Persian Government originally believed that the uncompromising attitude taken by M. Kavtaradze, the head of the Russian oil mission, would not be backed by the Government in Moscow. However, this hope has now been dispelled by the Persian Ambassador to Moscow who arrived in Teheran a few days ago. The view is taken in Moscow that the Persians have violated the Treaty of 1921 under which Persia undertook not to grant any concessions to foreigners in the former Russian sphere of influence in northern Persia, from which the Russians had voluntarily withdrawn. In spite of that obligation, the Persian Government, it is alleged, has already granted an oil concession in northern Persia to an American company. This allegation is not the only evidence of the distinctly anti-American twist that has now been given to the Russian polemic against Persia. *Izvestia*, discounting Saed's argument that he has acted in the interest of his country's independence, has asked why American soldiers are present on Persian soil, though no agreement providing for this has been concluded between the USA and Persia. Russian propagandists are also recalling the Russo-British hostility in Persia that preceded the conclusion of the 1921 Treaty. There is every reason to fear that, in the absence of energetic action at the highest levels, the present crisis in Teheran may well widen into a political controversy of the first magnitude, not merely between Russia and Persia, but between the great Allied Powers themselves. It is already more than probable that Russia's sudden refusal to attend the Chicago conference must be debited to this account. A Persian mission is expected to go to Moscow next week. But the Persian problem ought now to be frankly discussed between Moscow, London and Washington and not merely between Moscow and Teheran.

Russia and Switzerland

The Russian Government's ostentatious refusal to establish diplomatic relations with Switzerland, announced from Moscow last Saturday, was bad policy as well as bad psychology. The motive of the refusal was that the Swiss Federal Council, in its request for the establishment of diplomatic relations, passed over in silence the question of Switzerland's "anti-Soviet and pro-Fascist policy." That Swiss policy until quite recently suffered from a strong anti-Soviet bias is quite true. It dated back to the years in which the problem of Czarist debts, renounced by the Soviets, was still an acute issue. But to accuse the Swiss of a pro-Fascist attitude is a grotesque distortion of the truth. Switzerland's previous objections to relations with Russia sprang from what might be termed doctrinaire democratic motives, but not from Fascist sympathies, although the same motives did not, it is true, prevent the Swiss from maintaining diplomatic relations with their Nazi or Fascist neighbours. For ten years now the Russian issue has been in the centre of Swiss domestic policies. The Socialists and the Left Liberals had made the demand for diplomatic relations with Russia a plank in their electoral programmes. The late President Motta stubbornly resisted the pressure from the Left, and, until recently, so did his successor, M. Pilet-Gola. The decision to approach Russia was, therefore, a victory for the Left opposition, and the Russian refusal may be a blow to them. What the Soviet Government demands from the Swiss is in effect a "confession of guilt," a gesture which Swiss democrats will probably find it difficult to perform. Relations with Russia may, however, become a vital necessity for Switzerland in view of the extension of the Russian influence over parts of Europe with which Switzerland has close commercial and cultural ties.

Merchant Navy Reinstatement

Widespread publicity has recently been given to a case in which a merchant seaman was refused reinstatement

rights, and great resentment has been expressed in the Merchant Navy at the implication that it was not an armed force or that its members would be less well treated than those of the other Forces of the Crown. The Ministries of Labour and War Transport have therefore thought it advisable to issue a statement, which set out the position of merchant seamen and officers under the Reinstatement in Civil Employment Act, and affirms that there is full recognition that the services rendered by the Merchant Navy are as important and dangerous as those performed by serving men and women and Civil Defence workers. The position is actually quite clear. The Merchant Navy is a civilian service—and remained a civilian service at its own request; its members work under conditions of employment and receive civilian rates of pay determined by their own industrial organisation, the National Maritime Board. There is no parallel with the Armed Forces or the Civil Defence Forces, whose members were called up under the National Service Acts and work under service conditions at service rates of pay, and whose jobs will necessarily terminate at the end of the war. The Reinstatement in Civil Employment Act is a limited measure and applies only to the Armed Forces and the Civil Defence Forces. It is pointed out that 90 per cent of the men of the Merchant Navy are in it as their life's work and do not intend to find shore jobs after the war. The 10 per cent who volunteered or were directed will be treated in exactly the same way as industrial conscripts, and have no legally enforceable rights to reclaim their civilian jobs—though there may be a moral obligation on employers to re-employ them. Technically, of course, the Ministries are quite right. But public opinion would be greatly concerned if any merchant seaman, who had risked life and limb to bring food and essential supplies to this country, were to be found at the head of an unemployment queue after the war. The answer to this, as to other reinstatement problems, is to reach a position where there will be plenty of jobs to go round.

BUSINESS ENTERPRISE AFTER THE WAR

Small and medium-sized businesses in all branches of industry and trade must have every opportunity of contributing, by their enterprise and initiative, towards the nation's economic well-being after the war. They must be given full support in developing British trade at home or in overseas markets.

Changes due to war conditions call for a far-sighted policy concerning the financial aid they may need. This Bank, through its branch managers, will therefore be prepared to consider enquiries from promising undertakings, whether old or new, conducted under good management. It will base its consideration of each proposal as much upon the prospective borrower's integrity and business capacity as upon his material resources.

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Trieste

The Trieste controversy, familiar after the last war, has now been revived by Marshal Tito's demand for the incorporation of the city into Yugoslavia. In reply to this, public meetings have taken place in Italy, at which Italy's exclusive right to Trieste has been re-stated. The arguments of both sides sound like a repetition of the polemical statements they made at the last Peace Conference. The Italians insist on the indubitably Italian character of the town, while the Yugoslavs point to the predominance of the Slavonic elements in the surrounding country. On purely ethnical grounds, it is hardly possible to arrive at a satisfactory settlement. Whoever has Trieste, one nationality is bound to have a grievance. In the first world war both claimants were in the Allied camp, which involved the Peace Conference in a delicate dilemma. That this time only one claimant is an ally—or at least started out as an ally—may add some weight to Marshal Tito's demand. But this does not alter the fact that the constant raising of demands for frontier revisions—whether at the cost of Allied or of enemy countries—is the worst possible procedure that can be adopted in the preparation of a peace settlement. The desire of each state to “redeem its territory to the last kilometre” must make confusion even worse confounded. It is, at any rate, a paradox that nationalist claims for frontier revisions should come from the leader of the Yugoslav Left.

After the Slovak Rising

The Slovak rising, which started in the last days of August, has suffered a grievous setback. After two months of fighting, the insurgents have now been dislodged from Banská Bystrica, their last stronghold in Central Slovakia (Western Slovakia has been in German hands all the time). Like the rising in Warsaw, the struggle in Slovakia was not synchronised with the Russian operations. The insurgents, however, received Soviet help right from the beginning; and the failure of the insurrection has not been followed by political recriminations. The Slovaks' disappointment has been mitigated by the sure knowledge that their defeat is of short duration. The adjacent Subcarpathian Ruthenia has already been freed by General Petrov's forces, and General Malinovsky's army is approaching Slovakia from Transylvania. The political events that took place during the rising afforded a glimpse into the future of Slovakia's relations with Bohemia and Moravia. The authority thrown up by the movement was the Slovak National Council, which was evenly divided between two blocs: on the Right, the Democratic Bloc embracing all moderate, agrarian and Catholic groupings which had been opposed to Tiso's quisling regime; and on the Left, the Socialists and Communists merged into a single party. The National Council formally recognised the authority of President Benes' Government on the condition that it be thoroughly overhauled and its composition completely changed after the liberation of Czechoslovakia. But the Council refused to submit to the authority of the Governmental delegation, headed by M. Nemetz, which had been sent to Slovakia from London in order to take control of the administration in the freed areas. The Slovaks obviously wish to re-establish their union with the Czechs within the framework of a single state, but they are still opposed to the Czechs' policy of centralisation. President Benes, if he is to achieve Czechoslovakian unity, may have to make far-reaching concessions to those who demand a federal Republic.

One Miners' Union

The result of the ballot for the formation of the National Union of Mineworkers, which showed 430,630 votes for the scheme and 39,464 against it, brings to an end a long history of negotiation and division between the unions in the various coal-producing districts. The result was a foregone conclusion. The principle of establishing a single union was accepted by the Mineworkers' Federation at their conference in 1942, and the constitution of the new union was approved by a special delegate conference in Nottingham in August. Two surprising features of the ballot however were, first, the relatively small poll—230,000 miners did not vote—and, secondly, the large favourable majority in the Nottinghamshire district, where opposition had been expected, on the ground that the merger would

bring them down to the level of the poorer districts. The new union will have about 700,000 members; it will elect a full-time president and general secretary—the present officials will continue in office for the time being; it will start with a fund of £500,000, raised from members' capitation fees, and will collect contributions of 4½d. a week from adult members and 2½d. from junior members. All questions of industrial policy, including strike action (which will only be taken if agreed on by a two-thirds majority on a national ballot), will be determined centrally; the district associations, to be known as area councils, will continue to deal with purely local negotiations and carry on their friendly society activities. The miners' decision is welcome; it is indeed overdue. The placing of wages, negotiation and arbitration machinery on a national basis had rendered completely illogical the continued loose federal structure of the union. What is needed now is for the scheme to be translated from paper into practice, by the speedy reorganisation of the union, for the miners' leaders to show statesmanship and responsibility in speaking for their united membership, and for the rank and file of the miners to respect the authority of their new union.

Industrial Injuries

The Government's Industrial Injury Insurance scheme had a very mixed reception on Wednesday, the first day of the two-day debate in the House of Commons. The proposals, which Mr Morrison described as “a revolutionary advance” and a departure from the “fundamentally Victorian conception” of the old scheme, were generally welcomed in principle, especially by Labour MPs, many of whom have had first-hand experience of the defects of the existing system. Mr Quintin Hogg, however, criticised the whole basis of the new proposals. He objected to the linking of compensation with insurance, and he deplored the abandonment of the relation between compensation and earnings. The Labour Party—somewhat surprisingly, since this is in direct opposition to the evidence supplied by the Trades Union Congress to the Royal Commission on Workmen's Compensation—does not criticise the scheme on these grounds. Mr Grenfell levelled his main criticism at the inadequacy of the proposed rates of benefit, and held that workers should not be expected to contribute to the scheme unless the rates were improved. Sir William Beveridge, whose original proposals were on very different lines, welcomed the proposal to divorce compensation from earnings and to introduce a flat rate of benefit; but he joined with Labour MPs in criticising the suggested amounts of compensation and the departure from a subsistence basis. This criticism, which can equally well be applied to the whole insurance plan, is fundamental; and unless the Government agrees to a revision of the proposed rates there is a danger that the opposition to the whole scheme may be formidable. Workmen's compensation is, of course, only one side of the picture. Equally important, and equally urgent, as is shown from the Factory Inspector's Report (described on page 649) is the need to prevent accidents in the first place, and later, to rehabilitate injured workmen, psychologically as well as physically, and to enable them to resume employment as rapidly as possible.

The New House of Commons

The Select Committee on the rebuilding of the House of Commons has produced its report with commendable speed. The recommendations follow very closely the arguments put forward during the debate a year ago in favour of harmonious reconditioning rather than novel reconstruction. Once the decision to limit rebuilding to the portion destroyed or damaged by enemy action had been taken, there could be no thought of departure from the late Gothic architecture of the rest of the Palace of Westminster. Any modernist experiment would be quite incongruous. Limitations of ground space restrict total accommodation to very modest proportions, but it is not for this reason that the Committee has decided against any increase in the number of seats available for members. The next House of Commons will have 640 members and seating accommodation for only 437. It will preserve that atmosphere of intimacy which was so much valued in the old building. Sir Giles Gilbert Scott's plans make no concession

to the fashion for amphitheatrical legislative chambers recently adopted overseas. Structural economies will provide additional space for interviewing rooms, and for a considerable increase in the number of seats for “strangers” and pressmen. The exterior will conform in design to adjoining courtyards, and will be constructed of selected Clipsham stone; panelling and joinery will be of English oak. There will be no stained glass, and the over-elaborate enrichment of the old ceiling and walls will be replaced by ornament of simpler character. Dr Oscar Faber's report on the heating and lighting of the Chamber makes proposals that should add greatly to the comfort and efficiency of members. The old system encouraged hotheads with cold feet; the new one is designed to reverse that tendency.

Air College

A new departure in scientific education has been proposed by an inter-departmental committee, headed by Sir Roy Fedden, who for 24 years was chief engineer of the Bristol Aeroplane Co. The committee have recommended, and the Government accepted the principle, that an independent college of aeronautics should be founded to train the new leaders in British aviation. The college will be used by about 300 students of post-graduate standard, most of whom will be attending short refresher or specialist courses with about 100 students on two-year courses in the engineering, technical and scientific aspects of aeronautics. This scheme, which would begin at the RAF Station, Abingdon, and would later move to its own buildings in another part of Berkshire, would cost about £3½ million in the first five years, including capital outlay and on the assumption that the college would stay at Abingdon for two years. The Committee have recommended that most of the cost should be borne by the Exchequer, but clearly some fees should be paid to the college for students from the Services and for students sent from the aircraft industry. At the same time, there are strong reasons why students entering the college on their own initiative, after the long preliminary training of an engineering or scientific degree, should be encouraged by state bursaries or by very low nominal charges. The novelty of the proposal, however, lies chiefly in the fact that it will be affiliated to no existing university. Even if the difficulty of choice between rival claims is admitted, the wisdom of founding yet another centre of aeronautical research is open to question, since it is liable to complicate even further the problem of integrating scientific progress. The closest collaboration with industrial, military and university research will therefore be imperative if the taxpayers are to be sure that this comparatively large outlay on higher education is going to be spent in the best possible way.

Football Pools

The proposal emanating from the Football Association that betting on match results by means of football pools—legally classed as “skilled selection”—should be prohibited has been given considerable publicity and has already gained some support. The objection raised by the FA is based on the principle that a sport in which the returns to clubs and players are strictly limited by agreement should not be the source of large profits to outside individuals. The Football Association is right about the large profits. In spite of the fact that football pool promoters have agreed to limit profits to 5 per cent of total income, the 5 per cent is often calculated after commission and expenses have been deducted. With a pre-war turnover of between £40 and £50 million a year, football pools still pay a considerable dividend. The wartime ban on posting coupons has not only saved manpower but has helped to cut down the turnover of the pools to something like £8 million a season. This figure will undoubtedly expand enormously when the war comes to an end and the ban is lifted. Any proposal to force prohibition on an unwilling people, however, would invite disaster. On past experience, attempts to stamp out wasteful habits, whether of drinking or gambling, by prohibition are destined to fail. Such a policy would serve only, as prohibition of street-betting has done, to bring the law into disrepute and to widen the gap between people and government. Efforts to

prohibit football pools in Sweden in the early 1930's have already proved the uselessness of compulsion. The solution reached in that country was to limit football pool betting to a single government-licensed company, whose residual profits were used to develop all kinds of public facilities for sport and recreation. In this country, many would feel strongly opposed on moral grounds to the disguised participation of the state in a business which profits from human weakness. For this reason, a more practicable solution to the problem of controlling large profits made by private interests might be to put a heavy tax on football pools. Mr Churchill's betting tax of 1927, aimed primarily at horse-race betting, was a sorry failure; it realised barely £2½ million out of an estimated £6 million annually, and was widely evaded before it was finally abandoned in 1929. But a tax on gambling which of necessity is conducted by post is another matter, and the Football Association would do well to consider whether it would not meet their objections to the present system.

Planning Merseyside

The physical reconstruction of the face of Britain should be regarded not merely as a difficult task for the experts and the authorities but as a challenge to the initiative and ingenuity of the ordinary citizen. Between the wars town-planning was hardly a subject for popular participation. The shape and size of a town, its growth or decline, its buildings and parks, its amenities and facilities, were factors beyond the control, and often beyond the interest, of the average resident. Side by side with the present opportunity has come a new public enthusiasm, which many voluntary societies are trying to put to practical use. Local authorities should certainly give the amateur planner every encouragement. A good example of how to give practical direction to popular enthusiasm is provided by the competition for replanning Merseyside, recently organised by the Merseyside Civic Society and the *Liverpool Daily Post*, and the public discussions which have developed from it. These revealed a widespread desire to protect Liverpool's centre, to increase recreational facilities and open space, to co-ordinate the municipal transport systems, to widen roads and introduce ring-roads, and to reduce dirt and overcrowding. The public's suggestions included the regional control of transport and public utilities, and the central control of Merseyside's town-planning. The winning entry in the competition advocated the creation of a Merseyside County Council. In grasping the need for such administrative changes, the amateur often has advantages over the professional, and to pick the public's brains can prove profitable as well as desirable.

Shorter Note

London fire-guards are being reduced by half, or more than half in some cases. This new Order, announced by Mr Morrison last week, will reduce the gap between the London area and the rest of the country, where fire-guard duties have already been completely relaxed. The new Order will apply to all fire-guards paid and unpaid (i.e., receiving the flat rate of 3s. per night) but not to the street fire-parties who already sleep at home and turn out only when there is enemy activity in their neighbourhood.

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Letters to the Editor

The Coal Industry

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue dated October 28th, Mr Charles A. Liddbury expresses his considered opinion that "for psychological reasons" nationalisation of the mines is necessary.

Mr. Liddbury's view is apparently based on the alleged hereditary succession to control of the industry and on what he describes as "the fixed attitude" of successive generations of those controlling the industry. I share his dislike of the hereditary selection of those responsible for the management of industry (and warmly welcome your pressure for a more enlightened policy in the appointment of directors), but I suggest that it is misleading to contrast the coal industry with a "modern progressive business." In the coal industry, as in other industries, there are progressive undertakings and others; it may be that the movement towards more suitable boards of directors has progressed more slowly in the coal industry than in some others, but it would not be difficult to point to colliery companies which in efficient operation, development of research and provision of welfare facilities compare favourably with undertakings in other industries. It would surely be a great mistake to nationalise a major industry by reason merely of an alleged weakness in the appointment of directors.

In 1939, the British coal industry was free from control, except in regard to safety and selling prices. Since that date there have been the following extensions of control, which might (apart from the nation's need for coal) have been expected to remove or reduce the "psychological" objections of mineworkers to working for private profit:—

- The restriction of the profits of the industry to a fixed and moderate level.
- The acquisition of minerals (and thus control over their development) by the Coal Commission.
- The inauguration of a Ministry of Fuel and Power, with full powers to control all colliery operations and with regional organisations dealing with production and labour problems at all collieries.
- The installation of complete conciliation machinery.
- The Essential Work Order and the National Arbitration and Conditions of Employment Order, closely controlling conditions of employment and restricting the powers of employers.
- The appointment of Pit Production Committees, with direct access to officials of the Ministry of Fuel and Power.

It is clear that whatever the position may have been in 1939, it is no longer true that those employed in the industry are unable to have their grievances redressed or are justified in feeling a sense of frustration or thinking that their efforts are for the benefit of private individuals.

Moreover, wages have increased by approximately 100 per cent. The latest average wage quoted by the Minister for the industry is £6 per week; as this includes all the lower-paid surface workers and youths, it is clear that the wages of adults working underground are now at least high enough to compensate for the disadvantages of underground work.

What is the result of these changes? A falling output, heavy absenteeism, strikes, go-slow campaigns, non-cooperation and refusals to refer disputes to the conciliation machinery; possibly even more serious are the vicious attacks on conditions in the pits, which inevitably hamper the recruitment of boys and youths which is vitally necessary, however the control of the industry may be vested. It is probably true that large numbers of miners are not directly involved in these unfortunate events, but the fact remains that the recalcitrant minority enforces its will.

Does this history support the view that nationalisation would yield the desired results? The miner does not ask for nationalisation in the community's interests; he asks for it as the road to higher wages for less effort. It becomes more and more likely that if nationalisation of the mines does occur, the miners will be extremely disappointed with the results, and troubles within the industry are likely to be more serious than any now being experienced.

I make no pretence that the management of the British coal industry has not justified criticism in the past or that there is not urgent need to press for a forward and enlightened policy. Furthermore, I accept the test of the community's interest as the deciding factor in determining the methods of organisation of the industry. It would, however, be fatal to remove the competitive incentive from an industry on which so many other industries are dependent.—Yours faithfully,

COLLIERY DIRECTOR

The French Currency

TO THE EDITOR OF THE ECONOMIST

SIR,—Your Note, "No Deflation, No Devaluation," which appeared in your October 28th issue, quotes me as the author of statements which I did not make. As a matter of fact, the statements which I actually did make not only differ as far as their text is concerned, but they have also quite different implications.

Although I was aware that the acoustics of the Grand Amphithéâtre de la Sorbonne, where I delivered my lecture, were not perfect, I would never have thought that they were so imperfect as to mislead your informant into the "quotations" which you published. I am the last to object to being criticised for something I said, but I certainly object to being criticised for something I did not say.

First, you have quoted me as saying that France's malady was due rather to the contraction in production than to the inflation of the currency. I did not make such a statement. Moreover, I would disagree with such a statement. I stated specifically:

It is difficult to assess to what extent prices express the over-supply of currency and to what extent they express the temporary lack of goods.

Secondly, you have quoted me as saying that the principal remedy should be "gradually to restore the wealth-producing machinery." I did not make such a statement. I said:

Inflation is a terrible malady which may be cured by an appropriate treatment, by a combination of far-reaching measures, political, economic and financial.

Thirdly, as regards the rate of exchange the various quotations of your informant constitute neither a literal translation nor a correct interpretation of what I said. The general philosophy of my opinion on the subject is expressed in part in the following sentences of my exposé:

The exchange rate of a currency does not express the comparison with its former value, but with the present value of other currencies.—*France has been issued in order to produce goods which were delivered to the Germans, but pounds and dollars have been issued in order to produce goods which were hurled at the Germans.* From a moral and a military standpoint, the difference is no doubt considerable; from a monetary standpoint, it is not, except in so far as the future French productive capacity has been more affected than the future British and American productive capacity.

Fourthly, you have quoted me as expressing opposition to "any over-hasty measures of deflation." The wording which I use in French was: "déflation brutale," which has the meaning of "violent deflation," quite different from the meaning of "over-hasty." The opposition, which I expressed very clearly in my exposé, was not directed against immediate action, but against too drastic an action.

Fifthly, you referred to me as an official apologist. I have no doubt that those who know me personally would readily vouch for the fact that I have never expressed an opinion other than my own and personal one. When I stated at the beginning of the lecture: "If I was an official spokesman, I could not express myself freely and my exposé would perhaps lose in interest what it would gain, at least I suppose, in authority," I was stating a pure fact and not using common phraseology. The text of my lecture was known to no one prior to its delivery.—Yours faithfully,

Paris

ANDRÉ ISTEI

[Our comment was based on an agency report, as published in the press. M. Istel's letter underlines the necessity for a speedy removal of the restrictions on travel and communication between London and Paris, if misunderstandings such as this are not to arise.—EDITOR.]

AMERICAN SURVEY

Ins and Outs

A significant feature of the Congressional elections has been the rejection of some of the more prominent of the former Isolationists. Senator Nye in North Dakota, Senator Danaher in Connecticut, Representative Hamilton Fish in New York and Representative Stephen Day in Illinois have gone down to a defeat so marked that it is likely to prove a deterrent to other politicians. The election results leave no doubt of the public's resolve to have done with Isolation and Isolationists. The victories of Mr Roosevelt and Senator Scott Lucas in Illinois attest the failure of even the powerful *Chicago Tribune* in the traditional citadel of the creed. The reproach of Isolationism was sufficient to defeat Senator J. J. Davis in Pennsylvania, whose tenacity in holding to office through the decades was proverbial. Senator Taft has retained his seat in Ohio. More widely welcomed was the return of Senator Wagner (New York), author of the Labour Relations Act and a pioneer in social insurance legislation. The vigour of the new feeling for international co-operation which is abroad in the Far West was demonstrated by the success of Mr Wayne Morse (Representative), who succeeds the bitter obscurantist, Mr Holman, as Senator from Oregon. Mr Morse had the distinction of being one of the few Republicans to be backed by the CIO. A gifted young Democrat, Representative Fullbright, whose Resolution has already made his name famous, comes to the Senate from Arkansas. In Connecticut the combined efforts of the Democrats and of the Political Action Committee failed to defeat Mrs. Clare Luce, who beat her woman opponent by 3,300 votes, although the State went overwhelmingly Democratic.

Lend-Lease: The Second Phase

A dispatch by Mr Arthur Krock, of the *New York Times*, has put the most prejudicial interpretation possible on Lord Keynes' negotiations for an extension of Lend-Lease during the Japanese war. According to Mr Krock, who is the first to lift the veil of official secrecy, Mr Churchill proposed to Mr Roosevelt at Quebec that Britain should receive \$6.5 billion of Lend-Lease, of which \$3.5 billion was to be of a non-military nature, and "open for re-sale in her export trade." The latter figure has already been reduced, Mr Krock reports, to \$2.5 billion. Mr Krock goes on to suggest that Mr Roosevelt's sympathetic reception of this proposal may have misled the British, and points out that as the unexpended Lend-Lease appropriation at this time is only \$5 billion, of which most is already earmarked, Congress would have to appropriate fresh money to finance this second phase of Lend-Lease, as well as approve the removal of the ban on Lend-Lease goods entering into British exports. The mischievous effect of this dispatch lies, not so much in the premature estimate of the amounts involved, but in the completely false suggestion that Britain hopes to re-establish its export trade by the direct re-sale of American Lend-Lease goods. A large part of the non-military section of Lend-Lease consists of food and petroleum, of which there will be a severe shortage in this country, and which will be needed here if the war against Japan is to be effectively prosecuted. And of the rest, there is no question of the direct re-sale of American goods in the form in which they are received. It is a question of whether British goods must be withheld from export, as at present, because a small part of their value consists of raw materials that have been obtained under Lend-Lease—a very different thing from the meaning that will be attached to "open for re-sale" by the readers of Mr Krock's column. Indeed, the present ban goes still further. It not only requires that American materials should not be present even in the smallest quantities in British exports, but forbids the export of wholly British products similar to those received under Lend-Lease; and puts the revival of the export trade at an intolerable disadvantage. The creation of a new basis for the second phase of Lend-Lease obviously will have to secure

the sanction of Congress. Under the most favourable circumstances this might have been difficult to secure. Prejudgment of the issues involved, on the basis of this malicious report, will fortify the belief that the United States is being asked to conduct an "international WPA." It is fortunate, at least, that Mr Krock's revelations came too late to make Lend-Lease the subject of campaign misrepresentations.

The Republican Future

The Republican Party has suffered its fourth Presidential defeat in sixteen years. Neither Mr Hoover, Mr Landon, Mr Willkie, nor Governor Dewey proved capable of leading the party to victory over Mr Roosevelt. This is not a record calculated to maintain the zeal of the party's workers or the confidence of its backers. The Presidency is the great prize in the electoral system, not only for the patronage it dispenses, but for its decisive effect on local politics and national policy. To be out in the wilderness for sixteen years is a new experience for the Republicans. It should prove sobering. Some of the responsibility will be laid at the door of the defeated candidate. Governor Dewey was never very popular with the party machine; he was "drafted" because he convinced the bosses that he could win the election, not because he had endeared himself to the party. But, just as it would be a mistake for the Republicans to delude themselves into believing that their misfortunes are merely the result of an unlucky choice of candidates, and an unluckier choice of opponent, it would be wrong for outsiders to underrate the vitality of the Party.

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EASE THE BURDEN



It is a useful corrective to recall that after Al Smith's disastrous defeat in 1928, the imminent dissolution of the Democratic party was prematurely predicted. The Republican party is not dead; but if it is to survive it may need a blood transfusion. This was Mr Willkie's great thesis in the year before his death. In the last two decades the Republican party has become a petrified forest; the trees are imposing, but there is no sap in them. It has failed to keep pace with the transformation of the subject-matter of public affairs which has been Mr Roosevelt's most significant domestic achievement. Had Mr Willkie lived, it cannot be doubted that he would have initiated a new crusade to cut away the dead wood and make the party a living force. Without Mr Willkie to drive home the moral, even this bitter lesson may go unheeded. But it is too soon to be sure that worthy followers of Mr Willkie will not be forthcoming, or that they will not attain a more decisive place in the party's counsels.

* * *

The Ghost of Zinoviev

Izvestia chose the closing week of the election campaign to announce joyfully that Mr Roosevelt's return was secure

and that Mr Dewey's chances were negligible. Displaying an enviable freedom, not only of opinion, but with the facts, it included the *Herald Tribune* as one of Mr Roosevelt's supporters; denounced elements in the Republican party as not only Fascist, but pro-German; and concluded by the sensational suggestion that to retrieve their waning fortunes the Republicans would stage a fake attempt upon the life of their own candidate, which was to be ascribed to the Communists and submerge President Roosevelt at the polls. American politics are notoriously heated, but they are seldom carried to such lengths. This lively account makes British reserve on the subject look a trifle old-maidish. Distance, apparently, lends an immunity to the anxieties felt in this country. British comment has been meticulously pruned, from first to last, to avoid the slightest grounds for any charge that the right of Americans to choose their own President was being influenced. The *Izvestia* writer, who predicted another Zinoviev letter, or Reichstag fire, seems not to have realised that, had the article appeared sooner, it might have been used against the President with fatal effect; or that had Governor Dewey been elected, Russian-American relations might have been strained by the suspicion that Moscow had less than perfect confidence in the new Administration.

THE WORLD OVERSEAS

Canada and Newfoundland

(From Our Ottawa Correspondent)

October 26th

THE acquisition of Canada of rights for ninety-nine years to control and operate Goose Bay airport in Labrador for defence purposes may be the beginning of a new pattern of relations between Canada and Newfoundland. These relations have suffered from years of neglect, marked in modern times mainly by the dispute over the boundary of Labrador which the Privy Council arbitrated in 1927. The Labrador air-base lease is a new point of departure for Canadian policy, for it means that Canada has assumed long-range obligations for the defence of Newfoundland territory. In bringing Newfoundland and the Coast of Labrador into the scheme of Canadian defence, a pattern which has developed during the war will become permanent. It is a long way, though less than forty years in time, from the discharge by British forces of responsibilities of defence in Canada to the present position in which defence obligations in Newfoundland territory are assumed by Canada.

Goose Bay airport is, of course, an important air base on the great circle route for aircraft across the North Atlantic. Canada's lease does not cover commercial use of the base. Civil aviation rights will be determined later, under a clause of the agreement which stated:

The development of the air base being primarily for defence, the air base and its facilities shall not during the war be used for civil or for commercial operations (except where such operations are related to the war effort). The question of its use or their use for civil and commercial operations after the war, and all matters incidental thereto, will form the subject of discussion between the Governments of Canada, the United Kingdom, and Newfoundland, and this discussion will take place not later than twelve months after the war.

Newfoundland and its Labrador territory assumed new strategic importance in the Battle of the Atlantic after the fall of France. Canadian troops were dispatched immediately to Newfoundland, where the great Gander Bay airport served as a stopping point for aircraft flying to the United Kingdom and as a base for ocean patrols. The United States secured three bases in Newfoundland in the 1940 transfer of over-age destroyers. The new Canada-United States joint permanent defence board assumed the planning of defence over the whole region. Newfoundland troops were amalgamated with Canadian troops. Canada built installations, including two air bases, of which Goose

Bay airport in Labrador cost \$25 million. The Goose Bay project was started in September, 1941, but only now has a formal agreement covering its uses for defence been arranged. One point worth noting is that Canada dealt with the Newfoundland Commission, the temporary successor to autonomous government, while the United States leases in Newfoundland were secured from the British Government.

Implications regarding the future of Newfoundland and Labrador have recently come under study by a wider audience than ever before. The Peace of Paris of 1763, which dealt with the settlement of British North America after the conquest of French Canada, recognised Labrador as part of Newfoundland. The motive, as it appears from the record, was to eliminate French competition in the fisheries in Labrador waters, based on Newfoundland. Captain Thomas Graves had the Coast of Labrador added to his governorship of Newfoundland, through the issue to him of a new royal commission. French Canadian interest in salmon and seal fisheries in the Gulf of St. Lawrence as far as the Strait of Belle Isle formed the basis of Quebec claims to Labrador, and the territory was returned to Quebec in 1773. The following year, the Quebec Act of 1774 recognised the Quebec claim to Labrador. But, under Quebec, the whale and cod fisheries of the Atlantic coastal water of Labrador suffered neglect, and Newfoundland's case for a return of Labrador was recognised in the Newfoundland Act of 1809.

The boundary of Labrador had never been clarified, and in 1927 Canada and Newfoundland joined in requesting the Privy Council to define it. There was consternation in the Canadian House of Commons when the Privy Council decision was announced, and defined the Coast of Labrador as "the watershed of rivers falling into the sea on that shore." Instead of a narrow coastline including a few miles used by cod fishermen to dry their catch, the territory took in 110,000 square miles, including 60,000 square miles of timberland and the Hamilton River watershed. The late Right Hon. Ernest Lapointe, Minister of Justice, warned the Canadian Parliament that since Canada had agreed to accept arbitration, the boundary was settled.

One suggestion advanced was that Canada should purchase Labrador. In 1869, Newfoundland had rejected a

proposal to enter the Canadian Confederation. Since then, the question of Newfoundland joining Canada has not been raised seriously. In July, 1943, Mr Mackenzie King said:

If the people of Newfoundland should ever decide that they wish to enter the Canadian federation and should make that decision clear beyond all possibility of misunderstanding, Canada would give most sympathetic consideration to the proposal.

There the matter stands. Newfoundland obtained representative government in 1832 and lost it in 1838, regained it in 1842 and lost it in 1933. Culturally and economically, Newfoundland has moved slowly towards the Canadian orbit. The territory is part of the Canadian banking system, and Canadian currency is legal tender there. Canadian educational standards exist there and the United Church of Canada includes Newfoundland within its organisation. Public opinion both in Canada and Newfoundland regarding union is difficult to gauge as a yardstick of future prospects. Official opinion in Ottawa tends to regard the question as something which Newfoundland should raise; Newfoundland opinion is believed to hold many reservations about joining Canada. Meanwhile, the 99-year lease of Goose Bay airport involves long-range defence co-operation which may in the course of time foster public opinion for union. But until then the main concern between Ottawa and St. John's will be friendly co-operation.

Spain Without the Axis

THE liberation of France has stopped Spain's trade with Germany, but it has also ended, at least temporarily, Switzerland's trade with Spain as well as the transit trade of Swiss exports through Spanish ports. Spanish minerals such as wolfram, iron pyrites, copper and mercury, which played an important part in Germany's supplies, are of no great importance when compared with the large output of these minerals in the allied countries. If all foreign trade between the United Nations and Spain were stopped, it would hardly affect the supply position of the United States and Great Britain. Spain, however, would feel the loss of imports, unless the Latin American countries increased their exports. Even after allowance has been made for the general smallness of international trade in wartime, Spain's foreign trade has been extremely small; and the most important branches of Spain's industry depend on foreign imports of coal, coke, oil, cotton, machinery and capital equipment. If there are no wheat imports, the country's nutritional standards, which recovered slightly in 1943, would again decline.

Wartime difficulties in foreign trade relations had caused the Franco regime to adopt a policy of self-sufficiency which involved greater changes than the same policy in Germany or Italy. Once the regime had decided on a policy of self-sufficiency, the main problem was whether it could be achieved by bringing agricultural production up to modern standards, or whether a thorough industrialisation had first to be attempted to enable agriculture to be supplied with modern machinery. Restrictions on foreign trade have more or less forced a solution to this problem, and Spanish industrial and agricultural policy has, in the main, been dictated by the need to replace lost or banned imports.

Under the Falange administration far-reaching plans have been made, but the actual results of the plans have been small. Even to-day, production in agriculture and industry as a whole is behind the pre-civil war output. The 1944 wheat harvest, although larger than in 1943, and thereby allowing an increase in the bread ration to 5.3 ounces a day, was only three-quarters of the ten-year average before 1936. Bread and fodder cereals are at least 1,000,000 tons short.

As has been the experience of other countries, the policy of agricultural and industrial self-sufficiency made continually conflicting claims on natural resources and on the available labour force. In Spain, everything depends upon an increase in coal production, which actually reached a total of 10.8 million tons in 1943, against a peak production of 7.3 million tons in 1935. Of this total, 1.2 million tons are brown coal. In spite of large iron ore resources, the output of pig iron and steel is still far below the peak production of 1929. It is the shortage of coke and the inability to renew blast furnaces and steel plants which have prevented an increase in production. Yet, under these conditions, the authorities actually planned to produce synthetic oil, which was to reach by 1947 an annual output of some

300,000 tons, or 37 per cent of the total pre-war consumption of oil. Part of this synthetic oil is to be produced from shale and part from lignite. There are large resources of shale and lignite in Spain, but the available labour force is already fully employed in mining lignite for use as solid fuel. The manufacture of synthetic oil demands, of course, considerable electric power, and the plan includes, therefore, the construction of electric power stations, which are also to supply plants for the production of fertilisers. At the same time, another plan has been published for the electrification of more than 4,000 kilometres, or 30 per cent, of the entire railway system, which means that when other plans have been allowed for, the present annual generation of 4,500 million kwh. would have to be increased to at least some 20,000 million kwh. No doubt German interests were instrumental in these plans. The technical equipment and the leading engineers for these vast projects would have to have been supplied by Germany.

Only where supplies of raw materials were restored to pre-war figures was any industrial recovery noticeable. This happened in the textile industry. During 1943, imports of cotton reached four-fifths of pre-war imports, and wool supplies were sufficient from home resources. The sheep population, with 23 million heads, is actually the second largest in Europe, but the wool is inferior and it was reported that there had been negotiations with Australia for the import of high-quality Australian wool.

It is clear that the changing war situation has affected many industrial and agricultural plans, but it is equally clear that the regime is intent on continuing all the different and conflicting projects after the war. During recent years a considerable number of new industrial companies have sprung up. The total number of registered companies increased from 1,539 in 1940 to 2,709 in 1942. During 1943 there was a reduction to 2,004, although the total capital fell only from 2,245 million pesetas in 1942 to 2,190 million in 1943. This reflects industrial concentration enforced by the "Institute of National Industries." It has become a familiar process for the companies concerned in leading industries to agree on a policy of co-ordinating their activities, ostensibly in the national interest. This reflects the growing control of the state over private enterprise, which in certain instances has retained only nominal control.

Under these conditions labour has lost even its nominal freedom of movement, and it is now the normal procedure for the Labour Minister, in collaboration with the army and the compulsory syndicates, to direct large bodies of workers into certain industries. A short time ago, orders were issued for the coal mining industry to be supplied with another 5,000 workers. This method no doubt contributes much to the low efficiency of workers under the Falange regime.

Conflicting industrial and agricultural programmes, and particularly the continued decline of agriculture, have led to the flight of peasants and agricultural workers from the land. Attempts to stop this were unsuccessful, and it was finally acknowledged to be necessary because of the large industrialisation programme. The production estimates, which are certainly no underestimates, show that in general the productivity of labour must have declined. Continued political opposition to the regime may be one cause and undernourishment another, but the spread of bureaucracy certainly plays an important part in the fall in productivity.

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Growing state control of industry and agriculture have made it necessary for incentives to be provided in the form of production premiums. The low productivity and general backwardness which are characteristic of industry is making it difficult for the regime to equip the armed forces. Purely civilian planning seems to have interfered with the production of war material, and General Franco himself some time ago decreed the creation of a "High Council" for the armament industries, which is not unlike

the economic general staff under Goering in Germany. The chief of the General Staff of the armed forces has been appointed president, and the most important members are the president of the "Institute of National Industries" and representatives of the army, navy and air force and industrial experts. This seems to indicate that since this spring General Franco thought it necessary to subordinate all industrial activities to military necessities in preparation for the expected change in the military situation.

Russia at War

Stalin's Review

MARSHAL STALIN'S speech on the anniversary of the Russian Revolution was in part a routine review of military and political situation. Its chief interest lay not in his account of the military operations, but in some political statements and understatement, as well as in some significant omissions. Politically, the most striking passage was that in which the Russian leader described Japan as an "aggressive nation." He did this *en passant*, when speaking about the "historical law" according to which the freedom-loving nations are usually less prepared for waging war than the aggressor nations. This passage of Marshal Stalin's speech was in striking contrast to the studied neutrality of his very few previous utterances on Japan. It tallied well with references that had appeared in the Russian press to the "sacred Russian soil of Port Arthur," conquered by Japan forty years ago. It would probably be incorrect to draw from this any sensational deductions about Russia's imminent entry into the war against Japan. But one conclusion can safely be made: Russia has switched over from absolute neutrality in the Pacific conflict to an attitude of what may be called moral co-belligerency.

The Russian public must have taken Marshal Stalin's reference to Japan as a sure sign that the Alliance is spreading into new fields. He did his best to bring home to his listeners the fact that the Alliance is not only widening, but also gaining in stability:

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His words that "the Alliance will stand up to the test of the concluding stage of the war" can be read as a cautious rider. The Russian public, which is accustomed to read between the lines of the leader's speeches, may well wonder what lies beyond "the concluding stage of the war." Here Marshal Stalin refrained from outlining far-reaching projects. He emphasised the importance of the Dumbarton Oaks schemes, and the need for the new international organisation to be equipped with full powers to prevent aggression. But he made no fetish of international machinery:

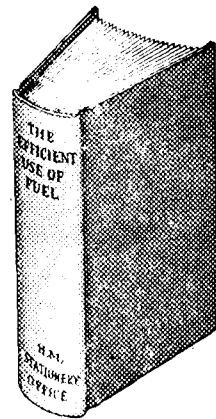
The activities of this international organisation . . . will be effective if the Great Powers which have borne the brunt of the war against Germany continue to act in the spirit of unanimity and concord. They will not be effective if this indispensable condition is violated.

The Next War

Marshal Stalin defined the task of the new international organisation in a way which some people will regard as too narrow. It is "to avert a new aggression on the part of Germany, or at least to stifle it at the very outset." The present war aim of the Allies is thus presented as the chief, if not the sole, bond that is to keep them together in peace. The positive tasks of economic and political reconstruction have been left out. Throughout the whole speech this war cast its shadow ahead to cover the whole period of the peace right up to the beginning of the next war. "Germany will be disarmed economically, militarily and politically"—the phrase reflects the Russian view on the right sequence of the various aspects of Germany's disarmament. But expectations that Germany, now rendered harmless, will not recover its power "after twenty or thirty years," were described as "naïve." The new international organisation should then be used in order to stifle a new German aggression "at the outset," that is, in order to make the future war as short and as little destructive as possible. The recurrence of war cannot be avoided, but wars can be replaced by lightning and not very costly punitive expeditions. This seems to be the main theme of Stalin's argument.

In domestic affairs the outstanding fact, duly celebrated by victory salvos in all the great cities of the Soviet Union, is that the whole of Soviet territory, including the lands acquired between 1939 and 1941, has now been cleared of the enemy. The purely defensive phase of the war is thus over. In connection with this, Marshal Stalin fed the Russian people's self-confidence when he termed the Soviet Union "the main opponent of Germany" in the battlefield, and supported this by comparing the 75 German divisions pinned down by the Allies in the west with the 200 German divisions pinned down by the Soviet armies. The Russian victories, he went on, were not only the triumph of Russian arms, but also the triumph of the Soviet economic and social system. Russia, he asserted, had surpassed Germany in economic strength, thanks to the stimulus given by the Revolution. This was the only context in which anniversary reminiscences mingled with present policies.

The most conspicuous omission in the speech was any description of the political situation in the liberated countries of Europe. Traditionally, when he spoke as the leader of the party, Stalin used to preface his speeches with surveys of the international political scene, and especially with reviews of the labour movements of the world. In his latest speech, however, he did not refer to these matters at all. He said nothing about the situation in countries where the Red Army had entered, though this entry has caused a political earthquake throughout the Balkans. It could almost be said that Mr Churchill's phrase—the war is becoming less ideological—might have been the text of Marshal Stalin's anniversary speech.



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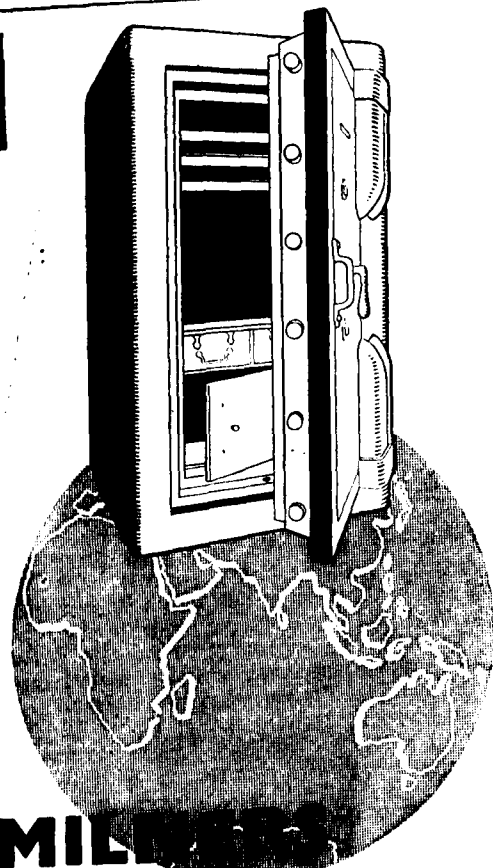
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lated by technicians, lecturers and investigators who have had direct access to tens of thousands of industrial plants and have had the opportunity to observe an immense amount of experimental work in every type of organisation. The book, which contains 34 chapters and 303 illustrations, is published by H.M. Stationery Office at 12/6d net, 13s post free, and is now on sale.

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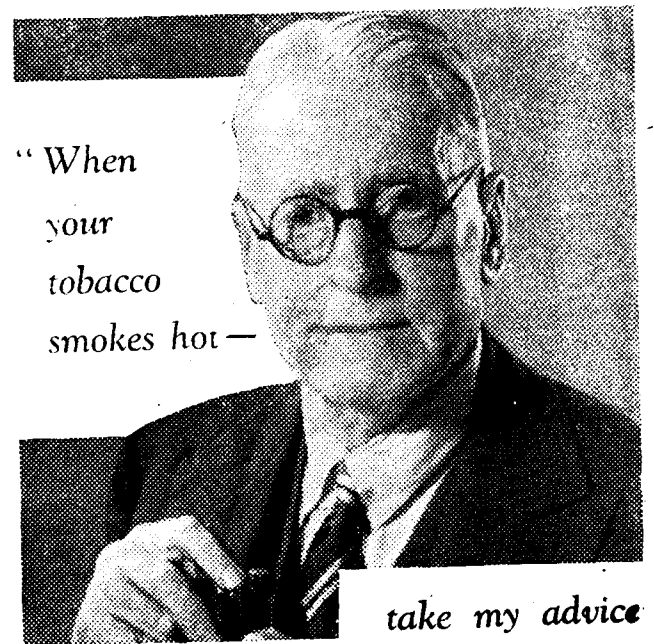


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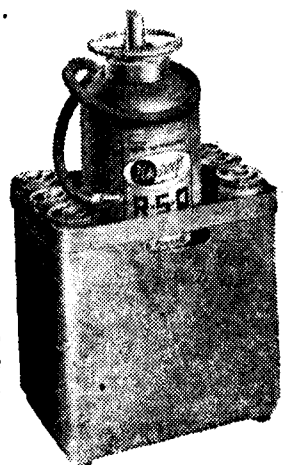
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THE BUSINESS WORLD

France's Liberation Loan

THE first part of the French Government's plan of attack on the problem of redundant purchasing power was announced last week-end. It abjures such compulsory measures as those of the Belgian monetary plan, and relies on the voluntary co-operation of the people. The plan takes the form of an issue of 3 per cent National Loan, for which the lists opened last Monday. The terms of the issue are approximately in adjustment with open market valuation of French Government credit. The 3 per cent perpetual Rentes have recently been quoted at about 103 on the Paris bourse. No limit has been fixed for the new loan, but it has been authoritatively hinted that at least 100,000 million francs must be subscribed if it is to succeed in its purpose. That purpose has been variously defined. The official communiqué announcing the issue suggests that the loan is intended, not to meet the revenue requirements of the Government, but to absorb Bank of France notes. The French Minister of Finance, M. Leperq, appears to have placed a somewhat different interpretation on the issue. He is reported to have described it as "necessary to meet war expenses as well as urgent needs for social and economic reconstruction," adding that "it will also help in absorbing a large quantity of bank notes issued during the occupation." The two statements are not irreconcilable. The present exchequer position of the French Government is said to be favourable owing mainly to the response since the liberation to issues of

Treasury bonds. It follows that the receipt of anything like the suggested amount of 100,000 million francs from the new loan would have an immediate effect in deflating the currency, since it would enable the Government to repurchase advances from the Bank of France, and cancel notes to the equivalent amount. On the other hand, it is difficult to believe that the fiscal machine in France is at present in a position to provide a revenue equal to the existing and even more, the prospective outgoings of the Government. It is possible, therefore, that the immediate deflationary impact of the new loan may be followed by gradual re-expansion as subsequent deficits have to be financed by inflationary borrowing, and that after some delay, the proceeds of the new issue may in part be utilised in the way M. Leperq suggested.

The important aspect of the operation is its indication that the French Government have—no doubt for compelling reasons—set their face against compulsory measures of currency contraction. They are steering a course which the Dutch Government had already charted—on paper: that of appealing to the patriotism and good sense of the people "for the liberation of the national finances." Compulsory powers remain in reserve, and the official statement issued over the week-end threatened that "if the notes to be reabsorbed are not forthcoming for the new loan, other measures, less to the taste of note-hoarders, may be taken." Nor does the loan do away with the need for some operation for the conversion of notes. Large quantities of the old notes were taken away by the Germans, and by the active collaborators who fled with their masters, and these are finding their way to the free market in Switzerland. For this reason alone the French Government may be compelled to suspend the legal tender attributes of the notes in their present form, and either require their conversion into a new issue or, at least, their stamping with some distinctive mark of the new French authority. Measures taken for this purpose, however, need not, as in Belgium, be accompanied by a temporary and partial blocking of the existing currency, though as in Belgium they might well provide a useful item in the data that will be required by the French Government in its plans for assessing and taxing war profits.

The effectiveness of this funding operation depends upon the magnitude of the task to be performed. How much currency and other liquid purchasing power is it necessary to absorb? The object is to ensure for the French franc a purchasing power corresponding to the recently fixed exchange rates of 50 francs to the dollar and 200 francs to the pound. In order to assess the prospects of achieving this adjustment, allowance must be made, therefore, not merely for the inflation of currency and credit and the rise in prices that has occurred in France, but for the comparable changes in the countries with which the exchange has been linked. Allowance should also be made for the fact that during the immediate pre-war period the French franc was appreciably undervalued at the exchange rate of 176 to the £, at which it had been stabilised following the Reynaud devaluation; a figure of about 150 would probably have been nearer the economic parity. In other words, the rate of 200 francs to the £ now fixed should allow for a 33½ per cent deterioration in the French currency and price position relatively to that in Great Britain.

After the last war, these questions were discussed arithmetically, by the comparison of index numbers of prices and wages. In present circumstances, such calculations can be of only quite minor assistance, partly because accurate data are lacking, partly because they tend to ignore the great variety of circumstances that can, and do, so frequently alter cases. For what little they are worth, however, the comparison can be made on the basis of two sets of data that are available—the trends in the note circulation and in the level of wage rates. Since the end of 1938 the Bank of France circulation has been multiplied by about six; it has risen from 109,000 million francs to something over 600,000 million francs, and bank deposits have increased from 33,578 million francs to 106,930 million

(February, 1944), that is, about threefold. Over the same period the Bank of England circulation has risen from £504 million to £1,171 million, i.e., by about 2½ times, and British bank deposits from £2,553 million to £3,897 million, or about 50 per cent. The total of currency and bank deposits has risen about fivefold in France and by two-thirds in England. These comparisons would suggest that the withdrawal of 100,000 million francs will not be enough to achieve statistical equilibrium between the experiences of the two countries. It has been estimated that of the present Bank of France circulation of 600,000 million francs, some 200,000 million francs are hoarded. At least the whole of this margin of 200,000 million would have to be absorbed by the new loan, and other parallel measures in order to give France a currency circulation not greatly out of alignment with the external value given to the franc. That is twice the figure which the present loan is expected to yield. Nor does this rough comparison take account of the fact that the monetary circulation in France to-day has to serve a much smaller fraction of the volume of trade transacted in 1938 than is the case in Great Britain. In other words, even the withdrawal of 200,000 million francs from circulation would, on the available evidence, leave a considerable margin of redundant currency in circulation and, therefore, a persistent pressure on prices and stimulus to black market activities.

The wages equation appears to be much more reassuring. During the German occupation of France the general level of wages had been kept controlled at about 43 per cent above the end of 1938 figure. One of the first steps of the new French Government was to allow a general 40 per cent increase in wages as an essential adjustment to the rise in the cost of living. The present index of wages would, therefore, appear to be exactly double the end of 1938 figure. This compares with a figure of 145 for Great Britain. Allowing for the undervaluation of the franc in 1938, and for the subsequent depreciation in its exchange value, the French wages index should stand at around 190 in order to keep pace with the rise in the British figure. The difference between that and the actual figure of about 200 is not such as to cause concern; though here, again, it should be pointed out that wage rates are not necessarily a guide to

comparative weekly wage payments in the two countries; thus weekly earnings, as distinct from rates of wages, have risen by about 80 per cent in this country since 1938.

These quantitative comparisons cannot be driven too far. Even on the most mechanical versions of the Quantity Theory, the volume of money is not the only factor in the equation, and if the hoarded money can be relied upon to stay hoarded, then there would be no point in insisting on exact ratios. It is the volume of expenditure relatively to the goods available that matters, and that is more likely to be determined by the level of incomes than by the volume of money. Nevertheless, even the most sophisticated adherent of the new economics would not deny the danger that lurks in an excessive currency, and the comparisons of wage and price levels are instructive if they are used only to determine the rough order of magnitude of the excess.

In any case, the aim of the funding operation is not to bring about a final adjustment between the franc and the pound and the dollar. It is the more modest one of draining off some of the excess of purchasing power in the hands of the public. The attempt to handle the problem by voluntary means is commendable, but it would seem likely, on the basis of the information available, that more drastic handling than the Government are as yet prepared to give it will be needed. If the methods of voluntary co-operation are to be adhered to, the Liberation Loan should only be the first instalment of a note funding scheme. The second part of such a scheme should be a drastic measure of retrospective taxation of war profits. The third chapter of the plan for monetary rehabilitation, and by far the most agreeable to all concerned, must be the re-expansion in economic activity, and in the volume of consumer goods that must underpin the value of the currency. Owing to disrupted communications, dearth of raw materials and damage to factories, this third chapter will inevitably prove a long and difficult one. It is because of the magnitude of the task to be accomplished in restoring the volume of French production that the most sympathetic observer must take leave to doubt whether the voluntary plan launched by the French Government for funding the redundant part of the note issue will by itself be found adequate. It can—and is no doubt intended to be—only a beginning.

Business Notes

The Funds Advance

The decision to offer a 1½ per cent short instead of 2½ per cent medium loan has been, in part at least, responsible for a revival of interest in the gilt-edged market and for a very material improvement in turnover. There is also a substantial rise in prices of longs and a declining tendency in most of the shorter 2½ per cent National War Bonds. The reason for this is a last-minute decision to sell in order to increase holdings of the 1952-54 series, for which the tap closed on Monday. Now that this supply is cut off for the time being, a recovery in medium-dated bonds may be expected, and, about the end of the year, a seasonal fall in long-dated and irredeemable stocks. The improvement in the Funds has spread outwards into debentures, but, so far, preference shares have been scarcely affected. Meanwhile, the recovery in industrial equities has continued. The figures of *The Actuaries' Investment Index*, of which a selection is given on page 652, shows that a substantial part of September's fall was made good during last month. Since October 31st the figure of *The Financial News* shows a further appreciation of over ¼ of one per cent. This means that both prices and yields are, for this small selection of market leaders, back to end-August levels, but still some 4 per cent below the peak. The *Actuaries'* figures, for a much larger selection and made up only once a month, show a net fall from the July peak of some 2.6 per cent to end October. Present indications are that the rise will continue.

Rush for War Bonds

The last-minute rush for National War Bonds before the tap was turned off last Monday broke all records in the history of subscriptions to the Government's tap issues. In the week which ended last Tuesday the amount subscribed to the tap issues other than savings certificates was £126,417,199. Of this record total, £119,272,239 was subscribed to National War Bonds 1952-54. Not the least

interesting aspect of this extraordinary acceleration in the subscriptions to Government loans was its impact on the credit position. The authorities had prepared for a rush of this kind by keeping floating debt borrowing down to small dimensions. Last week the net borrowing from the banks and the discount market was kept down to £12 million, and this week the figure was £15 million, namely a £5,000,000 excess of Treasury Deposit Receipt payments over maturities and the now customary £10 million excess of Treasury bill payments. The banks offset their own and their customers' subscriptions for National War Bonds by encashing TDR's prior to their maturity. The disturbance of the last minute rush for National War Bonds was not, however, so simply segregated as to allow the pre-encashment of TDR's to achieve the whole, or even the bulk of the balancing operation. The funds required for subscriptions to the bonds were to a large extent mobilised by sales of slightly shorter dated Government securities in the market. The gilt edged jobbers probably found themselves carrying abnormal positions at the end of last week and the beginning of this; corroboration of this is provided by the keenness of the demand for loans from the Stock Exchange this week. The authorities have also neutralised the disturbance of subscriptions to National War Bonds on the credit situation by open market operations which appear to have taken the form of purchases of bills from clearing banks. By recourse to all these devices the exceptional turnover of money during the past week, though reflected in persistent demand for credit, has never led to stringency, and has not called for direct assistance from the authorities to the discount market.

Machine or Handmade Goods

The report of Sir Frank Platt's Textile Mission to the United States has not merely revealed a gaping disparity between the productivity of the cotton industries of Great Britain and America. It stands as a challenge to the traditional conception of many British industries engaged in the



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production of consumers' goods that lend themselves to mass-production—that is, the concentration on specialities. The production of specialities, by definition, means production on a small scale; they offer little scope for mechanisation. Industrialists in the United States have successfully pursued the opposite policy of adopting large-scale, highly mechanised production methods wherever these could be applied. The enormous productive capacity of the United States is based on the machine rather than on the hand; the fruits of this policy have been a standard of living far above the British. It has brought the modern amenities, such as motor-cars, refrigerators and the rest, within the means of the lowest income groups. As the reaction to the Platt report in Lancashire has shown, the traditional British conception still exists. It is advocated by many more strongly than ever on the grounds that specialities whose costs embody a high proportion of skill—that is of labour—will stand a better chance on the export markets after the war than standardised articles embodying a high proportion of overheads. If the reward of skill by hand were as high as the reward offered by the machine, the argument would be valid. But in many products this is the exception rather than the rule. In any case, the argument in favour of specialities, as often stated, quite overlooks the fact that mechanised production in bulk demands a high degree of skill in the manufacture of machines and in the organisation of production, from the management down to the foremen. The export of skill, which is certainly desirable, does not necessarily mean the export of specialities. If the production process were viewed as a whole, instead of at the finishing-end, it would be seen that skill plays a vital part in American industries based on mass-production. In a sense, the criticism that British industries making consumers' goods cater only for the rich and the middle-classes is justified. With their conventional methods they will not bring the range of modern amenities—now accepted as a matter of course in the United States—within the reach of the lower income groups in this country for many years. Where the convention has been broken, as in men's suits and in women's dresses, the results have been highly successful. The sooner it is broken in other industries, the sooner the public will be able to enjoy good homes, furniture, motor-cars and the rest. This does not mean that there will be no further room for the more expensive specialities. On the contrary, there are still many industries in which the reward of skill by hand matches the reward of the machine.

Argentine Exchange Concessions

The Argentine Government has modified its hostility to the British investor. Indeed, to have persisted much longer in a policy as arbitrarily severe as the Red Queen's, in which "off with their heads" was the rule for British capital and earnings alike, would have ended all rational investment relations between the two countries. The British investors' chief interest is in the Argentine railways, towards which two concessions have now been announced. Last week it was stated that the railways may continue to charge the existing higher tariffs to the end of 1946 and may add a further 10 per cent on freights. But this does little more than keep pace with increased operating costs, although to accomplish even this may seem surprising. Much more important are the exchange concessions, rumoured on Monday and now officially confirmed after a short bout of market scepticism. The special rate for financial remittances to this country is reduced from 16.15 pesos to 14.15 pesos to the £, and the rate for the railways' purchase of urgent stores and necessities from this country is reduced from 15 to 14 pesos to the £. The change in the former rate is of great importance to investors, since its level determines the extent to which any earnings do in fact reach them. Previously it was highly unfavourable. The change means quite simply that the net profits received by London offices will be increased by about an eighth, so that there can hardly fail to be some gain to debenture and preference stockholders. The change in the rate for purchase of stores is much smaller, and this rate has, in any case, only a limited application to total purchases. Whether these concessions represent a genuine change of heart or merely a move of political expediency remains to be seen. The exchange improvement is carefully stated to be "temporary." Further, no noticeable improvement can yet be seen in the treatment accorded to the railways' capital assets, on whose satisfactory condition earnings must ultimately depend. There have been rumours of a reduction in the railways' liability for making

up wage retentions, concerning which the position remains obscure. But it must be remembered that the overwhelming and continuous rise in wage rates and the cost of materials, which has outpaced the permitted increase of railway charges, has prevented proper provision for the maintenance and depreciation of track and rolling stock, let alone their much-needed modernisation and expansion. The Argentine Government is in a position to revise any limited concessions it makes whenever expediency dictates; and past experience has not shown it unwilling to be wantonly capricious. So that for the time being the British investor would be well advised to regard the Argentine market as showing no more than an amber light.

The New Drachma

A new Greek currency is due to make its appearance at the end of this week. This is not too soon if the urgency of the situation is to be measured by the state of collapse of the old currency; but it may be too soon if the essential pre-requisite of a stable currency, namely, an adequate stock of commodities on which the currency can be spent, is to be satisfied. The Greek authorities in facing this dilemma have probably been pushed into action which might appear premature on the second count, partly by the advice of the British Treasury experts now in Athens, partly by an even more urgent consideration, the virtual annihilation of the old currency. To tide over the short "currencyless" interregnum the Greek authorities have this week decided to make available supplies of gold sovereigns provided by the British Government from its Middle East reserves. These coins were being sold this week through the Bank of Greece at the rate of 20 trillion (twelve noughts) drachmas to the sovereign. The British Military Authority pounds which have in the past three weeks provided the only other stable element in the circulation have changed hands at about six trillion drachmas this week, or about double the rate quoted last week. The new currency will be put into circulation in exchange for holdings of old drachma notes at the rate of 50,000 million old drachma to one new. The new drachma will be fully secured by gold and foreign exchange and will be given a rate of 600 to the pound.

Banks and Politics in Australia

Banking and currency provide one of the more inflammable topics of Australian political life. It has recently generated a good deal of heat again as a result of a pamphlet advocating the complete control of the banking system by the Federal Government circulated by the Minister for Home Security, Mr Lazzarini. Mr Lazzarini, who is also Minister assisting the Commonwealth Treasurer, attacked the private banks, which he accused of being guilty, at least technically, of "counterfeit coinage." This pamphlet has in its turn been attacked by Mr Menzies, the leader of the opposition, who said that the Prime Minister, Mr Curtin, must accept responsibility for the "clotted nonsense" published by Mr Lazzarini on banking policy. The furor caused by Mr Lazzarini's pamphlet has been sufficient to extract from the Commonwealth Government a statement that the banking legislation which the Government plans to introduce next year will not be based on the ideas set out in this publication. No hint of the likely character of this legislation has yet been given, but it may be assumed that it will conform to a well established trend—that of extending the functions of the Government controlled Commonwealth Bank at the expense of the privately-owned trading banks. Some perpetuation of the control over profits of the trading banks by the compulsory special deposit system is also likely to figure in the new legislation. The preliminary skirmishing on the proposals has already become apparent within the Commonwealth Bank itself as may be seen from the fact that the Government are not re-electing one of the industrial directors, Sir Clive McPherson.

Rouble and Lei

The Roumanian Minister for Finance and the Central Bank of Roumania announced on November 2nd, on the Bucharest radio, that all holders of roubles and Soviet lei were ordered to offer these notes to specified banks for exchange into ordinary Roumanian lei. The exchange rate

is lei 100 for one rouble and lei 5 for one Soviet lei; and the time limit for the exchange was fixed at December 1, 1944. This is the first statement on the fact that roubles, together with a special occupation currency, the Soviet lei, have been in circulation in occupied Roumania. During this war all armies of occupation have brought with them their special currency, and all exchange rates have had to be fixed arbitrarily because of the absence of free markets and free exchanges. Over-valuation of the currency of the occupying Power has been the rule, and the rate of exchange fixed by Russia in Roumania is no exception. Unfortunately, there is no possibility of estimating the approximate external value of the rouble or the lei. Yet even an arbitrarily fixed rate of exchange must have been based on some measure of the value of the currencies to be exchanged. Shortly before the war the quotation of Russian roubles and of Roumanian lei on the London exchange market or the Berlin Bourse worked out at one rouble, roughly equal to lei 26.6. Since the beginning of the war Roumanian prices have increased on an average at least four times, but nothing is known about the price development in Russia. In 1940 one litre of fresh milk at a state co-operative shop in Russia was sold at roubles 2.10. At that time one litre of milk in Bucharest was lei 10. In 1944 the official milk price in Bucharest had increased to lei 60, but the effective price was probably around lei 80. Prices in Russia—that is to say, the official prices, not the prices of the "free market"—increased only slightly. The Russian soldier purchasing milk in Bucharest with roubles would be able to buy with roubles 2.10, equivalent to one litre of milk in a Russian town, at least 2½ litres of milk in Bucharest. Naturally, this example cannot be generalised, especially as it is based on official prices in Russia. A considerable over-valuation of the rouble in Roumania in terms of the lei is obvious. The influence on the price and monetary situation in Roumania depends on the magnitude of Russian purchases. From August, 1939, to September, 1944, notes in circulation had increased almost five times, and with the inevitable disruption of the administration Roumania's currency seems well on its way to total inflation.

Redundancy in War Factories

The demonstration outside the House of Commons of workers discharged by a group of aircraft factories in the London area serves to emphasise the need for speed on the part of the Government in the formulation of its plans for industrial reconversion. The promised statement on the re-allocation of manpower between civilian employments is still delayed. Mr Tomlinson, Joint Parliamentary Secretary to the Ministry of Labour, stated in the House of Commons on Tuesday that about 1,800 workers would become available within the next two months from the main factory of the aircraft group, and that many more would be available at a later date; no difficulty was expected in absorbing them in the London area. This factory is not an isolated case, and reports of curtailment of war production in the Midlands and elsewhere have been increasing. It was for this reason that Mr Bevin, at the week-end, gave an assurance that spells of unemployment, due to temporary dislocation, would be of short duration. He counselled patience and appealed to the workers not to get mixed up in political demonstrations but to take their troubles to their trade unions. With the best will in the world, however, trade unions cannot cope with the problems of labour surplus to war production, which are a national and governmental responsibility. Nationally there is still an overall shortage of labour, and workers will be needed both for continued war production and for peace-time industries. The Government's intention, it seems, is to stagger the releases of labour as it becomes available through programme changes and cuts, to re-open concentrated factories and start on civilian production, and to call up men of military age for the armed forces. It is true that in this process of changing-over, there are bound to be temporary dislocations. What matters is that the period of dislocation should be as short as possible. The Government can assist by enabling firms to start on peacetime projects.

Winter Coal

The Ministry of Fuel's decision to introduce a priority distribution scheme for consumers who are finding excep-

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BANK OF ENGLAND, LONDON.
6th November, 1944.

tional difficulty in obtaining their winter coal should help to alleviate some of the hardship which might otherwise be experienced this winter. Those who will benefit under the scheme are householders who buy their coal in small quantities from roundsmen, and who have little storage space in their homes, and those whose homes have been damaged by flying-bombs. Consumers who normally buy their coal in small quantities by order will be divided into three classes of priority according to the amounts of coal they received between May 1st and September 30th. The amounts for each priority class in the southern and northern districts are as follows:—

	Priority 1	Priority 2	Priority 3
Eastern, South Eastern, Southern, South Western, London	Less than 10 cwt.	10 cwt. to 1 ton	Over 1 ton
Midland, North Midland, Northern, North Western, North Eastern, Scotland, Wales	Less than 15 cwt.	15 cwt. to 25 cwt.	Over 25 cwt.

Occupiers of bomb-damaged premises who are not already in the first priority group will receive one degree higher priority than that to which they would normally be entitled. The scheme comes into force on December 1st, and will be on a voluntary and not a statutory basis. Its success, therefore, depends on the co-operation of consumers and merchants. It will perhaps be in country districts that the test of the fairness of distribution will come. The scheme should not be taken as a signal that the stock position is any easier or the coal position any less serious than it has been. On the contrary, with falling output and rising demand—especially from SHAEF for high-grade locomotive coal—there is grave danger of a serious domestic coal shortage this winter. The shortage of alternative fuels, such as coke and anthracite, owing to increasing military requirements, the needs of high priority industry in this country and rising consumer demand, will make additional pressure for house coal, and before the winter is over, there may have to be drastic inroads into stocks. No doubt Major Lloyd George will continue to make his appeals for more production and economy among consumers, in order to bridge the gap between production and consumption. An unknown factor is the weather; it proved an ally to the Minister during the last two years, but it may not always be on his side.

Temporary Plywood House?

The Portal house goes into production next January. There are, however, other types of prefabricated dwellings to contribute to the production of temporary houses, which it is expected will reach a peak of 2,000 to 2,500 a week. A few firms—including, among others, Tarran—are to make houses in materials other than steel, but using the same equipment and plan as the Portal house. The Ministry of Works has recently had submitted to it by a firm which has been engaged in aircraft manufacture a house made entirely from plywood. The walls resemble a sandwich, the outer layers being of Canadian birch plywood which are bonded to an insulating core of waste wood and paper, with a special synthetic resin. This composite material has strength and durability, and is, in fact, similar to that used for deck-houses on motor torpedo-boats. The house differs from the other temporary types in that it needs no frame. On the site a concrete and wood foundation is all that is needed, and a total of a thousand man-hours goes to produce and erect it. The factory at which it has been made can turn out a hundred units a week. Every encouragement should be given to firms which are prepared to assist in the provision of temporary homes, but the decision on which types should be put into production must rest with the Government. Since production is to start before the end of the war, the materials used will be subject to control. It is essential that there should be no conflict with war requirements. For this reason the latest design, laudable though it is, may not be suitable for immediate adoption, since birch plywood comes from Canada, and shipping space may not be available to bring it. Again, it is obviously more economical that temporary houses should be completely standardised, and if the same rent is to be charged for them, they should all be of the same quality. The estimated cost of the plywood house, at £600, is about the same as that of the Portal house. If the Portal fittings are substituted for those at present incorporated in it, and if the difficulty of importing materials can be overcome, it might be possible

to incorporate the plywood house in the temporary housing scheme.

What is a Director?

The question which forms the title of this note is inspired by certain resolutions which the board of Dorman, Long and Co. have just submitted to their shareholders. Wishing to improve the status and widen the experience of certain members of the staff, the directors propose to appoint them *special directors* of the company. They accordingly invite the shareholders to amend the Articles of Association so as to make this possible. It may come as a surprise to some that the Companies Act, while it lays down certain duties and powers of directors, attempts nothing which can be described as a definition of the directorial function. So far as that is covered at all, it comes under Table A, as amended by the Articles of the company. So a director may be just what the proprietors decide. These new directors are to have few of the powers or duties which are normally associated with the office. They will not be expected to have any share qualification, they are appointed by the board and their appointment will not require ratification by the shareholders. They hold their office entirely at the pleasure of the ordinary directors, who decide their remuneration. Further, they are not to be entitled to receive notice of or to attend or vote at any board meeting except at the express invitation of the ordinary directors. It may be questioned whether it is worth going to the expense of changing the Articles to invest the members of the staff in question with such minor privileges instead of merely inviting them to attend meetings as and when it was thought they had a contribution to make or which were likely to widen their experience. By and large, the plan does little to give the executive an increased sense of responsibility towards the shareholders.

"Chartered" Small Holders

The board of the British South Africa Company has taken a very unusual step in putting forward a scheme designed to eliminate all very small holdings of its shares. These shares are of 15s. nominal value, and they have recently received dividends of 8½ per cent, less tax. It is suggested that on holdings of less than 20 shares it is scarcely worth the trouble of cashing the dividend warrant. They have therefore arranged with the Rhodesia Railways Trust that it shall offer 27s. 6d. per share in cash for all holdings of less than 20 shares, this being the middle price for the shares immediately before the offer was published. This is a matter which the small holder must decide for himself, and there is, of course, no element of compulsion. At the same time, it is open to doubt whether an attempt to eliminate the small holder is desirable. No figures exist to show the average holding of shares throughout British industry, but it is certain that a very large number of holdings yield less than 12s. 6d. net per annum. Further, in view of the known desire of industrial managements for equity finance and of the need to interest more and more people in the conduct and results of British industry, anything which tends to discourage small holdings is to be deprecated.

Gaumont-British and Better Films

The profits of the Gaumont-British group for the year ended March 31, 1944, show a slight fall of about 2 per cent to £2½ million, operating costs having slightly outstripped increased takings. The ordinary dividend of 6 per cent, again paid by the parent company, is covered by earnings of 6.9, against 7.2 per cent; but these earnings are reached after deducting the sum retained by subsidiaries, which this year is up by £16,000. This increase is considered prudent in view of the non-recurring nature of taxation benefits brought in and the calls on subsidiaries for debenture repayment. It is also stated that the provision for EPT, whose basis of calculation has not yet been agreed with the authorities, should prove conservative. Certainly, a conservative policy on the part of the board is more than justified in view of the excess of current liabilities over liquid assets and the high amount of loan and debenture stock outstanding. The accounts for the last three years are analysed in some detail on page 651. The chairman, Mr Rank, gives a favourable report of the activities of the two manufacturing subsidiaries, now engaged on essential work, Cinema-Television, Ltd., and British

Acoustic Films. But his most interesting remarks concern the quality of British films. This, he maintains, is steadily improving and he gives high praise to three of his company's productions—in defiance, incidentally, of the views of some leading critics. Certainly box-office results—which in all three cases were excellent—are the obvious criterion for the film industry to follow. But are present takings a fair guide to post-war conditions, when more competing attractions to the cinema will become available? Again, Mr Rank mentions the high export possibilities of British films, but the only current success claimed was in the home market. That Gaumont-British should realise the need for improving British films is much to the good. But perhaps a self-laudatory attitude is better kept in storage until the company's productions have won peacetime applause, and have proved their worth with overseas exhibitors and audiences.

Bicycles after the War

Like so many other trades the bicycle and motor cycle industry has submitted a report on reconversion problems to the Board of Trade. Inevitably a substantial proportion of this industry has been harnessed to the munitions programme, though a few firms have continued to produce bicycles and motor cycles. Provided labour and materials are available, manufacturers of bicycles will be able to reconvert their factories quickly and expect, if need be, to raise their output to an annual rate of 6,000,000 units within twelve months from the cessation of hostilities. (A unit includes both complete machines and parts.) Reconversion will take somewhat longer in the motor cycle section of the industry; it depends on skilled labour to a higher degree than the bicycle section; it will have to overcome the difficulties created by the restrictions on design and development since the outbreak of war. Nevertheless,

PRODUCTION AND EXPORTS IN 1937.			
	Numbers.	Total.	Exports.
	Production.		Empire.
Bicycles	1,850,000*	692,500	138,600
Motor cycles...	77,700*	15,800	9,500

* Estimated.

the report suggests that the industry might be able to step up production to an annual rate of 500,000 units. It is estimated that about half the existing machinery of the bicycle and motor cycle industry will require to be overhauled; but it has not been possible to give an indication of its needs in respect of "remodelling or modernising of its export trade. The accumulated demand—especially for bicycles—must be substantial, and it is suggested that for bicycles—must be substantial, and it is suggested that UNRRA might need large quantities of bicycles as one means of overcoming inadequate transport facilities in liberated countries. Moreover, competition from other exporting countries may be less than before the war, when Germany and Japan were large suppliers of bicycles, and Germany and—to a lesser extent—Italy of motor cycles. It is recognised that the industry will have to face keen competition from local bicycle assemblers in the Dominions and India. But the bicycle and motor cycle industry should have no difficulty in reaching the prescribed export target, that is to increase exports by 50 per cent in volume on the pre-war level.

No, Thank You

The report of the British Cycle and Motor Cycle Manufacturers and Traders Union has caused alarm in India. In commenting upon it Mr R. D. Birla, chairman of Hind Cycles, Ltd., pointed out that his firm and other Indian cycle manufacturers had prepared a post-war programme for the manufacture of 500,000 cycles to meet "fully" the requirements of India. He reminded the Board of Trade and British manufacturers of the repeated assurances given by the Secretary of State for India that it was the settled policy of the British Government to allow Indian industries to develop to their full capacity. Finally, he expressed the hope that British manufacturers would not resort to "uneconomic and unfair" competition. It would indeed be very wrong if British industry set out to prevent the industrialisation of India. But there is no trace of any such suggestion in the report of the bicycle manufacturers. They merely stress the difficulties they would have in exporting to the Dominions and India if these countries were to "bolster up" local manufacture with import duties. Mr Birla wants to keep them out of India altogether. If this is to be the aim of industrialists in India, how can Great Britain be expected to pay its war debt to that country?

Safety in Industry

The 1943 Report of the Chief Inspector of Factories contains an encouraging record of improved safety in industry generally. Last year the number of both fatal and non-fatal industrial accidents were lower than in 1942—there were 1,220 fatal accidents (10.5 per cent less than in 1942) and 309,924 non-fatal accidents (1.1 per cent less than in 1942). The number of fatal accidents was the lowest since 1939. It is satisfactory that this should have been so in the fourth year of war. Sir Wilfrid Garrett, Chief Inspector of Factories, attributes it to a variety of causes: the progressive reduction in working hours; the stabilisation of the labour force; the growing experience of the formerly untrained workers; the imposition of stricter penalties by the Courts; improved safety measures, and the development of joint safety committees in factories. There are still black spots in the industrial record. The number of accidents to women actually increased between 1942 and 1943, bringing up the percentage increase since 1938 to 400 per cent; this is due mainly to the influx of women into industry. Many of these accidents could be prevented by what Sir Wilfrid calls "good housekeeping" in factories, while the number of women who suffer scalping accidents because of "unfortunate" styles of hairdressing is still unnecessarily high. Shortage of staffs has increased the inspectorate difficulties—390 inspectors and canteen advisers, of whom 118 are temporary, seems far too small a number to cope with the enormous work of inspecting, enforcing and advising involved, and for any effective schemes to be operated after the war an extension of the inspectorate seems essential. The key to the whole problem of industrial safety lies perhaps in raising the standard of education and training of new entrants. It is not enough to display posters and rules, the factory worker must be made "safety conscious" throughout industry.

The Report looks forward to the development of new ideas about the working conditions of the future. Many backyard factories were not congested. Their siting is due to the fact that rent was low—probably lower than that of communal factories. The backyard congested workshops of the past will not be tolerated in industry after the war, and plans are being considered which are described as "revolutionary" for the development of communal factories on bombed sites and elsewhere. These factories would provide well-designed rooms with adequate lighting, heating, ventilation and canteen facilities, which would be let off to small occupiers. The idea of communal factories in itself is not new. There have been "tenement" factories and there are trading estates on a somewhat larger scale. But it is clearly a scheme which will benefit small employers and their workers, and result in economies of overhead and transport costs. The war has led to increased consciousness on the part of managements, workers and the public about the importance of industrial welfare and safety, and this will have a permanent effect on the organisation of British industry.

Cement Interims Passed

It has long been apparent that there might be a gap of considerable length between the completion of major (Continued on page 651)

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

3%
SAVINGS
BONDS 1965
1975

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COMPANY MEETINGS

MUREX LIMITED

DISTRIBUTION OF 20 PER CENT.

The twenty-fifth ordinary general meeting of Murex, Limited was held, on the 6th instant, in London, Mr George P. Joseph (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts:—We again present a consolidated balance-sheet incorporating the subsidiary companies. The general reserves of the parent company and its wholly owned subsidiaries now stand at £715,000 after giving effect to the allocations out of the profits of the year under review and the balances of profit carried forward to next year are again slightly higher at £131,957.

RESERVES STRENGTHENED

It is essential that we should continue to strengthen our reserve position as far as present circumstances permit to provide against the ultimate scrapping of obsolescent plant. Accordingly, in addition to the provision for depreciation on buildings, plant and machinery, amounting to £112,786, and the special writing off against profits of £27,075, representing plant already scrapped, we have allocated £75,000 out of the profits of the year under review to obsolescence reserves, which now stand at £350,000. Further substantial additions have been made to buildings, plant and machinery during the past year.

The profit for the year, after providing for depreciation, is £412,514, a decrease of £76,476, and reflects the falling-off in the demand for certain of the company's main products. During the war period we have developed new departments for the manufacture of low carbon ferro chrome, the refining of cobalt alloy and blister copper, and a considerable sum has been expended on the establishment of a department for the manufacture of tungsten carbide tips, tungsten and molybdenum rod and sheet and wear-resisting dies.

After including a dividend from Murex Welding Processes at the same rate as for the previous year and adding sundry income, less expenses, the balance of profit is £439,446. Taxation has been provided on the same basis as in recent years. The directors recommend on the ordinary stock a final dividend of 10 per cent. and a cash bonus of 2½ per cent., both less income-tax (making a total distribution of 20 per cent. for the year), leaving £125,398 to be carried forward to next year.

SUBSIDIARY COMPANIES

Murex Welding Processes, Limited, has again shown satisfactory expansion, and during the year under review extensions have been made to the main factory and to the laboratory and research buildings. Owing to the substantial developments in the application of electric welding during the war period the extensive new factory into which we moved in the latter part of 1938 will be inadequate to meet the post-war demands for our products, and further expansion is contemplated when circumstances permit. Manufacture of magnesium metal ceased at the works of the other wholly owned subsidiary, Magnesium Metal and Alloys, Limited, on December 31st last at the request of the Ministry of Aircraft Production, and it is unlikely that the productive capacity of these works will be required again during the war period.

I have already referred to the considerable amount of reconstruction work that will be necessary at our factories in the post-war era. It has been your board's policy to strengthen our reserves and preserve our financial resources, but the heavy incidence of wartime taxation and the provision of additional buildings and plant have substantially depleted our cash resources. Future plans are dependent on the Government's post-war policy, and it is impossible to forecast the future.

The report was adopted.

SIR ISAAC PITMAN AND SONS, LIMITED

LOOKING FORWARD

Mr C. E. Pitman, the deputy chairman, took the chair at the 48th annual general meeting and said the year's profits, after allowing for taxation, were £36,990. All sections of the business had done well. After paying dividends of 5½ per cent., 5 per cent. and 6 per cent. on the three classes of shares, it was proposed to devote £12,300 to the staff betterment fund and apportion the remainder between the reserve for contingencies and the profit and loss account.

The future offered great scope for the company. The world was becoming increasingly English reading; educational standards at home and abroad were improving; there would be a growing demand for books. These factors would benefit, not only the company itself in all its departments, but also the subsidiary companies.

Praising the loyalty and fine team work of the staff, the chairman then proposed the formation of a welfare company to be run by representative members of the staff, the principal company retaining a power of review.

It was also proposed, he said, to contribute £40,000 gross over the next eight years to form a family community centre at Bath, where a large proportion of the staff lived and worked.

A FIELD FOR ENTERPRISE

There appears to be great scope for enterprise and development for our company, and the opportunities seem to be embarrassing in their variety and possibilities. One field lies in producing books for a world which, if it may not become increasingly English-speaking, is almost certain to become increasingly English reading; another field lies in printing and in binding books which, with growing educational standards at home and with expanding demands from overseas, not only our own publishing interests but other publishers will continuously require. Our colleges have also a fine field of opportunity—again firstly at home, the raising of the school-leaving age and the provisions for part-time education offer increased opportunities of service to the public in those specialist lines which we have, with considerable success, made our own.

TRIBUTE TO THE STAFF

The provision of £12,300 for the staff betterment fund represented the biggest sum yet allocated and would, incidentally, have been bigger still but for high taxation. The pension contributions were paid from the fund, and they anticipated a bonus of one week's wages for all those who had been on the staff for more than a year, including those serving with the Forces. This left sufficient balance to meet pensions and pay a similar bonus next year.

THE FUTURE OF TAXATION

Deploping the present high rate of taxation, Mr C. E. Pitman reminded his listeners that the success of their enterprises had been made possible largely by profits ploughed back into the business. He remarked that had taxation in the past approximated to the heights of the present day, there would have been very little development or enterprise.

Their 975 shareholders had between them contributed £36,000 capital; an average of £369 each. The average dividend per head, after payment of tax, was only £10 5s. 1½d. per year. £70,000 this year went to the Chancellor of the Exchequer; a lion's share.

It was clearly right that at this period the British people should tax themselves thus highly, but we all hoped the sacrifices of life and savings in this war would soon bring the peace for which these sacrifices had been made. When we returned again to peacetime conditions, however, if taxation did not ease considerably, it was hard

to see who would wish to provide the savings for future enterprise and development.

A BENEFIT OF INDIVIDUALISM

Individual initiative has played a great part in the successful development of our business, and the happy balance of steady employment which we have maintained was not purely accidental, but it represented the individualism of some 50 primarily responsible and some 1,000 secondarily responsible men and women who were relatively unfettered in the exercise of their discretion and capacities to prepare products and services for submission to the public—that great conglomeration of free men from which alone, in the exercise of his freedom, the customer has been drawn.

We may question whether a collective State plan would be successful in maintaining the same happy continuity of head of work and of consequent full employment and of security.

The report and accounts were approved.

BRITISH TIMKEN LIMITED

MR. MICHAEL DEWAR ON THE WORKING OF "CONTROL"

Mr Michael Dewar, presiding, on the 8th instant, at the 24th ordinary general meeting of British Timken, Limited, in Birmingham, said: Our net profit for 1943, after providing for depreciation and taxation, amounts to £60,866, compared with £54,096 for 1942.

For many years I have combined the functions of chairman and managing director. With the developments of recent years, your board have deemed it advisable to separate the two functions. I am sure you will heartily endorse the board's decision to appoint Mr John Pascoe as managing director. Mr Pascoe has borne the burden and heat of the day magnificently through a war expansion, about which, some day, I hope to be permitted to speak. I feel certain we could not have found a more competent managing director.

Since your company purchased control of Fischer Bearings Company, Limited, that subsidiary has been managed, under the direction of your board, by Mr Leonard Moritz, who has been with that company since its inception. Mr Moritz has devoted his skill and energy with no small success in the expansion of that company. To link the companies more closely we have appointed Mr Moritz, a director of British Timken, Limited, and we ask your approval at this meeting.

Our industry has recently come into prominence through efforts to stop the export of bearings from Sweden to Germany. As with many other industries, there is a Government Department which professes to control us. I would point out that the coordination of all controls is carried out by companies like your own. The bureaucrats have not yet found it possible to control industry through one channel. Factories are the perquisite of the Ministry of Works and the Board of Trade. Labour is the responsibility of the Ministry of Labour. Machine tools are governed by the Machine Tool Department, responsible partly to the Ministry of Supply and partly to the Ministry of Production. Provision of our raw material is mostly the function of the Iron and Steel Control.

Many people regard planning and "control" as the only hope for the future. Those of us in industry who have had experience of such "control," can only pray for their rapid return to a state of affairs in which it is possible to reach a decision without having to consult endless committees of people whose experience of industry is so limited as to be almost negligible.

I cannot conclude without reference to the loyal and devoted services of all members of the staff and workpeople during the past year. Particularly would I refer to the devoted efforts of that very considerable number who have been with us since the days when we were a very small manufacturing concern.

The report and accounts were adopted.

D. GESTETNER, LIMITED

The annual general meeting of members of D. Gestetner, Limited, was held, on the 9th instant, at the registered office of the company, Fawley Road, Tottenham Hale, London, N. 17.

Mr Sigmund Gestetner presided. The notice convening the meeting and the report of the auditors having been read, the chairman suggested that the directors' report and statement of accounts

for the year ended August 31, 1944, which had been issued to the members of the company, should be taken as read, to which they agreed. The chairman moved, and Mr J. Clatworthy seconded, that the directors' report and statement of accounts for the year to August 31, 1944, now submitted, be received and adopted. The motion was put to the meeting and carried unanimously.

A dividend of 12½ per cent. for the half-year ending August 31, 1944, and a divi-

(Continued from page 649)

construction for the Government, including the forces, and the resumption of any substantial peace-time demand for constructional materials. It was, therefore, to be expected that there would be some falling off in the activity of cement, which has done better during the war than most other materials in this section. In June last, Sir Malcolm Stewart, presiding at the annual meetings of the Associated and British Portland Cement Companies, warned shareholders that demand was heavily down, but it has, nonetheless, caused considerable surprise that the boards of both companies have decided to pay no interim dividends in respect of the current year on the ordinary capital. A reduction in dividends had been thought probable, but the decision to make no interim payments caused surprise, if only because the final payments last year were so much larger than the interims as to suggest that the cut should come in the final. The directors have, however, been influenced in part by the uncertainty as to the final effects of certain questions still outstanding with the Ministry of Works. On the news the shares of Associated fell about 3s. 6d. to 60s., but within a matter of hours the market was receiving a number of enquiries which promise to result in purchases on any further fall.

* * *

Oil Output Figures

A new and welcome lifting of the statistical blackout is the removal of the ban on the publication of figures of production by oil-mining companies. The first concern to take advantage of this relaxation is the Trinidad Petroleum Development Company, which during the five years to July 31, 1944, produced an average of over 3,200,000 barrels per annum. This is rather over double the estimate made in the prospectus of early 1937, and the difference is due to two causes; an over-cautious evaluation of prospects and acceleration of drilling to meet the growing war demand. Unfortunately, full production was scarcely achieved before the war, so that it is difficult to give a quantitative split up of the two factors. It will, therefore, be necessary to await particulars of other companies in order to obtain a general picture of the position in Trinidad. The report of the company does, however, state that reserves must have been substantially greater than was at first supposed. Actual production in the latest year was 2,823,368 barrels. On that basis, and in view of the concessions on wasting assets granted by the Exchequer in recent years, the company expects to obtain an EPT re-fund in respect of that year. Subject to priority being granted for necessary materials, increased boring is to be undertaken forthwith. From the standpoint of profit, the company has done well during the war. Prices paid have been pre-war dollar prices. Costs have risen materially, but the writing down of the pound at the outset of the war has meant an appreciable exchange profit on all sums remitted to this country. In consequence of this and of a conservative dividend policy, the company has very substantial liquid resources. The £1 shares, standing at 81s. 3d. ex dividend, yield £2 15s. 3d. per cent tax free.

* * *

The Future of Copper

There are indications that the consumption of copper is slackening with the curtailment of the war production programmes of the Allies. The Government's plan for the reduction in the Rhodesian output of copper, announced last January, proved to be premature and was subsequently withdrawn because the United States was then still in need of additional quantities of the metal. But the United States has now begun to reduce its imports of ore and concentrates—though not of refined metal—from Chile. Moreover, last September, when the British Government's bulk-purchase contracts with Empire producers came up for re-

dend of 3½ per cent. for the half-year ending August 31, 1944, on the preference shares was declared, making 25 per cent. and 7 per cent. respectively.

The retiring director was re-elected and the auditors were reappointed.

A special resolution was also passed changing the name of the company to "Gestetner Limited."

The proceedings terminated with a vote of thanks to the chairman, directors and staffs of the company.

newal, they were extended for only four months instead of, as hitherto, for a year. The contracts will shortly have to be reconsidered. Reports from Ottawa have it that the British Government—it has hitherto purchased the entire output of Canada and Rhodesia—is anxious to curtail its purchases in Canada, as well as to secure a reduction in price. In fact, decisions will soon have to be made about the future of the international copper market. Productive capacity has been appreciably increased during the war and, at its end, the Allied Governments will hold substantial stocks. If the war will be followed by a period of active business and high industrial activity, the higher output of copper might possibly be consumed. But there is likely to be a transitional phase—this has already begun—when there will be a surplus of productive capacity and heavy stocks. The resuscitation of the pre-war copper cartel would hardly be the best method of overcoming the difficulties. The readjustment of the wartime copper contracts is obviously a matter for the Governments concerned; they might with advantage collaborate with the aim of maintaining an equilibrium between demand and supply—that is, of preventing excessive swings in prices, at least during the difficult period of transition. For a time, producers of copper can hardly avoid lower profits; but this need not cause undue anxiety to low-cost producers.

(Continued on page 652)

Company Result

Gaumont-British Picture Corporation.

	Years to March 31, 1944		
	1942	1943	1944
	£	£	£
<i>Group Figures:—</i>			
Consolidated profits	...	2,739,522	2,630,149
Income from subsidiaries not consolidated, after E.P.T. (gross)	...	62,674	124,420
Income from associated companies (gross)	...	36,380	30,504
Total group profits	2,391,545	2,838,576	2,785,073
Depreciation	356,966	356,035	359,877
Deferred repairs	...	88,695	48,599
War damage	103,086	18,224	13,595
Debiture and loan interest	356,771	388,329	373,172
E.P.T. and N.D.C.	502,239	735,562	726,460
Income tax	573,493	808,811	825,297
Outside shareholders	180,585	187,688	172,082
Retained by subsidiaries	122,942	57,761	73,659
<i>Parent Company:—</i>			
Net profit	195,463	197,471	192,334
Preference dividend (gross)	89,375	89,375	89,375
Ordinary shares:—			
<i>Earned</i>	106,088	108,096	102,959
Paid	90,000	90,000	90,000
<i>Earned</i>	7-1	7-2	6-9
Paid	6	6	6
General reserve	9,300	...	...
Carry forward	85,868	103,964	116,923
<i>Consolidated Balance Sheet:—</i>			
Net fixed assets	11,152,895	11,348,684	11,078,708
Subsidiaries not consolidated	1,471,511	1,512,674	1,530,603
Net associated company items	410,147	439,169	511,054
Net liquid assets*	6,493	Dr. 652,497	Dr. 643,496
Gross liquid assets	1,804,281	2,112,728	2,720,977
Stock (a)	329,432	522,404	584,669
Debtors	336,237	304,522	347,332
Govt. securities and tax reserve certs.	57,054	397,381	291,646
Cash	1,081,558	888,321	1,497,330
Taxation reserve	723,381	842,409	815,647
General reserve and undistributed profits	1,899,998	1,800,939	1,887,557
Net intangible assets	3,003,486	3,251,454	3,252,048
Debtures and loans	7,578,183	7,449,092	7,194,376
Issued ordinary capital	3,000,000	3,000,000	3,000,000

* 1942 profits given after deducting deferred repairs.
 † After deducting £35,520 surplus on debenture redemption.
 ‡ After deducting proportion attributable to outside shareholders of £4,482,593 in 1942, £3,905,822 in 1943, and £3,894,631 in 1944.
 § Including intangible assets of £600,000 in 1943 and £575,000 in 1944, and interest in enemy-occupied territory of £109,403 in 1943 and £112,462 in 1944; relevant figures for 1942 not revealed.
 ¶ For 1943 and 1944, provision for deferred repairs deducted from net liquid assets; for 1942, not deducted but included with taxation reserve. This fact helps to explain the fall in net liquid assets for 1942 and 1943, in which years provision for deferred repairs amounted to £258,405 and £280,554 respectively.
 (a) Including films produced and work in progress.

The 10s. ordinary shares, standing at 21s. 3d. ex dividend, yield £2 16s. 6½d. per cent.

USA versus Paramount Pictures Inc., et al.

The Government of the United States is relentlessly pursuing its policy to eradicate monopolistic practices from the film industry in that country. These practices were somewhat restrained by the consent decree secured by the Department of Justice on November 20, 1940. Now the Department is intent on rending asunder the vertical combines, that is of making the exhibition of films independent of their production and distribution. It has filed an application for the modification of the original consent decree in the District Court of the United States for the Southern District of New York. Among other things the Department prays that,

(a) no decree defendant shall hereafter acquire, directly or indirectly, any financial interest in any theatre;

(b) each decree defendant which is directly or indirectly engaged in the production, distribution and exhibition of films shall within three years from the date of this modification completely divorce its exhibition business from its production and distribution business to the end that no defendant directly or indirectly engaged in producing or

distributing films shall then own any financial interest in theatres and no defendant directly or indirectly engaged in operating theatres shall then own any interest in the production or distribution of films;

(c) each decree defendant directly or indirectly engaged in operating theatres shall within such time and upon such terms as the court may deem reasonable divest itself of such theatre interests as the court may in the course of supplemental proceedings hereunder, find should be divested in order to insure theatre operating competition in the communities where they are now monopolising theatre operation;

(d) all of the theatre-owning agreements, implied or expressed, by which any two or more of the decree defendants share in the financial benefits from the operation of theatres jointly owned or controlled by any two or more of them are hereby declared void, and each decree defendant is enjoined from entering into or enforcing any similar agreements.

The application of the Department of Justice in the United States is perhaps not altogether irrelevant to the position of the industry in this country as disclosed by the report of a committee of the Cinematograph Films Council published last August.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Utility Fur Coats.—The Board of Trade announces that in order to assist the fur trade to maintain its organisation, especially with a view to the restoration and, if possible, expansion of its export trade, it has been decided to add coats and other garments made of inexpensive furs to the utility range. These garments will mostly be made of rabbit ("coney") or sheepskin, but it is hoped that some other inexpensive skins will be included. A range of useful garments with specifications has been submitted by the Joint Fur Trade Delegation, together with suggested prices, and these are at present under investigation. The coats will continue to be subject to purchase tax, but the rate of the tax is under consideration.

Pig and Poultry Rations.—A small increase is to be made from January 1st next in the basic rations for pigs and poultry. At present, rations are allowed for one-eighth of the number of pigs and poultry being kept in June, 1939, subject to a deduction proportionate to the acreage of the holding. The increased rations will be allowed for one-sixth of registered numbers in 1939, with an acreage deduction amounting to only two-thirds of the present deduction.

"The Economist" Sensitive Index.—There was no change in the index during the week ended November 7th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

INVESTMENT
Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Ord. Consols	Ord. Shares
Nov. 2....	6,053	5,826	111.9	135.5	3.12	3.75
" 3....	6,120	5,764	112.1	135.7	3.13	3.75
" 6....	6,849	6,447	112.1	135.8	3.12	3.75
" 7....	6,087	5,624	112.3	135.8	3.12	3.74
" 8....	6,021	5,592	112.3	136.0	3.12	3.71

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

1944	Low Mar. 15	High July 12	Oct. 18, 1944	Oct. 25, 1944	Nov. 1, 1944
37 Industrials.....	95.1 (a)	108.4	106.4	104.6	104.0
32 Rails.....	88.9 (a)	106.8	104.4	103.5	103.5
40 Utilities.....	85.0	93.5 (c)	93.5	92.6	92.7
419 Stocks.....	93.6 (a)	105.7	104.3	102.7	102.7
Average yield %†.....	4.84 (b)	4.43	4.57	4.66	4.65

† Common Stocks. (a) Feb. 9. (b) May 3. (c) October 18.

STANDARD STATISTICS INDICES
DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Oct. 26....	125.2	927,000	Oct. 30....	125.5	604,000
" 27....	125.5	827,000	" 31....	125.8	676,000
" 28....	125.8	296,000*	Nov. 1....	126.2	708,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

GOVERNMENT RETURNS

For the week ended Nov. 4, 1944, total ordinary revenue was £59,392,000, against ordinary expenditure of £135,325,000 and issues to sinking funds of £40,000. Thus, including sinking fund allocations £8,389,408, the deficit accrued since April 1st is £1,952,253,000 against £1,944,261,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Nov. 6, 1943	April 1 to Nov. 4, 1944	Week ended Nov. 6, 1943	Week ended Nov. 4, 1944
ORDINARY REVENUE					
Income Tax.....	130,000	413,516	486,165	8,681	11,597
Sur-tax.....	80,000	15,634	13,148	460	280
Estate, etc., Duties.....	100,000	58,174	63,997	2,250	1,574
Stamps.....	19,000	10,580	7,916	25	25
N.D.C.....	500,000	18,943	19,743	887	690
E.P.T.....	292,593	300,287	7,251	13,808	
Other Ind. Rev.	1,000	238	130	...	...
Total Ind. Rev.	200,000	809,678	891,386	19,529	27,974
Customs.....	564,900	325,346	343,018	15,150	14,440
Excise.....	472,900	293,905	308,018	11,505	14,803
Total Customs & Excise.....	1037,800	619,251	651,036	26,655	29,243
Motor Duties.....	27,000	5,024	5,325	655	611
P.O. (Net Receipts)	4,850	2,190	2,240	...	...
Wireless Licences	800	650	650	...	...
Crown Lands.....	7,350	3,975	2,687	1,688	229
Receipts from Sundry Loans	240,000	45,509	51,387	1,001	1,335
Miscellaneous Receipts	310,180	148,627	160,470	49,527	59,392
Total Ord. Rev.	112,370	65,550	69,200	3,000	3,000
SELF-BALANCING P.O. & Broadcastg.	321,470	155,827	167,390	52,527	62,392
Total.....					

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Nov. 6, 1943	April 1 to Nov. 4, 1944	Week ended Nov. 6, 1943	Week ended Nov. 4, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	420,000	241,639	264,025	19,902	12,500
Payments to N. Ireland.....	9,000	4,340	5,020	332	356
Other Cons. Fund Services.....	7,000	3,770	3,853	...	8
Total.....	436,000	249,749	272,897	20,234	12,864
Supply Services.....	550,139	317,237	327,567	114,368	122,461
Total.....	593,739	342,213	354,857	134,602	135,325
SELF-BALANCING P.O. & Broadcastg.	112,370	65,550	69,200	3,000	3,000
Total.....	604,979	348,763	361,774	137,602	138,325

A change has been made in the method of showing in excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £312,998 to £2,921,311, the other operations for the week (no longer shown separately) raised the gross National Debt by £76,665,373 to £21,542 million.

NET ISSUES (£ thousands)		
War Damage Act.....	836	
Overseas Trade Guarantees.....	10	
Total.....	846	

NET RECEIPTS (£ thousands)		
Life Act, 1936.....	465	

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Tender	Tap	Ways and Means Advances		Treasury De- posits by Banks	Total Float- ing Debt
				Public Depts.	Bank of Eng- land		
1943							
Nov. 6	1210.0				Not available		
1944							
Aug. 5	1430.0				" "		
" 12	1430.0				" "		
" 19	1430.0				" "		
" 26	1430.0	2199.0		390.9	1478.5	5498.4	
Sept. 2	1430.0				Not available		
" 9	1430.0				" "		
" 16	1430.0				" "		
" 23	1430.0				" "		
" 30	3695.3			449.8	21.0	1582.0	5748.1
Oct. 7	1430.0				Not available		
" 14	1430.0				" "		
" 21	1440.0				" "		
" 28	1450.0	2300.0		497.0	0.8	1705.0	5952.8
Nov. 4	1460.0				Not available		

TREASURY BILLS

(£ millions)

Date of Tender	Amount		Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1943				
Nov. 5	90.0	213.1	90.0	s. d. 20 0-04 23
1944				
Aug. 4	110.0	217.1	110.0	20 0-11 30
" 11	110.0	208.9	110.0	20 0-51 36
" 18	110.0	200.9	110.0	20 0-83 42
" 25	110.0	202.9	110.0	20 2-84 34
Sept. 1	110.0	222.5	110.0	20 2-45 30
" 8	110.0	217.7	110.0	20 2-81 35
" 15	110.0	227.2	110.0	20 2-47 31
" 22	110.0	207.2	110.0	19 11-60 54
" 29	110.0	228.3	110.0	19 11-70 25
Oct. 6	110.0	227.1	110.0	20 0-27 31
" 13	120.0	227.0	120.0	20 0-30 35
" 20	120.0	227.5	120.0	20 0-16 34
" 27	120.0	223.3	120.0	20 0-69 37
Nov. 3	120.0	211.3	120.0	20 0-62 41

On Nov. 3 applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 41 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £110 millions of Treasury Bills are being offered on Nov. 10. For the week ending Nov. 11, the banks will be asked for Treasury deposits to the maximum amount of £60 million.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BOND SUBSCRIPTION

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1952-54
Aug. 29	5,229	1,339	3,628	3,332
Sept. 5	5,421	1,419	4,260	6,587
" 12	4,022	1,483	4,228	13,178
" 19	4,552	1,442	5,621	4,809
" 26	4,713	1,444	4,214	4,094
Oct. 3	4,108	1,511	4,977	5,036
" 10	4,030	1,753	7,667	4,010
" 17	4,356	1,768	7,144	6,441
" 24	4,377	1,812	3,449	4,621
" 31	4,445	1,745	5,037	5,168
Nov. 7	...	...	6,683	119,274
Totals to date	1,252,201*	765,267*	1,784,974†	859,429‡

* 258 weeks. † 201 weeks. ‡ 62 weeks.
Including all Series.
Interest free loans received by the Treasury up to Nov. 7th amounted to a total value of £69,450,411. Up to Oct. 28th principal of Savings Certificates to the amount of £185,770,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:

	Gold		Silver	
	Rs.	Tola	Rs.	a.
Nov. 2	63	5	117	4
" 3	63	0	113	2
" 6	63	0	115	2
" 7	62	8	114	8
" 8	63	3	115	0

BANK OF ENGLAND
RETURNS

NOVEMBER 8, 1944

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	
In Circulation	1174,881,620	Other Govt. Securities	11,015,100
In Bank: De- partment	25,360,098	Other Govt. Securities	118,298,825
		Other Secs....	676,013
		Silver Coin....	10,062
		Amt. of Fid. Issue.....	1200,000,000
		Gold Coin and Bullion (at 168s. per oz. fine).....	241,718
			1200,241,718

BANKING DEPARTMENT

Props. Capital		Govt. Secs....	
14,553,000		212,677,764	
Rest.....	3,155,711	Other Secs.:	
Public Depts.*	16,831,854	Advances & Securities....	11,086,836
			15,757,195
Other Depts.:		Notes.....	26,844,031
Bankers.....	177,024,956	Gold & Silver Coin.....	2,328,352
Other Accts....	55,644,724		267,210,245
			267,210,245

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

COMPARATIVE ANALYSIS

(£ millions)

	1943		1944	
	Nov. 10	Oct. 25	Nov. 1	Nov. 8
Issue Dept.:				
Notes in circulation.....	1010.9	1164.4	1171.0	1174.9
Notes in banking depart- ment.....	39.4	35.9	29.2	25.4
Government debt and securities.....	1049.1	1199.3	1199.3	1199.3
Other securities.....	0.9	0.7	0.7	0.7
Silver Coin.....	0.0	0.0	0.0	0.0
Gold, valued at s. per fine oz.	168.00	168.00	168.00	168.00
Deposits:				
Public.....	9.6	6.2	11.4	16.

be, possibly, just as mistaken to be too hypnotised by the bogey of 1918. The Government should not, for the sake of safety first, go to the other extreme, and cling to controls which might prove unworkable or unwarrantable. Control is a means and not an end. If unwisely applied, it might develop into a boomerang. The balance must be struck, and as Mr Churchill said, the approach must be "severely practical," and each control judged on its own merits. What the Government should do, without delay, if indeed it is not already doing so, is to review the entire structure and technique of wartime control. It should examine the network of emergency legislation, the series of Defence Regulations and the 10,000 odd Statutory Rules and Orders. Controls which can be discarded without affecting policy should be removed. Nor is it enough simply to make the obvious rule that controls which can be discarded without affecting policy should be removed. Every control assists some policy to some degree, and if they are looked at one by one, the result will be to keep too large an apparatus. But if one thing is certain, it is that the popular impatience to be freed from all restrictions will be much greater than anyone now imagines. After six years of war, what Bernard Shaw has called "the intense repugnance of the average man" to regulation of his life is bound to assert itself. The average man, whether little or not, will want, like Christian, to slip the burden from his back.

This popular feeling is the greatest hazard. It is one thing now, while the war is still going on, to say that the process must be cool and orderly and logical. It will be an entirely different thing to adhere to the same view when six years of effort are producing their reaction—especially if a General Election comes at the crucial moment. It will therefore be the path of prudence for the Government to survey the whole structure of controls and to decide whether, as a whole, it is more than the public is likely to bear. The best way to preserve the really essential controls will be to relax all the unessential and semi-essential ones. The best friends of an orderly transition will be those who decide every doubtful case in favour of relaxation.

*

But which are the really important controls? Can there be any criterion to guide the Government through the maze? In principle, there should not be any real difficulty in reaching a decision; in practice it may not be so easy. Controls are essentially an instrument for executing policy in scarcity, a technique for allocating between alternative uses resources which are in short supply, whether it be labour, materials or industrial capacity. In the interim period, there will still be an overall scarcity, not only absolutely, but in relation to needs. As and when the scarcity factor becomes less and the most vital needs are met, so will it be possible to relax the controls.

Of the main wartime controls, those over civilian consumption are among the most stringent. There is a positive control through rationing of necessities and a negative control through shortage of all other goods. As soon as the market becomes reasonably restocked with civilian consumption goods, the negative control will disappear and much of the pressure on prices and supplies which has made so many controls necessary will also vanish. Control of necessities by rationing, however, may have to be continued for some time. Food rationing has been generally accepted as not only inevitable but fair, and fortunately, in its present refined and developed form, it is a flexible instrument; there are many methods of gradually relaxing the present severity of control. The first step is obviously to increase the rationed quantities as supplies become available. A second step back towards freedom and variety might be to transfer to the points ration, with its much greater flexibility, some foods now rationed by quantity. Then gradually, one by one, items could be removed from the points list. So handled, it is unlikely that public opinion will insist on sweeping away the whole apparatus of food control.

Food rationing, however, cannot be considered in isolation, for it is bound up with the whole question of imports.

With the exception of milk and potatoes, a large part of every food normally consumed in this country has to be imported. Though the end of conveying will automatically increase the total volume of imports, shipping space will still have to be allocated between alternative uses, and there will also be a financial reason for keeping a tight hand on imports, at least from "hard currency" countries. It might, for example, be necessary to choose between importing butter and timber; whatever the consumer's choice might be, the needs of the housing programme might dictate timber rather than butter. The same consideration applies to clothes rationing, which probably bears more hardly on the average citizen than any other control. Though the output of the textile industries probably depends on the labour supply more than on any other factor, such things as the proportion of productive capacity to be devoted to exports and the amounts of raw materials to be imported would have to be considered in any review of the clothes ration.

It will be essential in the interim period to retain controls over raw materials. These represent a valuable instrument for executing policy and should not encounter the same kind of pressure for their removal as the rationing controls which impinge directly on the individual. But here again generalisations may be misleading. Some materials may cease to be in short supply almost immediately after the Armistice. But the state of supply is not the only criterion that should determine the moment of relaxation. Some materials, where supply will at least approach demand, are of great importance because of their strategic position in the national economy—steel, for example—and the power to allocate these materials will be a powerful weapon of general control. Other materials, of course, will be scarce for a long time to come. Timber is one outstanding example. Rubber may be another, unless the reconquest of Malaya and the restoration of normal production come about earlier than now seems probable.

The control of raw materials, in short, is likely to be one of the major instruments of public policy in the transition period. And since control means controls, it is necessary to raise once again the question of their personnel. Protests have from the start been made against the practice of choosing the Controllers from the trades they have to control. The results have not, perhaps, been quite so disastrous as they might have been, though the recent report of the Select Committee on the chemical controls shows that the system has not been without disadvantages. But if there are disadvantages in wartime, there will be many more in the transition to peace, when normal competition is re-starting. It is essential that every Control that is to last more than a very few months should have a disinterested Controller.

*

Control over labour, as it deals with human beings and not with bales of cotton or loads of timber, presents by far the most thorny problem. The scheme for the redistribution of manpower, whether it is released from munitions production or from military service, attempts to solve the difficulties in a fair and workmanlike manner. But it would obviously be quite unthinkable, and contrary to the principles of fairness which the scheme seeks to follow, for the Government to exercise powers of direction over one section of the population—the young men between 18 and 27 who will be liable for military service or for the mines and the men in Class B of the demobilisation scheme who will be released out of turn for the most urgent civilian employments—without having control over labour in general. How far and for how long the workers will accept the proposed controls over employment it is impossible to say, especially if the control were to be exercised by a less acceptable Minister of Labour. In the interim period, labour will enjoy a seller's market, and any check on the natural tendency to gravitate towards higher-paid employment might be resisted while employers may equally resent the restrictions on their right to engage labour. The trade unions have accepted the principle that control over industry implies some measure of control over labour, and the Trades Union

Congress, through its representatives on Mr Bevin's Joint Consultative Committee, have been consulted, and have presumably approved, the Government's proposals. Yet, only a few days before the White Paper was published the TUC told the Government that the unions would oppose the continuation of compulsory direction, after the end of the war with Germany. There may or may not be a source of conflict here but, if friction is to be avoided, it is essential that the scheme should be administered humanly and sensibly, and that the TUC should show responsibility in representing to its membership the need for continued control.

Equally, responsibility will have to be shown in regard to wage demands. The absence of any wages policy in wartime has not, in the event, turned out to be so fatal as might have been expected, owing to the fact that there has not been unreasonable pressure from the unions for wage increases. Wage policy determines price policy and is in turn largely influenced by it. If wages rise, prices cannot be kept down. And one of the chief reasons for moderation in wage demands is the policy the Government has pursued in stabilising the cost of living by subsidy. A tolerable equilibrium has been kept, but it is an uneasy one. It requires much optimism to assume that there will not be heavy pressure for increases in basic wage rates as soon as earnings begin to come down with the disappearance of overtime. And on the other hand, though the Government is committed to the maintenance of the price stabilisation policy for some time, it clearly

cannot contemplate an indefinite extension of so heavy a burden of expenditure. This is the weakest link in the whole chain of control, and there is little to be done about it but to counsel moderation. Efforts can be made to support the level of real wages, not only by subsidy but by the retention of the utility principle in clothing, furniture and household fittings. But if large increases in real wages are insisted upon, the whole delicate equipoise will be upset.

It would be altogether unrealistic to view the question of Government control in the interim period without taking full cognisance of the political factors. The Government has designed a blue-print for reconversion. The design is sound enough, though many of the details have to be filled in, but the test will come when it has to be put into operation. Whatever may be desirable in logic and economics may not turn out to be practicable in application. The best-laid schemes of statesmen and economists are liable to be upset by unpredictable events or pressures, and pressure for the removal of controls may become irresistible. For this reason, the guiding motives of Government policy in the critical interim period should be chosen with this eventuality in mind. One of these principles should be selectivity: those controls should be retained that will give the greatest effect for the smallest irritation. And another should be flexibility and humanity in administration; for every restriction will be compelled, to a far greater extent than now, to undergo the scrutiny of a jealous public.

The Broken Spell

LAST week, a political crisis threatened in Belgium over the disbandment and disarming of the left wing groups of the Resistance. Two Communist Ministers, M. Marteaux and M. Dispy, and the representative of the Resistance, M. Demany, resigned from the Government. At one point, the conflict became so acute that Major-General Erskine, the Allied Deputy Supreme Commander in Belgium, warned the leaders of the opposition that if they disobeyed the Belgian Government, the Allied Command would have to take action to enforce law and order. This warning has proved effective. The Communist Ministers have called on the resisters to hand over their weapons to the Allied Commands before November 25th. But the crisis is not yet over, and it is likely to leave a political aftermath. The three Ministers who resigned remain outside the Government; and the gulf between Government and Resistance has not been bridged.

These events have not occurred in isolation. Similar conflicts have flared up in France between the Govern-

ment and the Patriotic Militias, and in Greece between the Government and the left-wing guerillas of ELAS. Like General Erskine in Belgium, General Scobie in Greece has used his influence to persuade the leaders of the Left that they should disband the guerillas. But unlike General Erskine, General Scobie had no need to issue a drastic warning, for the EAM Ministers have so far loyally co-operated with the Greek Prime Minister, M. Papandreu, on the basis of the Lebanon Charter concluded earlier this year, which provided for the liquidation of private armies and for the creation of a single national army. In France, no Allied intervention has taken place. General de Gaulle's own authority has been sufficient to induce the opposition to accept a compromise under which the Patriotic Militias are being re-formed into civic guards while the other armed groups are being either incorporated into the army or disbanded. But in all these cases it cannot yet be taken for granted that the questions at issue have finally been settled or that no new conflicts can arise.

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The controversies over the Resistance have thrown a sharp light on the political situation in the liberated countries. They have also put very delicate questions before the Allied commanders, who are naturally concerned that there should be internal security behind the theatres of war. All the liberated countries are going through an extremely difficult transitional period. The normal instruments of government had broken down and the departure of the quislings had left an administrative vacuum. The new governments have to contend with economic and political chaos, which can only be overcome if they secure the good will and the ready co-operation of their peoples.

Most of these Governments are broadly based coalitions, and as such they should be able to keep in touch with the mood of their peoples. Nevertheless, some crises are inevitable. The underground movements have outlived their functions, if the latter are defined as the struggle against a foreign invader; but it is the weakness of human institutions that they are unwilling to leave the stage when their part is over. Yet the existence of several armed bodies in a liberated country clearly raises the danger of civil war. The political cleavages in the liberated countries are still recent and deep. Former collaborators and former resisters are in opposition. Grievances are very real and passions run high. Two conditions must be fulfilled if civil strife and disillusionment are to be avoided. The Resistance should obey the orders of the recognised governments; and the governments for their part should identify themselves with the popular movements with which the groups of resisters have been associated. The resisters, who are asked to give up their arms and to regard their glorious role as over, must feel confident that their grievances will be redressed and their wrongs righted by the legitimate rulers of their country.

The critical events of the last weeks have pointed to a distinct political *malaise* in the liberated countries. It was recently described by the French Christian Democratic newspaper, *L'Aube*, in words which are applicable to other countries as well as to France:

The impression exists that on the home front these three months could have been better used. The Government has not taken from the start the energetic measures that it should have taken to galvanise the entire country. The bright flame burning in the first days was allowed to dim; let us beware lest a gust of wind puts it out for good. The administrative machinery remains badly entangled in red tape, and justice progresses very slowly, at least in Paris. The guilty begin to lift their heads: some are set free, others escape. The Black Market is more flourishing than ever, the Purge is cramped; and the people, who are watching things closely, are beginning to complain.

It is in this atmosphere that cleavages, both old and new, between Right and Left are coming to the surface. The years of the underground struggle were years of national unity among the resisters. Inexorable pressure from the common enemy had brought together Communists, Socialists, Catholics, Liberals and even former Fascists, all determined to sink their differences and to work in unity for the overthrow of foreign oppression. The resisters were under the spell of a common national purpose. But now that spell has been broken. Old social divisions are reasserting themselves—the more powerfully the more they have been suppressed. Mutual suspicions and mutual fears are growing. The Right suspects that the armed bands of the resisters will be used as an army for civil war. The Left is haunted by the spectre of a coalition of powerful “vested interests” and ex-collaborators.

It would be wrong to exaggerate this tension. Revolutionary ferment has been the inevitable aftermath of every modern war. What is surprising, when it is seen against the background of the tremendous unsettlement caused by this war, is not that the ferment exists but

that it has been relatively so weak. This emerges very clearly if the social and political landslides that followed the first world war are compared with the present disturbances. No Lenins or Liebknechts have arisen from the European underground and no important political movements have challenged the legitimacy of the governments of the liberated countries. As *The Economist* once pointed out:

Compared with the social and political aftermath of the first world war the present “radicalism” seems to be more spontaneous and widespread, but less determined and much less clear-headed and organised. The end of the war will probably see the Right discredited almost everywhere in Europe and the Left strengthened but immensely confused.

Confusion and civil strife behind the Allied fighting lines cannot be tolerated; and this justified the Allied intervention in Belgium. But the limits of intervention ought to be very clearly defined. The Allies are entitled to secure their lines of communication against riot and disorder. But they would not be justified in going beyond this to interfere in the domestic affairs of the liberated countries or to lend their support to any Allied government against its own people. Nor is there any reason to believe that Allied policy, whether in Belgium or in Greece, has aimed at anything more than immediate military security.

Political intervention in the affairs of a foreign country, even if the circumstances of war make it unavoidable, is always a difficult and dangerous operation. A situation, for instance, in which the western Allies might be suspected of intervening against the Communist parties in western Europe and the Russian Command of fostering Communist governments in eastern Europe might have disastrous consequences. But unfortunately there are signs that things may drift in this direction. Along with the disarming of the “White Army” in Belgium, the Roumanian National Guard of Transylvania has also been disarmed summarily. The leader of the Peasant Party, M. Maniu, has issued a declaration calling on the National Guards to submit their arms to the Roumanian Government. Commenting on this, Moscow Radio has stated significantly:

M. Maniu's declaration is extremely tardy, since even before this order of the Roumanian Government the Red Army Command had liquidated all bandit groups styling themselves volunteer detachments, battalions or volunteer guards.

Should each Ally be anxious to carry out a political *Gleichschaltung* in its area of military operations, then the result will inevitably be open ideological warfare between the Allies. Even the mere appearance of such a warfare ought to be carefully avoided by all sides concerned, and the most sensible epilogue to last week's crisis in Belgium would be the return of the three Ministers who resigned to M. Pierlot's Government. There is not the slightest reason why the western Allies should have any objection to Communist members of liberated Governments. Quite on the contrary: it is essential that one of the strongest streams of popular thought in Europe today should be put to work to bear responsibility and to face practical difficulties. If there is any wildness left in present-day Communism, this is the way to tame it.

Moreover, the present Governments in the liberated countries have all of them only provisional titles to authority. They have not yet stood the test of a free democratic election. For the time being, neither the French nor the Belgians intend to hold general elections, and the absence of large numbers of prisoners of war and deportees from these countries is a strong argument against any immediate appeal to the electorate. Even so, France will hold its municipal elections in February, which will give a preliminary reflection of the relationship of political forces in the country. The essential criterion of democratic liberty is that a people should be able to choose its representatives freely. The presence of Allied armies in any liberated country ought not to detract, to even the smallest extent, from this essential freedom.

Liberals and Radicals

THE political prospect is much clearer than it was six months ago. It is now virtually certain that the General Election will be conducted by a Conservative Government with the Labour Party out of office. And it is also virtually certain that this General Election will not come for some months. This clarification of the outlook has been mainly the work of the Labour Party, whose refusal to countenance another four years of Coalition government has forced the issue. The Conservative Party has been compelled to acquiesce in a decision which was not its own—though there have been few signs in Tory circles of any real aversion from the party fight.

The Liberals have also been left to adjust themselves to the prospect of an early return to party politics. Their first and quite natural thought was to attempt to repair the breach made by the secession from the main party in 1931 of Lord Simon and his followers. This attempt at reunion has now failed, and correspondence between Sir Archibald Sinclair and Mr Ernest Brown, the present leaders of the party and of the schismatics, has been published to register the fact. To those who are in touch with the personalities on either side, the failure is hardly surprising, but it is none the less to be regretted.

What is interesting, however, is the reason given on each side for the decision. Sir Archibald writes to Mr Ernest Brown that

you and your friends have decided to continue your previous association with the Conservatives and not to oppose Conservative candidates in any constituency at the General Election.

And Mr Ernest Brown bases his refusal to agree to reunion on

the tendency to seek association exclusively with Socialists which has shown itself in your party.

In short, Sir Archibald rejects Mr Brown because he is a Tory, and Mr Brown rejects Sir Archibald because he is a Socialist. Neither accuses the other of not being a Liberal; indeed, Mr Brown's letter says that “discussions on policy had gone a considerable way toward agreement.” It is difficult not to conclude that the Liberal leaders have themselves, however unwittingly, provided some evidence for the major parties' argument that there is no positive substance left in Liberalism, and that a Liberal is either a timid Tory or a timid Socialist.

But is this true? Are shades of emphasis all that is left of Liberalism? Is the policy of the Liberal Party inevitably a dilute mixture of other people's doctrines? Is the only room for argument whether the balance of ingredients, borrowed from others, is the right one? Or is there a body of doctrine, adapted to the needs of the day, that is quite distinctively and uniquely Liberal?

There is, indeed, one body of doctrine that meets with no sympathy at all in the Labour Party and with nothing but lip service from the Tories. It is, moreover, a doctrine than can claim direct apostolic succession from the great days of Mr Gladstone. This is the doctrine now chiefly known as Individualism, which sees in the removal of bureaucracy and a reversion to uncontrolled private enterprise the sovereign cure for the economic ills of the community. To believe in a programme consisting of nothing but Peace, Retrenchment and Reform is, in these days, to stand not in the middle but at the extremity of one wing of public opinion. Yet the Individualists are all lifelong Liberals; their stronghold is the Reform Club; and nobody can deny them their claim to some at least of the title deeds of Liberalism. Nevertheless, in spite of the fact that the Society of Individualists is said to be in a flourishing condition, it does not seem likely that the Liberal Party will go to the country at the General Election under their banner, or that it would be very successful if it did. Nevertheless, it is their views which, to many people, are the meaning of “Liberal.”

But there is another entirely different view of public

affairs, held by a very large number of people in this country, which is positive and coherent, but finds no satisfaction at all in either of the two larger parties. More particularly it is the view of the younger generation, who are too young to remember the days when the Labour Party itself was fresh and new and when Socialism seemed to be the embodiment of every dream. Socialism is an old-fashioned creed to the products of the modern secondary school education; especially when it merges, in practice, into the self-interest of the trade unions. To be acceptable in the twentieth century, a political programme must have a scientific and a technical flavour to it.

Bagehot foresaw the effect that technology would have on politics when he said, nearly eighty years ago, that “the co-operative agency of the state” ought to be used “in applying to our complicated society those results of science which are new to this age.” The physical sciences have, indeed, transformed the world; but the social sciences have done almost as much. Alongside the growth in the powers of production and destruction, there have been great social inventions too—techniques of collective welfare which, whether their application has been to the conquest of insecurity and the increase of wealth in peacetime, or to the safeguarding of social health amid the strains of total war, have opened up new vistas of possible achievement by the route of social organisation. What the modern world chiefly resents in the elderly political parties which occupy the stage is that they deny the application of the scientific method to public affairs, that they obstruct the necessary technical revolution in the apparatus of the community. The Tories block the way because they are pleased enough with the world as it is. The Labour Party blocks the way partly through the personal incompetence that is the inevitable result of its constitution, partly through its subservience to the trade unions, the most conservative element in the state, and partly through its devotion to a rigid doctrine which has been left behind by the march of events. Of all the sections of opinion in the last thirty years, the Socialists have learned least.

The new line of thought holds that twentieth century problems can only be solved by twentieth century methods. But equally it holds that, if these methods are used, the problems can be solved within the framework of a free society. The problem of poverty can be solved by the policy of the National Minimum. The problem of unemployment can be solved by skilled scientific treatment. The problem of productivity can be solved by a single-minded devotion to technical requirements. But none of these problems can be solved if the technical treatment of them is to be beset by the timidities and prejudices of the embattled interests of the Right and the Left. Public pressure has impelled the Tory-Labour coalition some distance along these roads. But there is always a sticking point, and it is the purest delusion to suppose that the resistance comes more often from the Right than from the Trade Unions. Neither of the large parties is sincerely converted.

The man who, more than any other, has given voice to these ideas is Sir William Beveridge, and he has named the instrument which he thinks best for securing their application. His phrase is “a Liberal Party with a Radical programme.” If this is what “Radical” means, then probably the largest part of the thinking people of the country are Radicals today. And a Radical programme should be congenial to the Liberal Party, for what is most needed at the moment is a work of liberation. The chief phenomenon of the past quarter-century in the democratic world has been its frustration. Negation has never been at a higher premium. Two principles have been in conflict, those of social organisation and of individual freedom, and they have succeeded only in obstruct-

ing each other. Those who have seen the advantages that can flow from a purposive direction of some of the community's activities, have, by exaggerating their case, succeeded only in hamstringing the essential force of individual enterprise. Those who have carried the banner of freedom have succeeded only in stultifying the first cautious experiments in collective economic organisation. What is needed now is a programme of liberation, a policy that will permit the benefits of organisation, where it is technically the most appropriate, to be reaped to the full, while at the same time, in the rest of the economy, searching out and removing the obstructions to the exercise of individual enterprise and imagination. There is room for a fruitful partnership between the state, which should be responsible for the stability of the main framework or (to change the metaphor) the equability of the economic climate, and the vigour and imagination of individual enterprise, which can provide the community with wealth in abundance and variety. Only by this means can democratic Britain secure that release of human energies which from time to time startles History with the spectacle of a Golden Age.

This is the opportunity for the Liberal Party. Is the party in a position to seize it? Hitherto, there has not been any very visible tendency for the younger people

and the newer ideas to find in the Liberal Party the political vehicle for their expression. Sir William Beveridge may now convince them, both by his precept and by his example, and there have been some notable additions recently to the list of Liberal candidates at the next General Election. But even the most sympathetic cannot avoid some doubt about the reality of the Liberal revival. The lot of a third party in the British system is hard, and the lot of a third party that is split is still harder. The Liberal Nationals stand for nothing that is distinguishable in the way of faith and doctrine; but they control substantial parts of the Liberal machine up and down the country. The Liberals have also suffered from the lack of leaders who can command and hold a nation-wide audience, and Sir William Beveridge cannot by himself put that right. If British politics still worked in the classical way, the Liberals would find their leaders by the secession from the Tory and Labour parties of men who could no longer stomach their policies. Perhaps that may happen even today, for the present position of two large parties without any faith and a faith without a party that can hope to attain power cannot last indefinitely. In politics, as in physics, nature abhors a vacuum and it may yet be the Liberal party's destiny to fill it.

NOTES OF THE WEEK

Towards the Rhine

The past week has seen the development of six offensives all along the western front, from the Dutch to the Swiss frontier. The co-ordination of the six thrusts has put an enormous strain on the enemy's forces dispersed over a distance of four hundred miles. The reaction of the German High Command has been to retreat on the left flank and to concentrate the bulk of its defensive strength on the right. The French First Army under General Tassigny has therefore met with relatively weak opposition in its advance through the Belfort gap to Mulhouse and Colmar. The fall of Strasbourg to the First French and to the Seventh US Armies seems to be imminent, and both armies may soon roll up the German defences all along the western bank of the Rhine from the Swiss frontier to the Saar. Yet these victories open no prospect of a drive into Germany beyond the southern Rhine, where the mountains of the Black Forest form a mighty obstacle to the attacker. The immediate operation made possible by the recapture of southern Alsace is a drive northwards along the Rhine valley which would outflank the Saar from the south at a time when the Third US Army has, after the liberation of Metz, approached it from the west. The real hinge of the whole western front remains in the north, where the British and the Americans are still slowly and stubbornly battering their way through towards the Rhine and the Ruhr and the great northern German plain beyond. There, in the north, the most decisive battle is now being fought—the Caen of the present campaign.

Russia and the West

The idea of a regional grouping of the nations of Western Europe continues to be the centre of discussion on the post-war settlement. Criticism of the idea has been almost equally vocal in Soviet Russia and in the United States. In France and Belgium, Communist propaganda against it has reached its climax on the eve of General de Gaulle's departure for Moscow. French official spokesmen, obviously anxious to avoid any commitments, have so far sought safety in vagueness. It would seem, however, that the Russian objections have made an impression, and during their visit to Moscow the French Ministers will probably try to discover how far these objections, which have so far been of a propagandist nature, reflect the official Soviet view. Both General de Gaulle and M. Bidault emphasised in this week's debate on foreign policy in the Consultative Assembly that France's interests are not confined to the west of Europe. M. Bidault spoke of the French interest in the Danube area and General de Gaulle announced that the French Government will make its own proposals for the delimitation of Germany's frontiers in the east as well

as in the west. There is something of a dilemma for Moscow here. It is most unlikely that French initiatives in Central or Eastern Europe will be anything but most unwelcome to Russia. But how is it possible to argue regionalism in the east and universalism in the west? For the moment, the emphasis is all on universalism, and Marshal Stalin has told a Polish delegation that Poland must not look to the east alone but must remain allied to Great Britain, France and the United States. Is it perhaps Russian policy to preach universalism (for the confusion of the Western Union) but silently to practise regionalism nearer home?

Cabinet Changes

The changes in the Government which have been announced this week are not of sensational importance, though they are nevertheless of interest. Two posts of Cabinet rank were already vacant—those of the Ministers Resident in West Africa and the Middle East—and the Prime Minister has created a third vacancy by calling for the resignation of the Minister of Works, Lord Portal, on the ground that the Minister in charge of that most essential department must be in the Commons. The reason is valid enough, though it is difficult to understand why Lord Portal, who is a shrewd and energetic Minister, has to go out of the Government altogether, when many Ministers who are of distinctly inferior calibre remain in office. Sir Edward Grigg, who has held no office since he vacated an Under-Secretaryship at the War Office over two years ago, is sent to Cairo, and Captain Harold Balfour, who has hitherto been one of the Under-Secretaries at the Air Ministry, goes to West Africa. Both are experienced administrators, but neither the Nile nor the Niger will be set on fire. By far the most interesting nomination is that of Mr Duncan Sandys to the Ministry of Works. Mr Sandys thus reaches Cabinet rank at the age of 36. The infusion of youth into the highest ranks is always to be welcomed, but it will be regarded throughout the country as an extraordinary coincidence that, of the three men in their thirties whose merits have, since the last war, been judged sufficient to raise them to the Cabinet, one has been the son, and another the son-in-law, of the Prime Minister who appointed them. The building problem will soon give the measure of Mr Sandys's qualities. The present changes are completed by the nomination of Commander R. A. Brabner and Mr John Wilmot to the vacant Under-Secretaryships at the Air Ministry and the Ministry of Supply. It is also announced that the Ministry of Economic Warfare will come to an end on December 31st, since the volume of its work is no longer sufficient to justify the existence of a separate Ministry.

ABC Plans at Chicago

Nearly ten days of discussion between United States, Canadian and British delegations at Chicago have resulted in a draft convention—with important blank spaces still undecided—for the regulation of international air traffic. Although the points agreed on have yet to be accepted by a special sub-committee of the conference, it seems likely that the draft will provide the basis of a convention. It is not a solution since it is so far incomplete and, if first reports can be relied on, even contradictory in places. For instance, the international authority is to permit, and in some cases has power to recommend, the pooling of services and transport organisation between countries. At the same time the draft proposes a ban on "discrimination" and the granting of exclusive privileges to any other country or airline. Again, members may make bilateral arrangements on traffic rights with non-member countries, yet are apparently obliged to prohibit the transit of aircraft whose country of origin does not conform to the multilateral agreement. Probably these apparent contradictions will be cleared up when something more than the present brief reports emerge. As they stand, the authority's power is open to grave weakness. As to its composition, an assembly of all participating countries plus a board of 14 directors, seven representing the great air powers, represents a concession to the smaller nations from the original American and Canadian proposals. The specific powers and duties of the authority remain the major difficulty. The three countries have been able to agree on a great many subjects, on the supervision of rates and fares decided on by associations of air-line operators, the provision of meteorological and air navigation services, and on technical standards. This is a substantial achievement. But on the major issue of the control of traffic frequencies they do not seem to have been able to advance beyond an agreement to disagree. The Americans still want freedom, the British still want regulation. The recognition of what has been called "the fifth freedom of the air" is still undecided. It would allow aircraft flying from one country to another to land and pick up pay-load, apart from internal traffic, at intermediate points. On these two points hinge the real success or failure of the conference. In spite of the prevailing optimism on the spot, the outlook for a real solution does not at present appear very promising.

Chinese Government Reshuffle

The political crisis in the Kuomintang has apparently gone deeper than was thought a few weeks ago, when President Roosevelt recalled General Stilwell from Chungking. The last session of the Political Council of the party ended in an unmistakable demonstration by its members against the most criticised personalities in General Chiang Kai-shek's entourage, and partly even against the General himself. Soon afterwards a reshuffle of the Government was announced. Two members, the Minister of War, General Ho-Ying-Chin, and the Minister of Finance, Mr Kung, were dismissed from their posts. General Ho-Ying-Chin has been reputed to be one of the Kuomintang's most influential die-hards, stubbornly opposed to any co-operation with the Communist armies of Yen-an. Mr Kung's political reputation has declined together with the value of the Chinese currency. The new Minister of War is General Chen Cheng, who is believed to be more in favour of close co-operation with the United States than was his predecessor. General Ho-Ying-Chin, however, has retained the post of the Chief of Staff, which means that he will continue to exert very strong influence on the army. It is too early to say how much this reshuffle of the Government will help General Chiang Kai-shek to overcome the difficulties with which he has been grappling. Inflation is rampant and will continue to be so for a long time yet. The prejudice against military co-operation is strong both in Chungking and in Yen-an. Even so, the chance of a better understanding, at least between Washington and Chungking, is now probably greater than it was before; and Mr Donald Nelson's mission to China may perhaps clear up some of the misunderstandings that caused the recall of General Stilwell.

Retreat from the Balkans

From the end of August German troops have been slowly and laboriously retreating from the Balkans. Some 15-17 German divisions are being forced to fight their way back to the line of the Sava, the river that runs roughly

eastwards and flows into the Danube at Belgrade. The Germans, who have already been entirely cleared out of Greece, have been opposed by advancing Russian armies, by Tito's Yugoslav Army of Liberation, by Bulgarian units under Russian command, by the British detachments known under the name of "Land Forces, Adriatic" and by innumerable guerilla forces in Greece and Yugoslavia. On the German side, Chetniks, Croatian Ustasas, Serbian police detachments organised by Neditch and some Russians recruited from prisoners of war have been identified during the fighting. An extraordinary feature is that Crete and a considerable number of the Aegean islands are still occupied by German garrisons—like the Channel Islands in Western Europe. Samos, Lemnos, Naxos and some islands to the north of Crete are, however, in British hands. In the west the entire Dalmatian coast has been freed by Tito's forces; only the naval base of Kotor (Cattaro) is still used by the Germans. No Germans are left east of the river Morava. The most southerly point of the fighting in the historical Kossovo Plateau, where the town of Pristina fell to Tito's army. The disputed area comprises northern Albania, the Sanjak of Novibazar, Western and Eastern Bosnia with the railway lines from Knin to Fiume and from Kotor to Sarajevo, whence there is a branch to Cacak on the western Morava and another to Brod on the Sava. Its main communications are with great difficulty kept



free by the Germans for the retreat of their forces in Albania and Macedonia. Right up to the Austrian frontier in Croatia and Slovenia and on adjacent Italian territory, guerilla forces have been active against German communications and strong points. The first Russian crossing of the Danube near Apatin, above the confluence of the Danube and the Drava, has been reported; this constitutes a dangerous threat to the bottleneck from Fiume to Zagreb through which the Germans will have to retreat from northern Yugoslavia west of Belgrade, Novi-Sad and Sombor. The Russian advance across Hungary shows that eventually the Germans will have no other choice than to retreat to a line roughly marked by the Trieste—Vienna—Cracow railway. This will complete the encirclement of Germany in the south. In fact, the theatres of war in Slovakia, Hungary and Yugoslavia are closely integrated. The Slovak rising took place on territory only 113 miles to the east of Vienna. If it had been successful, Hungary could have been invaded from the north, and the way into the famous Morava gap from Vienna to Cracow would have been open.

Sites for Bungalows

There is a note of desperation in the memorandum on temporary housing prepared by the Ministries of Health and Works for the guidance of local authorities—a note that contrasts strongly with the dilatory handling of the

problem of public acquisition of land. Four types of temporary bungalow accommodation will soon be in full production and the first deliveries are expected early in the new year. Thus the local authorities have at most only a few months in which to acquire and prepare the necessary sites. They will have to accept immediate delivery of the bungalows when they are ready, since no arrangements can be made for their storage. Some authorities will be able, no doubt, to meet the requirements satisfactorily, for their plans have been made in advance of legislation. But others will find themselves so pressed for time that the complicated problems of siting will not be afforded the attention they need. The four categories of land regarded in the memorandum as permissible include sites that will ultimately be used for permanent housing and other purposes and marginal strips of agricultural land adjacent to existing housing estates. Clearly the very greatest care must be taken to prevent a hold-up of the permanent building programme through the faulty siting of the bungalows. The aim should be to leave enough suitable land free for permanent building as will occupy available building resources for ten years—the defined life of the bungalows. It is neither necessary nor desirable to leave more acquired land than this unoccupied. There will be “Skin Game” complaints from tenants and landowners if the bungalow settlements are placed too near to existing property, but the housing problem is so acute that such complaints must fall on deaf ears. Land will have to be used—temporarily—more or less wherever it can be found. A second difficulty that will confront the local authorities will be in the allocation of the bungalows. The “special guidance” given in the memorandum is too vague to be of much use. Tenants will be selected according to the size of their families, their war service, and the availability of alternative accommodation. It is not unreasonable to predict that the inevitable lack of uniformity in the priority systems to be worked out by the local authorities will be a cause of much friction. The Government should relieve the authorities of an unpleasant burden by defining the qualifications for tenancy more closely.

Spanish Republicans

The last few weeks have brought a strong revival of activity among Spanish Republicans in exile. The two chief centres of Spanish political life outside Spain are southern France and Mexico. In southern France a supreme junta of National Unity has been formed which claims to speak on behalf of a broad bloc of Republican groupings. It seems that the Communists are playing the leading rôle in the junta. In Mexico the Left Republicans, led by Señor Martínez Barrios, and the moderate Socialists, the followers of Indalecio Prieto, have formed a National Committee of Liberation, which intends to act as a quasi-Government in exile. Finally, from this country the Republican ex-Premier, Dr Negrín, follows closely the events in his country, confident that Republican Spain—if resurrected—will recognise his claim to be the legitimate head of the Spanish Government. In Portugal, Señor Gil Robles, the leader of the Catholic Party, keeps aloof from the Republican groupings, and sets his hope on the restoration of Monarchy. In addition, there is a number of smaller groups ranging from the Basque Catholics to the anarcho-syndicalists. The fact that the Republican politicians have not yet managed to detach themselves from the feuds and rivalries of the thirties is, of course, a serious handicap in their ability to take effective political action. The time has really come for the opponents of General Franco to look forward instead of backward, and to face new tasks instead of old defeats and failures.

The Law of Compensation

The recent decision of the Court of Appeal in the case of *Rothwell v. Caverswall Stone Co., Ltd.*, underlines the importance of the Government's new plan for dealing with industrial accidents, in replacement of what has so far been known as Workmen's Compensation. Edgar Rothwell, employed by the Stone Co., met with an accident in the course of his employment in March, 1943, and dislocated his shoulder. He was taken to hospital and, through faulty diagnosis, the dislocation was not noticed and treated. He was first seen and X-rayed by a specialist in June, 1944, and it was then too late to reduce the dislocation, with the result

that Rothwell will always have a permanently stiff shoulder and arm. The point of the case was whether the employers were liable to pay compensation indefinitely, on the basis that Rothwell's earning capacity had been permanently reduced by the stiffened arm and shoulder, or whether they were only liable to pay compensation for the period during which the original injury incapacitated him, since they were not responsible for the events that converted a curable injury into an incurable one. The Court of Appeal took the latter view, as indeed they were bound to do under the existing Statutes. It is true that it would be inequitable to make an employer (or its insurance company) pay compensation indefinitely because of someone else's failure. But it is equally inequitable that a workman who is, broadly speaking, incapacitated by an industrial accident plus its treatment, over neither of which he has any control, finds himself without compensation and with only a right of action for damages against a hospital, an uncertain and expensive civil suit. While workmen's compensation remains a purely domestic affair between individual employers and their own workmen this kind of situation can always arise, but once the risks of injury are spread over industry as a whole it should be possible to ensure that an injured workman does not fall into distress or dependence on charity through legal loopholes.

Efficiency in Mergers

There is an important point of general economic policy to be observed in connection with the proposed merger between Richard Thomas, Ltd., and Baldwins, Ltd., the industrial and financial details of which are properly the province of Business Notes. The merger is between two large firms, one of which has, through re-equipment, made itself the cheapest producer in the industry, while the other owns a great deal of obsolete or obsolescent plant. The obvious, though unexpressed, object of the merger is to remove the high-cost plant and concentrate production on the new low-cost mill at Ebbw Vale. This is a highly praiseworthy endeavour. In the strictest *laissez faire* theory, the high-cost firm ought to be competed into bankruptcy and the more efficient firm ought to go its way with its costs entirely unencumbered by any of the overheads of its defeated competitor. In practice, especially in industries where fixed capital is heavy, things do not happen as theory dictates. The high-cost producer may go bankrupt, but he does not disappear; he remains as an incubus on the industry; he has a claim to be allowed some production; and he is an influence in the counsels of the industry for high prices. It is almost always worth an efficient producer's while to pay something to get rid, once and for all, of his high-cost competitors. But it makes a great deal of difference how the payment is made. If there is a purchase for cash or for debenture stock, or if there is anything in the nature of a levy on production to pay for scrapped plant—if any of these methods are followed, then the retirement pension that is paid to the high-cost producers enters into the costs of the survivors. Dying, the inefficient leave behind them as a legacy their pressure towards higher prices and more restricted markets. Even if the compensation is paid in the form of preference shares, there is a natural tendency in the same direction. Only if the compensation is paid in the ordinary shares of the surviving producer is this not so. Only in that case does the merger get the full benefit of the lowest costs of its most efficient plant. This is the method of amalgamation that is very much to be preferred in the general public interest. In most cases it will also be in the interest of the existing shareholder for minimum costs mean a maximum market and profits enough to pay the pensioners and leave something for himself. In so far as amalgamations play a part in industrial reconstruction—as they surely must—this is the principle that should be followed.

The Voluntary Hospitals' Finances

The annual statistical summary of King Edward's Hospital Fund, which gives figures for the income, expenditure and work of 169 London voluntary hospitals, has special interest this year because of the Government's proposals for a hospital service as part of a national health service.

The summary hardly supports the view, expressed in the White Paper and widely accepted, that—

The voluntary hospital is, in essence, an independent charitable organisation, deriving its money from the voluntary subscriptions or donations or endowments of benevolent individuals or associations. . . .

In London, at any rate, the largest source of the total ordinary income of a voluntary hospital comes, not from voluntary gifts, but from the patients themselves for services rendered. Last year, voluntary gifts by way of subscriptions and donations and central funds amounted to £1,358,169, and accounted for 25.9 per cent of their income. Receipts for services rendered, on the other hand, amounted to £3,153,116, of which £1,430,195, or 27.3 per cent of the total income, came from public authorities and grants under the Emergency Hospital Service, and £1,722,921—32.9 per cent of the total—from patients, whether directly or through contributory schemes. If, therefore, the White Paper proposals for a health service are carried through as they stand, it seems that the voluntary hospitals' largest source of income will dry up overnight. The individual will pay for his right to a free hospital service through his social insurance tax, and it has been officially admitted that there will thus be no place for the hospital contributory schemes. In place of these payments from patients, the voluntary hospitals will receive increased payments from local authorities—in the guise of joint authorities—on the basis of “a specified sum in return for services rendered,” which “should not be assessed as a total reimbursement of costs incurred,” and, in addition, a direct grant from central funds, which will include the share of the hospital service in the social insurance contributions levied on the public. The result will be that in the case of the London hospitals they will only be able to count on some 38 per cent of their income coming from personal benefactions or their own financial resources, whereas the White Paper laid down that they must “still look substantially” to these sources of income if they are not to lose their autonomy, and that if public funds were being used to guarantee their financial security “the end of the voluntary movement would be near at hand.”

Bad Teeth

The Inter-Departmental Committee under the chairmanship of Lord Teviot, which was appointed to consider dentistry in all its aspects, has published an interim report (Cmd. 6565) for the guidance of the Ministers engaged in drawing up legislation for a national health service. The picture it presents is very different from the brief reference to a dental service in the health services White Paper, which gave the impression that the supply of dentists could not meet the demand for treatment. On the contrary, the Teviot Committee finds that before the war there was no lack of dentists . . . to meet the actual demand for treatment.

And this lack of demand means that

the state of the dental health of our population is bad, and its effect on their general health is bad.

From the dental condition of a large and representative sample of Army recruits it appears that 90 per cent of the men and 86 per cent of the women required dental treatment on enlistment. An approved society, which provided treatment for young people aged 16-19, found that in one year no less than 12.2 per cent of those who applied for it needed full upper and lower dentures. Nor is it lack of means that has restricted the demand for treatment, because less than 7 per cent of the insured population entitled to dental benefit claim it each year and, in 1938, one-third of the elementary schoolchildren found to be requiring treatment, which is provided free, did not accept it. The restricting factors are rather fear, apathy and ignorance, and a dental service will be useless if it is not accompanied by an attack on these—not an easy task, for the fact that a timely visit to the dentist hurts less and costs less than a belated visit is one of those simple truths that are so unpalatable as to be quite unacceptable. When a proper demand is created, this in itself should, as the Teviot Committee hopes, stimulate recruitment to the dental profession, which is at present falling below replacement levels. Since, however, the growth of demand may outpace the supply of dentists and prevent a comprehensive dental service, which should form part of the national health service, from being effective immediately, the committee supports the view of the White Paper on the health services

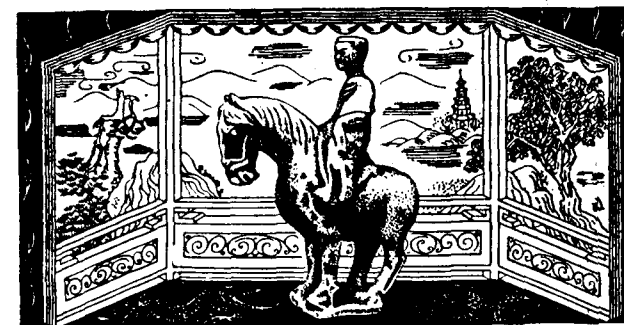
that attention should be concentrated on meeting the needs of expectant and nursing mothers, children and adolescents. These special services should form “the sharpest point of attack of the dental force of the country upon dental disease.”

Overseas Leave

Mr Churchill's statement last Friday, that “exeat” leave is to be granted to a small proportion of the men on overseas service, has been warmly welcomed. The War Office, after continued pressure, has evolved a plan by which some 6,000 men can be brought home each month for a period of four weeks' leave before returning to their units. The distribution of exeat passes among the different theatres of war is apparently a matter to be decided by arrangement between the commanders-in-chief. The apparent limitation of the scheme, moreover, to men who have “for a considerable time borne the burdens of campaign” is sufficiently vague to invite an inequality of standards both between different units and between different theatres of war. Unequal standards already apply—in practice even more than in theory—in the time-limits on what Mr Churchill calls the “overseas tour” (i.e. before final repatriation). On September 26th Sir James Grigg declared that he hoped for a reduction of the maximum for troops in India and Burma to four years and for other troops overseas to four and three-quarter years or less. Although hedged with reservations, this was probably as near to a promise as the men could hope for. The additional concession of exact leave, therefore, should be quickly followed up by a more precise definition of those to whom it does apply, and under what system, however rough and ready, of priorities. Otherwise, a good scheme will get less than the appreciation which it deserves.

Boarding-House Geometry

The drain of population away from coastal defence areas and the disappearance from these areas of the holiday-catering trade has made these towns, in a sense, war



Chinese horse typical of the T'ang period

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casualties. Sir William Jowitt, after touring the areas, has announced the Government's intention to make available interest-free loans, out of which local authorities can lend a maximum of £150 (probably at a low rate of interest) for the re-equipment of small traders and boarding-house keepers. It has not so far been the Government's policy to compensate for trade lost through war conditions, and this exception in favour of coastal traders may be followed by equally good claims from other directions. The simple justification for this concession is the fact that up to 30 million people will want—and deserve—a holiday in the first post-war year. This demand assures a return of prosperity to the coast resorts, which should soon relieve the present desolation. But before holiday-makers can be received, boarding-houses and shops must be put into repair and re-equipped. The main difficulty here is not so much a lack of capital as lack of supplies and of labour to repair premises and to staff them. Sir William Jowitt emphasised that building labour could not be directed to coastal resorts. It would clearly be unthinkable to break off the repair of London homes in order to re-establish holiday resorts. Nevertheless, the sooner the south and east coasts can be rehabilitated, the sooner can the nation take its well-earned holiday and the sooner can tourists from overseas be welcomed. The opportunity should not be lost to see that landlords' sheets which fail to meet though "projected ever so far," and other horrors of boarding-house geometry should have no place in a post-war world of brighter holidays.

Shorter Notes

The Foreign Office has followed the unusual course of issuing an official commentary on the Dumbarton Oaks agreement. (Cmd. 6571, 2d.) The commentary follows the text closely, and makes a brave attempt to show that, by marrying powers to responsibilities, and by removing legal obstacles to action (in particular, the unanimity rule), the proposed new organisation will be stronger than the League of Nations. But it does not discuss the crucial question, which is whether the Great Powers, who have the power and the responsibility, will, in fact, be willing to use the one to meet the other.

The Canadian political crisis has not yet relaxed. Parliament has been summoned to meet this week, and Mr Mackenzie King has laid the causes of his dispute with Colonel Ralston before the House. The issue turns on how strong a case can be made by the Prime Minister and by the new Minister of National Defence for their view that voluntary methods can provide the drafts that, by common consent, are needed for the Army overseas. The pressure of the conscriptionists is strong, but their success would mean the splitting of the Liberal Party and possibly disastrous disunity in the Dominion.

The General Council of the Trades Union Congress has endorsed the proposal of the Amalgamated Engineering

Union that war workers who are released as "redundant" should not be treated as unemployed and receive unemployment benefit, but should be paid their normal wage under the Essential Work Order while waiting to be re-absorbed in other employment. This claim, which will be raised forthwith with the Minister of Labour, is likely to prove controversial in the extreme.

Five years of the War Savings campaign were completed this week, with a grand total of just under £8,500 million in loans to the Government, over £3,000 million of which has come in small savings. The achievement of the savings movement in campaigning against unwise spending and in spreading the habit of saving must be fully acknowledged. In spite of the possibilities of duplication, the 17½ million holdings of Savings Certificates and the 18½ million deposits in the Post Office Savings Bank make impressive totals.

Mr Bevin announced on Tuesday that up to D-Day the total mobilisation of the man and woman power in Britain had reached 25 millions out of a population of 46 millions. It is quite true, of course, that the war effort in all its aspects has claimed the services of a very high proportion of the population, but the figures quoted are so lacking in definition that they are almost without significance. They could only be justified, surely, if the term mobilisation were stretched to include registration for mobilisation.

Mr Williams told Parliament last week that long-term agricultural policy would follow the nutritional aims accepted at Hot Springs. A first step towards the encouragement of "protective foods" was the guaranteed prices for livestock products up to the summer of 1948, laid down in Mr Hudson's four-year plan. This statement is welcome, but the readiness of the Government to contract severely some branches of farming, as well as to expand others, was left in doubt by the statement that a large measure of agreement has been reached over policy with the National Farmers' Union.

A report of the Royal Scottish and the Royal English Forestry Societies demands greater attention to the preservation of private woodlands through the establishment of regional conservators and forestry colleges, and the allocation of up to as much as £150,000 a year for research. The Societies' criticism of the present independent Forestry Commission, which they wish to replace by an authority directly responsible to some Minister, is hardly justified. But it is true that extensive replanting of many private woodlands is urgently needed, and since many land owners lack the necessary capital, state action is called for—preferably through the existing Commission.

The controversy between Mr John Watson, a juvenile court magistrate, and the London Council Council over the conditions existing in an LCC remand home appears to be one of those disputes which engender so much righteous indignation on both sides that the public tends to get confused. The question to be decided is not, surely, whether the home was badly run, which the LCC convincingly denies, or whether Mr Watson spoke too loudly and too hastily, but whether the circumstances ought ever to have arisen. It will come as a shock to many people that the law could allow a little girl of seven, whose only fault was that she had been grossly and pitifully neglected by her parents, to be sent to a remand home while her future was being decided, even though she was segregated from the delinquent inmates. Attention should be concentrated, not on vindicating the LCC or the magistrate, but on enabling neglected children to have a better fate than this.

Jamaica's new constitution, which restores to the island a considerable amount of internal self-government, was proclaimed by the Governor on November 20. The constitution grants universal adult suffrage, and an election to the new House of Representatives will be held next month.

Letters to the Editor

Beveridge on Employment

TO THE EDITOR OF THE ECONOMIST

SIR,—I have not had a chance to read Sir William Beveridge's book, but I have read two summaries made by very able and responsible men, Colonel Elliot and your reviewer.

Colonel Elliot describes Sir William as believing that until full employment has been reached there is no permanent advantage in international trade.

To me this can only mean that unless full employment is secure there should never be (except in an emergency) any commercial contact between nations. But this is so fantastic that it must be wrong, and Sir William's true meaning must be beyond my understanding.

In your review you say that all economists, including Sir William, insist that exports do not determine imports, but that the imports of the world determine the volume of exports. This means to me that, when Britain imports beef from Argentina while Argentina imports whisky from Britain, then, viewing the transaction from East to West, beef determines whisky; viewing it from West to East, whisky determines beef. This is so meaningless that again the economists' true intent is clearly beyond my grasp.

I would not trouble you with my perplexities but for your last paragraph, which emphasises the danger to democracy of ignorance in the electorate. Very true. But modern political economy is as much the domain of specialists as ontology. Not one voter in a thousand can or will understand Keynes or Hawtrey or Beveridge, form an independent judgment on their views, and express it intelligently at the poll.

So if the main course of government and the regimentation of our lives are to be decided on the abstruse teaching of present-day economists, don't ask the common man to vote on the issues involved. He is, as he will remain, completely blank on them.

It would be better, I suggest, not to raise hopes of an educated electorate that will be eager to measure the gap in the circular flow of income or evaluate the implications of the neo-orthodoxy of William Beveridge as against the pliocene-orthodoxy of William Gladstone. Better make up our minds that the subtlety and delicate balance of High-brow Government are not compatible with democracy—and decide which of them we want.—Yours, etc.,

Lloyd's

D. E. W. GIBB

[What *The Economist* (not Sir William Beveridge, though he would doubtless agree) wrote was that "the imports of the world as a whole determine how much can be exported." Mr Gibb has overlooked the words in italics. The volume of foreign goods that the nations of the world as a whole decide, through their tariff and protective policies, to let into their countries determines how much they can all export. Is that as incomprehensible as Mr Gibb makes out?—EDITOR.]

Europeans and Russians 1940-70

TO THE EDITOR OF THE ECONOMIST

SIR,—In your article in the issue of November 4th you say several times that the population projections prepared by Dr Notestein and his colleagues at Princeton, and recently published by the League of Nations, are "based on levels of fertility and mortality in each country which do not vary from the pre-war figures." This is wrong; what the calculations assume is, in the words of the authors, "an orderly continuation of recent fertility and mortality trends in the future." The text and charts of Chapter I of the report make it clear that it is assumed that both fertility and mortality rates will decline substantially from their pre-war levels in every European country (including the USSR) in the period under consideration.

There is also another mis-statement of less importance. The figure given in the report for the population of the USSR in 1940 is not, as you say, 40, but 60, million less

than that of North-Western and Central Europe at the same date.—Yours faithfully,
London, N. 6

W. A. B. HOPKIN

Spotlight on Palestine

TO THE EDITOR OF THE ECONOMIST

SIR,—The press in its reactions to the murder of Lord Moyne, has, on the whole, been distinguished by characteristic British sanity and by an absence of bias. As a regular reader of *The Economist* I am the more surprised by the article in your issue of November 11th which seems so contrary to the liberal-minded tradition of the paper.

This article is so packed with mis-statements that I cannot ask you to allow me space for a discussion of its basic outlook and argument. I shall therefore pick out one or two examples.

The article states that "On the outbreak of war, both Jews and Arabs gave proof of loyalty to Great Britain. The latter . . . gave out that they had no intention of embarrassing Britain while it had a major war on hand. . . . They have kept their word." The writer implicitly assumes that Arab loyalty to the Allied cause need never be more than passive—how many Arabs have volunteered for service? And what Arab leader has rendered to Britain services comparable with those which the Mufti of Jerusalem, by far the most prominent figure among Palestine Arabs, and Rashid Ali, Premier of Iraq, have rendered to Hitler? With how little the writer is satisfied where Arabs are concerned, and how much he is prepared to overlook! And this although at the outbreak of the war the Arabs had just attained, as a surrender to violence, practically all that they asked for through the White Paper of May, 1939.

Although that document was in Mr Churchill's words a "breach and repudiation of the Balfour Declaration," to the Jews loyalty meant active service in the war. Perfunctorily your article touches upon the Jewish offers of military service and the way in which they were cold-shouldered, but has not a word of tribute to what Palestinian Jewry has done both on the battlefield and in the factory. On the other hand, the writer recounts with gusto the activities of the terrorist gangs, and makes the suggestion, as insidious as it is utterly unfounded, that the conceding of a Jewish Brigade Group has stimulated faith in the methods of violence. Would it not be more reasonable to suppose that if the enthusiasm of Palestine Jews for active service at the front had been met sympathetically at an earlier date, some of those who now risk their lives in criminal activities might have achieved real heroism in fighting the enemy?

I pass now to the sting in the tail of your article, suggesting that the Moyne murder should be used as an argument for shelving consideration of the Jewish claims which are based on the Balfour Declaration and the Mandate, because to do otherwise would constitute a "surrender to violence." Since when has it been British practice to make the rights of nations dependent on the acts or crimes of individuals? You yourself do not seem to apply the same standard to the Palestine Arabs; what your article refers to as having been "euphemistically called disturbances" was directed by their chosen leaders, some of whom have continued their treasonable activities during the war.—Yours faithfully,
London, W. 1

S. GESTETNER

Those Billions

TO THE EDITOR OF THE ECONOMIST

SIR,—Whatever respect may be due to our great Ally, there can be no doubt that, in the matter of billions our own usage is to be preferred to the American. If billion means a million squared, trillion a million to the power of three, and so upward, the form of the word suggests its meaning and avoids confusion. Moreover, for the number one thousand million there is already current the word milliard. If "billion" is used for this number, "milliard" is thrown out of work, while "billion" does double time thus causing a loss of efficiency all round.—Yours, etc.,
Cambridge

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AMERICAN SURVEY

Thawing the Wage Freeze

Both Labour conventions, meeting this week at New Orleans and Chicago, are turning the heat on the wage freeze. Mr Murray, of the CIO, has demanded an upward revision of the "Little Steel" formula on the grounds that the commitment to maintain a stable relation between wage rates and prices has been flagrantly violated. This argument has already been sustained, to some extent, by the War Labour Board's hearings on the cost of living, and it gains new force from the increase in cotton and wheat prices engineered by the farm bloc. The drive for wage revision is concentrated in four industries, shipbuilding, textiles, automobiles, and steel, although Labour's case is most advanced in the last. The greatest emphasis, however, is now put, not on the cost of living, but upon the possibility of a "reconversion depression" when pay-rolls drop with the return of the 40-hour week. Union spokesmen argue that to maintain purchasing power, a guaranteed annual wage, or the payment of 48 hours' wages for a 40-hour week, is essential. Mr Henry Ford has characteristically announced his eagerness to pay high wages as soon as it is permitted; but this is the only break in an otherwise solid opposition by industry to the proposition that war-time increases in productivity and the end of overtime payments, will make higher basic rates feasible. Labour's anxieties are enhanced by the realisation that with the end of the war in Europe, opportunities in the high-wage war industries will decline, and there will have to be a movement back to the lower-paid consumer and service industries. During the war wage inequalities have been exaggerated, partly to recruit labour for the war plants, partly because of the greater bargaining power of the unions in the mass production industries. On the grounds of equity and of maintaining purchasing power, as well as the need to attract workers back into peacetime production after the war, the greatest efforts might well be devoted to evening out these inequalities; but it is far from certain that this is what will happen. Mr Murray's eloquent plea for the continuance of the anti-strike pledge follows the line taken by responsible trade union leaders in the individual unions. The Electrical and Rubber Workers have already voted to renew the pledge. Some observers, however, have read into the heated debate of the Automobile Workers, and their decision to postpone the endorsement of the pledge for 90 days, a strategic link between wage adjustment and industrial peace. Mr Byrnes has insisted that the wage ceilings must remain; and it is believed that Mr Roosevelt may hope to delay a revision of the wage formula until "V-E Day," or victory in Europe. Presumably this would take the form of a limited increase in rates to compensate for the loss of overtime. Announcement of the Administration's intentions, however, cannot be postponed too long, without exaggerating the "reconversion jitters" of the rank and file, and putting a severe strain upon the authority of labour's leaders.

Labour Politics

"We have set reaction back upon its heels," said Mr Murray to the convention of the Congress of Industrial Organisations, celebrating the success of Labour's first large-scale intervention in politics. "Clear everything with Sidney" may have been a bit of Republican apocrypha, but with the evidence of the vigour and effectiveness of the Political Action Committee, particularly in the great industrial states, Mr Hillman emerges as a portent as well as a political power unprecedented in American labour history. By supporting a few Republicans, and opposing some Democrats, the PAC justified its claim to non-partisanship. But the link with Samuel Gompers has worn very thin. Democrats, as well as Republicans, are impressed by the possibility that the PAC will transform the balance of power in the party structure, and, that this explosive new force may disrupt the Democratic party after Mr Roosevelt retires from its leadership. These speculations would have even more force if the PAC had succeeded in obtaining the co-operation of all the main labour organisations. There was a moment, after the passage of the Connally Anti-Strike Act, when it looked as though anti-labour agitation, then at its

height, might produce a solid labour front to combat misrepresentation, and bring pressure to bear on Congress. The splits proved too deep to be healed, even in this emergency, and during the election campaign some spokesmen of the American Federation of Labour and of the Railway Brotherhoods (which are independent of both the AFL and the CIO) were profoundly critical of the PAC as likely to antagonise the public further. Mr Murray's repudiation of reported overtures from the AFL suggests that the CIO may be less receptive to peace offerings now than it was before its demonstration of political strength. These continued divisions in the ranks of labour are reflected in the refusal of the AFL to join the CIO in accepting the invitation of the British Trades Union Congress to attend the world trade union conference in the New Year. It is said in Washington that this will further increase the prestige of the CIO, and that the AFL is cutting off its nose to spite its face. This is very likely true. But the CIO, however incontestable its claim to labour leadership, remains only a segment of the American labour movement.

The Power of the Press

Mr Harold Ickes recently commented, with his usual tartness, upon the gulf between the press and popular opinion disclosed by the election. It is said, although no very precise analysis is possible, that only about 15 per cent of the newspapers actively supported Mr Roosevelt, with about 60 per cent in the Republican camp and the remainder on the fence. Far from being new, something like this proportion has prevailed in Mr Roosevelt's earlier campaigns. Some time before the election, Mr John S. Knight, owner of the *Detroit Free Press*, and the new proprietor of the *Chicago Daily News*, admitted that the newspapers, by and large, are out of touch with the people. It would be wrong to say that the press had no effect upon the election. The *Chicago Tribune* failed to hold Illinois for Governor Dewey; but the editorial policy of such journals as the *New York Times* and the *Louisville Courier-Journal* unquestionably had a deep effect upon the independent voter, and columnists like Mr Walter Lippmann and Miss Dorothy Thompson were valuable Democratic assets. In part, the decline of the influence of the press is the measure of radio's gain. Mr Roosevelt's mastery of the microphone more than outweighed his unpopularity at the editorial desk. It is worth remembering, in analysing the campaign, that the lower the income group, the greater the tendency to look to the radio, rather than to the newspaper, for news and comment. What sells the American daily is entertainment as much as political guidance. Joe Palooka and Caspar Milquetoast have no less devoted, and perhaps a wider, following than Mark Sullivan and Arthur Krock. The *New York Times* is the only newspaper which has been able to resist the invasion of the "funnies." It is said of the newspaper public, that 90 per cent "read" the picture page and more than 80 per cent read any comic strip, while less than half read any leader. This is a fact which reduces the penalty for an unpopular editorial policy; and has discouraged the great crusades which marked American journalism a generation ago. In the place of the independent, there is, increasingly, the national chain and the syndicated article; and an immense increase in the capital investment required to produce a paper. Although it would be hotly denied in the United States, extremes of wealth and consequently of economic interest, have created something like Disraeli's two nations. This isolation from the trend of public opinion is shared by the newspaper proprietors and has produced as unrepentant an Old Guard as either of the political parties can show. And the newspaper world feels only at second hand the defeat at the polls which, in time, has its corrosive effect upon the Old Guard of a party.

The Case for Cartels

Sir Clive Baillieu's defence of cartels as being neither all black nor all white, and the unanimous adoption of a report calling for immediate study of Governmental and

business agreements regulating production, marketing, prices, and patent exchanges, have been the notable developments of the Businessmen's Conference at Rye. American delegates to the Conference could hardly help accepting the report, since the other participants appear to have been almost unanimous in its favour. But their position is embarrassing, in view of the determined campaign against cartels which has been waged by the Administration, and a popular reaction which was summarised by Senator Kilgore's reference to the conference as

"largely a gathering of broken-down European big business men plotting a revival of the cartel system."

It is only a fortnight since a State Department Committee, completing a three-year study of cartels, recommended that the United States Government take a firm stand against restrictive international agreements of all kinds, except for purposes of national defence, to conserve scarce commodities, and in cases involving public health, such as narcotics. Moreover, this has been almost the only subject on which the United States Chamber of Commerce agreed with the Roosevelt Administration. Public opinion has been prepared for a root-and-branch attitude towards cartels by frequent revelations of the extent to which American war production was hampered by restrictive agreements, mainly with the German cartels. A Senate sub-committee headed by Senator Kilgore recently reported that the rooting out of the cartel system is essential if another war is to be avoided and full employment is to prevail. The Kilgore report not only denied any virtue in cartels; it refused to accept the thesis that by regulation and registration they might be made to serve the public interest. The only American voice to be raised in favour of a more realistic policy is that of Mr Milo Perkins, formerly executive director of the Board of Economic Warfare, who in the current issue of *Harper's* propounds the novel thesis that the United States cannot hope to force the Sherman Anti-Trust Act on the rest of the world; and goes on to point out that Americans preach, but do not always practise, free competition. Mr Perkins insists that the international commodity agreements are, in effect, inter-Governmental cartels which the United States may well wish to join; and he suggests, in addition, that a sizable part of American business may wish to join post-war cartels in order to protect its rich domestic market. It is Mr Perkins' conclusion that where cartels cannot be eliminated, or where foreign trade is better handled through co-operation than competition, cartels can, and must be, gradually modified into instruments which will benefit the public.

Political Pricing

Last winter's prophecies of an American famine have vanished in the light of this season's abundance. Even the feed shortage seems at an end with a corn crop of over 3 billion bushels and a wheat crop of over 1 billion. Despite the progressive relaxation of rationing restrictions this year, there is a growing anxiety about the disposal of farm surpluses, and the ability of the Government to make good its price commitments to the farmer. It is a truism that the foundation of post-war agricultural prosperity, particularly in the South, is diversification, and the substitution of meat, dairy products, luxury fruits and vegetables for the single crop. The price policy forced upon the Administration in recent months by the farm bloc seems destined to slow up this process, and to guarantee the production of unmanageable surpluses of the more staple lines. It is the background to the export subsidies for wheat and cotton discussed in a note on page 708. In recent times, American agricultural exports have been hampered by the high level of domestic costs; and these were lifted still further by the Administration's attempts to solve the farm problem by raising farm prices. The Parity Price concept has, for example, made the growing of wheat unduly profitable, as its costs of production have fallen since the base period 1909-1914. This situation has been exacerbated by the extension of the Stabilisation Act this spring, which required that the price of cotton be held at 95 per cent of parity. In consequence, the War Food Administration has announced a policy of buying at 100 per cent of parity and reselling at 100 per cent of parity plus carrying charges. Immediate increases in the grain and cotton markets followed. The Commodity Credit Corporation, which is the instrument for carrying out these purchases, already owns more than 2 million bales of old cotton, and under the new scheme, it is expected that it may hold, under loans and purchases, more than 11 million

bales by the end of the current marketing season. The Corporation also owns more than 100 million bushels of wheat, and holds another 70 million bushels as collateral for loans to farmers. The use of export subsidies, as provided in the Surplus Property Disposal Act, is the only method of maintaining agricultural prices and production at their war-time levels without accumulating disastrous surpluses in the warehouses.

Prescription for Victory

General Eisenhower's appeal for more munitions for the battles in the West is the most dramatic, but not the first, of a series of pleas to war workers to stay on the job at this critical moment. The present manpower shortages are small, relative to the manpower resources of the United States, but their effect at the fronts is causing grave anxiety. There is no doubt that the belief that the war is as good as won, and the consequent desire of war workers to move into jobs promising more security, is largely responsible for the failure of some schedules to be maintained. The lack of adequate manpower controls has made it impossible to stop drift from the war plants. If the United States had a national service law, the recruitment of the 200,000 men which it is estimated are needed to fill the gap would present no great difficulties. In its absence, other means must be found. The Army has agreed to release 1,000 men with experience in foundry work; and unless the appeals of the Services have the desired effect, Mr Byrnes has threatened that he will suspend all industrial reconversion under the "spot authorisation" plan. This is an inefficient weapon. It can hardly guarantee the type of labour needed for the industrial bottlenecks. But it may serve to drive home the point that where it is a choice between the desirability of cushioning reconversion, and the necessity of finishing the job in Europe, war needs still come first. This is a choice which might have been avoided with more effective controls from the outset, for unquestionably the United States has sufficient reserves of manpower to meet both demands.

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THE WORLD OVERSEAS

Norway Prepares for Liberation

IT was Russian troops who began the liberation of Norway when they crossed the Norwegian frontier in the Petsamo region and occupied Kirkenes, the most important German base in North Norway, on October 25th. In the succeeding days Russian troops advanced to the nearby town of Neiden, but no further advances have since been reported. The capture of Kirkenes, however, was a starting-point for new diplomatic, military and economic activities, while, on the other hand, the Germans, in combination with the Quisling government, set in motion their plan of withdrawal from North Norway.

The situation in North Norway—that is, in the provinces of Finnmark and Troms, whose population numbers roughly 250,000—is now for the most part literally obscured, for the Arctic winter has begun. At the North Cape the Arctic night will last from November 18 to January 23, 1945. But some facts are known. The withdrawal of German troops has been combined with the compulsory evacuation of the civilian population. The town of Vadsø and the fortress of Vardø, which cover the approaches from the sea to Kirkenes, are reported to have been destroyed by the Germans, who retreated by sea and along the coast road which had been built by Russian prisoners of war. Hammerfest, the most northern town, has been cleared of civilians, and the first stop for the Germans and the evacuated Norwegians is obviously Tromsø. Troops of the German Lapland army, under General Rendulic, are, however, still in Northern Finland, retreating along two main roads whose most important junction has not yet been reached by Russian troops. It seems that, as usual, the Germans will try to maintain some hedgehog positions along the coast of northern Norway. Tromsø and Narvik have been selected as the most important positions. It has been reported that Tromsø's population has trebled, and extensive preparations are being made in Trondheim, and, indeed, in many places in southern Norway, for the reception of evacuees from the north. There is no doubt that Germany looks upon the occupation of Norway as playing an important part in the defence of Germany itself.

From the point of view of war economy, Norway has lost its importance for Germany. Communications have become precarious; valuable industries have been destroyed by bombing or by sabotage; and the manpower resources of the country have so far successfully evaded the orders for total mobilisation. Norwegian seamen have left Norway in a steady stream, and in recent weeks more and more sailors have deserted ships used by the Germans. At the same time, the Germans have been forced to man some of the railways with their own countrymen.

At the moment, the Norwegian Government's chief problem is Russian and Swedish participation in the liberation of the country. The agreements concluded by the Norwegian Government with Great Britain, Soviet Russia and the United States of America on May 16, 1944, provided for the reinstatement of the civilian administration as soon as mili-

tary conditions permitted. With Russia it was agreed that Norwegian troops would take part in the liberation side by side with Russian troops. The Norwegian Foreign Minister immediately proceeded to Moscow from his recent visit to Stockholm, and it was announced that a Norwegian military mission, under the Norwegian Military Attaché in Moscow, had been established in the Kirkenes area. Contingents of the Norwegian army, navy and air force, who had been training for years in Great Britain, are now on active service in North Norway. But it can hardly be expected that there will be much fighting during the Arctic winter, and for some time the main military activity in North Norway will probably be troop movements following the withdrawing German armies.

Sweden's Role

At present there are many indications that Sweden may eventually play some part in the liberation of Norway. For some time, about 9,000 Norwegians have been undergoing training as a police force on Swedish soil, and the first contingents of this force are now ready to go to the first liberated towns in North Norway, which, however, are either destroyed or depopulated. Moreover, during his visit to Stockholm, the Norwegian Foreign Minister negotiated a Swedish loan to Norway amounting to Kr. 100 million. The proceeds will be used to defray the cost of training the police force, which had hitherto been paid out of the gold and dollar resources of the Norwegian Government.

There is no doubt that Sweden will also take an active part in relief measures when more of Norway or the whole of the country has been liberated. The general war situation, and particularly the withdrawal of German troops along the Swedish-Finnish frontier, combined with increased tension in the Baltic area, has persuaded public opinion in Sweden to favour a more active intervention in the liberation. It may even be possible that a Swedish volunteer force will again appear on the scenes, to fight this time against the Germans. Many Swedish newspapers have recalled the activities of the Swedish volunteer force in the Finnish-Russian war, with the obvious intention of persuading the Government to give facilities for the organisation of another volunteer force. If this came to anything, it is difficult to see how Sweden could maintain diplomatic relations with Germany.

In southern Norway, particularly in Oslo where almost 10 per cent of the entire Norwegian population lives, the coming winter will probably be the most difficult Norway has experienced since the occupation. No sugar has been available for many weeks, and in the last rationing period the butter ration was reduced by 50 per cent. The potato shortage is still most serious. During the whole of the summer, food rations were on an extremely low level. Frozen and dried fish, whale meat, mutton sausage and cabbage were the most important items in the diet of the urban population. The fuel situation will certainly be more difficult than last winter. Although timber resources are abundant, there are few transport facilities for them, and they are mainly used for the army and for industry. Electricity has been rationed, and in Oslo schools will close from December to March 15, 1945.

The political situation has become tense. Changes in the Quisling Government indicate that it is having difficulties, but at the same time there are signs that the German commissar will try to keep the Quisling Government in office by all available means. Probably as part of the policy of evacuating North Norway, Quisling decreed that under certain conditions provinces could govern themselves without waiting for the consent of the central authority. The Norwegian Government in London, on the other hand, has been preparing for the resumption of ordinary justice and administration, and special regulations have been made for dealing with all active collaborators.

Rehousing in West Africa

[FROM OUR ACCRA CORRESPONDENT]

HIGH on the priority lists of the development programmes of the West African Colonies, which are now in various stages of completion, is the rehousing of the native population. The Government of the Gold Coast, for example, proposes to spend £800,000 on housing over a period of four years. Although figures for Nigeria have not yet been published, it is understood that an expenditure which would be roughly the same in proportion to the population is contemplated.

While the actual lay-out of houses and courtyards and the type of material used may differ considerably between Bathurst and Lagos, the northern territories and the coastal fringe, town planning and the standards of house accommodation and sanitation are uniformly bad.

The type of house predominating in the coastal belt is of swish (a lateritic earth made into sun-dried bricks or daubed, wet, on to a wattle framework), with a thatch or a corrugated iron roof. Inside, light and ventilation are at a discount. The growth of towns and villages, as would be expected, has been quite uncontrolled, and few of them have been able to cope satisfactorily with the increased population which has been attracted to the larger towns during the war or with the increase in traffic which has come with the large troop garrisons. The import of village building methods and materials into the towns has resulted in a congested sprawl of swish huts, with a high "mortality" rate every wet season. On the other hand, in old-established African residential quarters of the coastal towns there is a tendency for the better-off to imitate European cement-building, and they invest part of their savings in large mausoleum-like edifices of cement with corrugated-iron roofs.

West African towns conform to a pattern: the centre is given over to the Government Departments and the offices and shops of the large European, Syrian and Indian concerns, interspersed with smaller African shops; the roads are usually metalled. This area may be reasonably laid out, as in the case of Freetown, or may be a series of twisting streets, meeting at unexpected angles, as in the case of the two largest towns in Nigeria—Lagos and Ibadan. Spreading in all directions from this hub are the swish houses of the local population, usually split into very rough tribal or racial communities. At a discreet distance, again probably with metalled roads and evidence of a planned lay-out, will be the European residential area.

Town Planning

To set certain standards for the whole of British West Africa and to give each colony the benefit of experience in the other three and the benefit of recent developments in Britain, a West African town planning office was added to the Resident Minister's organisation at Accra towards the end of 1943 under an architect with a world-wide reputation, Mr E. Maxwell Fry. A team of architects has now been mustered to make blue-prints for improved town layouts including recommendations for land tenure legislation, to design buildings and model settlements, to give advice on materials and building methods, and to give the architect's and the planner's point of view on questions affecting future development in West Africa, including the development of air and sea communications.

Their work must of necessity be partly experimental and exploratory. The office is expected to continue in existence until the various colonies have their own town planning organisations. The field is enormous and work must be largely selective. Like all pioneers of the scientific method in the tropics, the staff are hampered by lack of data. Land surveys are often out of date, sometimes inaccurate, sometimes non-existent; yet to plan a town layout involves assumptions regarding the tenure and the transfer of land. Their work cannot progress beyond the blue-print stage unless legislation is forthcoming which will put the rehousing of the people before the interests vested in the land. Their main contribution in the long period is, therefore, likely to be in the buildings and layouts which they draw up for immediate construction, the example these will be for their successors, the influence they may have on the policies now being formulated in the four Colonies in the field of town planning—for instance, the office has drawn up recommendations for land acquisition—and the invigorating effect they may have on Government departments, as experts working on only a short-term government contract. They are certainly one of the first *ad hoc* teams

of specialists sent to the Colonies with terms of reference drawn up on a regional basis to do a specific practical job.

Progress in the Colonies

It has been realised in the four Colonies for a long time that improved housing conditions were long overdue, but lack of funds in the early thirties, and the shortage of men and materials during the war have set strict limits to what could be done. The mines have laid out labourers' estates of varying degrees of suitability. The Gold Coast Government has experimented with housing estates at Accra and Takoradi in the inter-war years. The Nigerian Government has laid out an estate near the only West African coalfield at Enugu, and there have been other sporadic attempts.

Now that men, money and materials are expected to be available after the war, a stimulus has been given to housing schemes, and to research into building materials. Some colonies have appointed architects to their Public Works Departments, and plans to set up town planning organisations are under review. All four colonies are making efforts to establish the brickmaking industry or to resuscitate it where it is already there. Tiles are being made, though as yet on a small scale, as a protest against the somewhat unhygienic and unæsthetic, though cheap, imported corrugated iron. Survey departments are taking an increasing interest in clay deposits. Although the opinion is often held that bricks may be too costly to make and too costly to lay in those areas to which cement can be transported—that is, in urban areas—it is conceded that the people in outlying villages can be taught to make an improved brick by simple and inexpensive clamping methods. Meanwhile, research into standard building materials to find out their degree of adaptability to tropical conditions continues. Technical research has made some progress, but there is still the problem of forecasting the post-war price trends of materials imported before the war and the possible trend of the present high level of local timber and wage costs in the larger coastal towns, which makes it difficult for the governments to reconcile the search for economic building materials and methods with socially desirable standards of housing.

Health and amenities apart, the importance which a correctly timed rehousing programme might have on the reabsorption of labour after demobilisation is fully appreciated.

No. 3—NIGERIA



THE Colony of Lagos and Protectorate of Nigeria covers 372,000 square miles. With over 20 million inhabitants, it is the most populous territory of the Colonial Empire.

Lagos was formerly the main centre for slave dealing on the West African Coast. Early in the Nineteenth Century Britain led a crusade for the suppression of this traffic. In 1807, British subjects were forbidden by Act of Parliament to engage in the slave trade and in 1861 Britain obtained the cession of the Island of Lagos and so stopped the trade.

Nigeria exports groundnuts, palm kernels, palm oil, cotton, cocoa and tin. There are large timber resources.

The average annual value of the external trade of Nigeria for the years 1935-39 was approximately £23,000,000.

The Bank has branches in this area at Lagos, Ibadan, Zaria, Kano, Port Harcourt, Jos, Ijebu Ode and Victoria. Those concerned with trade in Africa, the Mediterranean or the West Indies, are invited to communicate with:—



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Incomes and Prices in Eire

[FROM OUR DUBLIN CORRESPONDENT]

THE report of the Central Bank for the year ended March 31, 1944, states that the legal tender note issue reached a maximum of £28,910,794 on December 21, 1943. The expansion in the circulation of these notes since the outbreak of war is shown by the following table:

AVERAGE OF SATURDAY FIGURES

1939.....	10,087,431	1942.....	15,651,549
1940.....	10,930,576	1943.....	20,841,335
1941.....	13,305,494	1944.....	25,580,213

In addition to legal tender notes, there circulate in Eire consolidated bank notes and old Irish bank notes. English notes also circulate in comparatively small quantities, but no record of their amount is available. The total circulation of all Irish notes and coin increased as follows:

AVERAGE OF SATURDAY FIGURES

Aug., 1939...	17,305,026	Mar., 1942...	26,187,252
Mar., 1940...	18,798,709	Mar., 1943...	30,993,663
Mar., 1941...	21,307,104	Mar., 1944...	35,354,578

Deposits of banks associated with the Central Bank increased as follows:

Average of Quarter Ended	Current Deposit and Other Accounts	Average of Quarter Ended	Current Deposit and Other Accounts
Sept., 1939...	114,377,980	Mar., 1942...	143,487,308
Mar., 1940...	122,371,540	Mar., 1943...	157,627,376
Mar., 1941...	130,019,715	Mar., 1944...	177,146,063

Banks' debits also increased:

Year	Bank Debits	Year	Bank Debits
1938.....	758,355,000	1941.....	801,855,000
1939.....	755,550,000	1942.....	859,328,000
1940.....	794,384,000	1943.....	926,539,000

It is interesting to observe the different rates of increase of currency, deposits and debits. Currency increased by

104 per cent, bank deposits by 55 per cent and debits by 22 per cent. The board of the Central Bank states that

the large increase which has occurred in the note circulation is offset to an appreciable extent by a diminution in the velocity of circulation and that in particular substantial quantities of notes are being hoarded in rural areas as a means of conserving savings.

The large increase that has taken place in the circulation of notes of larger denominations—£100 and £50—suggests black market activities, but the Central Bank has not, so far, followed the example of the Bank of England in discontinuing the issue of such notes.

The Irish price-level has risen steadily during the war. In a paper read before the Statistical Society of Ireland, Dr R. C. Geary estimated that compared with the years 1938-39 wholesale prices in 1944 had risen by 98 per cent, retail prices by 75 per cent, wages and salaries by 27 per cent, rents by 1 per cent and securities by 10 per cent. The weighted index for the above items amounts to 70 per cent. It is obvious that the Irish currency is overvalued at its present par of exchange with sterling. The board of the Central Bank are, rightly, of opinion that the increase in the circulation is the effect rather than the cause of the rise of prices.

That the movements of these indices in recent years have had the character more of cause than of effect is suggested by the fact that they rose more rapidly than the total note circulation during the first two years of the war, and that even now the war-time increase of the Agricultural Prices Index is almost in the same ratio as the increase of note circulation, notwithstanding that part of the latter increase is represented by unused purchasing power to the extent of the hoarding already mentioned.

The statistics of bank debits indicate that the new deposits are not actively employed, and it is almost certain that the same conclusion could be drawn about the new currency if statistics of retail sales were available. To argue that, in the conditions that have prevailed in Eire during the war, the price-level has been raised by the increase in the monetary circulation would pay a quite undue tribute to the quantity theory of money. It is for this reason that certain Irish economists refuse to admit the existence of inflation. Rising prices are a symptom of inflation, but they are also a symptom of scarcity, of rising real costs of production and of profiteering or the abuse of monopoly powers. The only strictly inflationary elements in Eire are remittances from workers in Great Britain and the expenditure of tourists from Northern Ireland.

Whether the rise in the cost of living is or is not inflationary is largely a question of definition. It is certainly a question of little interest to the numerous people with fixed incomes, whose standard of living has been gravely depressed. The lot of the salaried class has been extremely hard. Income tax has been steeply raised, prices have nearly doubled and all but the most modest increases of salary are forbidden by law. There is a growing volume of complaint and protest against this grievance. It is asserted that the price stops have not been enforced with sufficient vigour, that agricultural guaranteed prices are unnecessarily high, and, above all, that business men have indulged in considerable profiteering. A standstill order has been made prohibiting any increase in the price of a very wide range of goods and services above the level at which they stood in May last.

The Minister for Supplies has stated in the Dail that the standstill order in its present form is meant to apply to the acute emergency situation—

the critical situation which had arisen in regard to the shortage of fuel supplies, and the imminence of a further serious decline in the volume of production and in the volume of turnover in the distributive trades, with the possibility of a rise in manufacturing and distributing costs.

He explained that a permanent stop on all prices might cause unemployment owing to the impossibility of obtaining imports except at increased prices. The time seems to be approaching, he stated, when it might be necessary to prevent further increases in prices "at any cost." Rather than allow the price level to rise further it might be necessary to reduce profits even below a "reasonable" level, to reduce production, to go without imports and to endure unemployment. The Minister went on to say that the decision to adopt such a course of action would involve major questions of policy, for which he would require the sanction of the Dail. No such sanction has been sought since the Dail reassembled for the autumn session. Meanwhile the emergency continues and, likewise, the emergency policy, with what success remains to be seen.

THE BUSINESS WORLD

Charts and Markets

ONE of the commonest of human fallacies is the belief that opposite views are necessarily contradictory. In the contemporary stock markets there are two schools of thought. The first maintains that the wartime rise in share prices, given its present extent and duration, cannot go much further—that a bull market will shortly be replaced by a bear market. Another section of opinion, smaller in numbers but increasing in influence, insists that present prices have as yet hardly begun to discount two major, related factors which together must inevitably raise the level of equity shares much above its present level—namely, the prospective increase in the money value of the post-war (as compared with the pre-war) national income and the effect of capital "gearing." There is, actually, a third body of investment opinion, much larger than either of the others, which at the moment is quite unable to make up its mind at all about the post-war prospect and is chiefly marking time and awaiting the market sequel to decisive military events. But its views cannot be a subject of discussion because, by definition, it has none to offer.

The argument between the two definitive schools of thought, on the lines on which it is now being conducted, threatens to resolve itself into a controversy on the relative merits of the historical and the economic approach to market probabilities. More people have imbibed the ideas which were finding expression before the last war in various "chart theories" (of which the American Dow Theory was perhaps the best known) than would be willing to plead guilty to that impeachment. Believing that a market price index sees everything, knows everything and can neither err nor lie, they contend that, once its movements have been put into perspective, by being plotted on a chart, they provide an infallible guide to the dynamics of share market history. Particular trends, revealed by charting and "confirmed" when necessary by the movements of other indices—e.g., the volume of daily dealings or prices of railway stocks—afford presumptive evidence of probability, amounting, in given situations, almost to certainty. Suppose a specified series of undulations in, say, *The Financial News* Industrial Share Index, occurring in conjunction with given movements in the "confirmatory" series, preceded a change in "dominant market trend" in 1928 and in 1936. Then, the "chartist" argument runs, it is much more likely than not to herald a similar reversal of trend if it recurs in 1944.

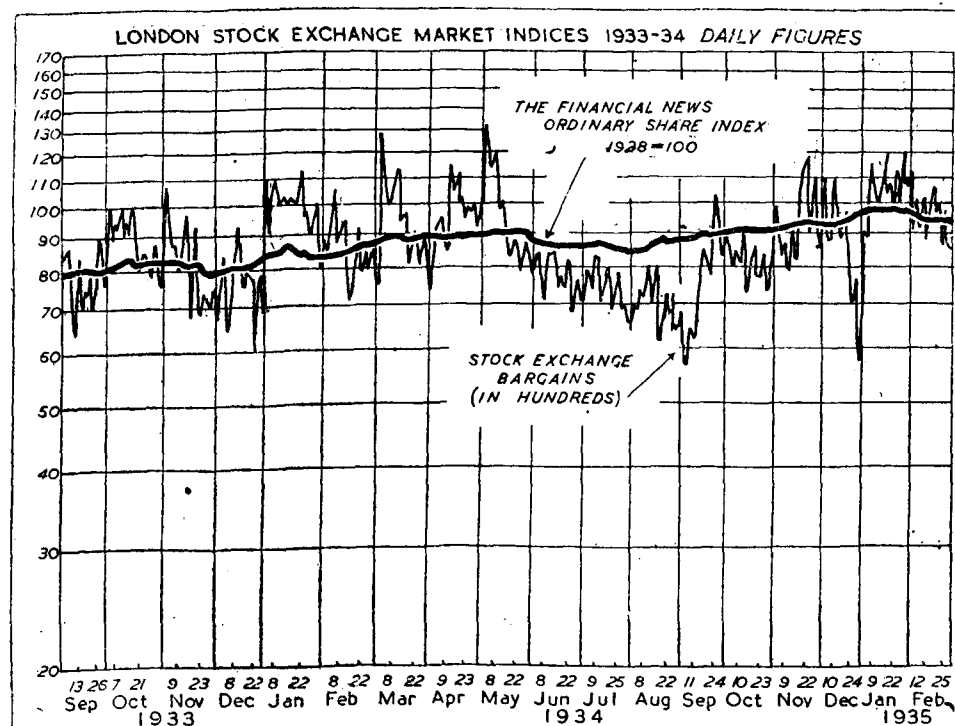
That is a fair summary of the basic tenets common to all market "chart theories" in their simplest and, mathematically, their most defensible form. Many of their humbler practitioners adopt a cruder and often slightly necromantic posture. An extensive quasi-technical vocabulary has grown up. Chartists eagerly scan their pictorial records for "repeated selling signals," "triangles," "breaks through the lower parallel," "secondary reactions," and so on, somewhat after the manner in which the Roman augurs examined the sacrificial entrails or the witches in "Macbeth" prepared their stew.

That chart interpretation should carry any association of

black magic is regrettable; for it tends to divert the attention of sceptics from its possibilities and of believers from its limitations. It is, in fact, no more than an example of the practical application, in a particular context, of the general theory of probability. It is an accepted axiom among users of scientific methods that if A entails B in situation P in the year X, it is more likely to entail B than C, D or E in a similar situation, in years Y or Z. Of course, it may not—the "law" would hold if it were proved true four times out of seven, but a particular period may throw up one of the three exceptions.

In this present month of November, 1944, a practitioner of "chart theory" may or may not be able to build up a convincing case for arguing that the general market situation resembles, in certain important respects, the position which existed eight years ago and, possibly, sixteen years ago. He cannot, however, proceed to draw the conclusion that market

CHART A



prices must infallibly take the same course in 1945 as they did in 1937 or 1929. He must be content to show that the odds are in favour of their doing so. There is always the possibility that some new and overlooked factor may be present, which will be powerful enough to swing the balance the opposite way. Indeed, the cautious phraseology in which many commercial exponents of chart theories voice their professional predictions suggests that they are, perhaps, a little more conscious of the limitations of the historical method than they would like their clients to know.

There is, however, a further reason—operative, at least, in the kind of economy which Britain knew in times of peace—for allowing a measure of validity to "chart methods," as a useful weapon in the investor's armoury, provided their scope be accurately delimited. The pattern of market price fluctuations—the so-called "market cycle"—is, normally, not an independent but a derived phenomenon. Ups and downs in the market conform broadly to ups and downs in industry, though experience shows that they frequently tend to precede them by some months in time (through the operations of informed insiders) and to exaggerate them in amplitude (because company profits, being a residual item, fluctuate more

ARE YOU OVER 17 YEARS OLD?

UNLESS you are over 17, there have been no Black Magic Chocolates since you were 14; and at that age (if we remember aright) chocolates were chocolates and never mind the name.

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Twelve different kinds of chocolates, in simple paper cups, without any fripperies.

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And now, you say, here it comes—"Come Peace, come Black Magic." But nothing of the sort. There will be a lot of pre-war goods back in the shops before Black Magic; for though we shall move fast, we shall take no short cuts—no half measures, no skimping.

Don't expect to buy Black Magic on Armistice Day; but when you do buy it, it will be as good as ever. We believe it will be better, but that will be for you to say.

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widely than industrial activity). The turning points in market booms and slumps usually occur anything up to half-a-year before the corresponding changes in national prosperity. When a peacetime series like *The Economist's* Index of Business Activity dropped by 15 to 20 per cent between prosperity and depression, the index of ordinary share prices normally fell by 40 to 50 per cent. But the important point was that both sets of fluctuations had a common cause, or set of causes.

So long as market chart exponents confined themselves to inferences about the "dominant market trend"—i.e., the cyclical trend—they had the whole conspectus of economic

investor's suffrage between charts and brains. The charts accompanying this article afford a good example of the kind of diagram which those who employed "chart methods" would have compiled for their purpose in two earlier periods when the share market was in a particularly interesting phase. The situation depicted in Chart A occurred when ordinary share prices were well set on an upward course which, in fact, was maintained for nearly another couple of years after the last dates shown on the chart. Chart B shows their course during a typical "bear market." Both charts are drawn with a logarithmic vertical scale, so that equal percentage variations are represented by equal distances.

The two curves which have been plotted are, respectively, the sensitive equity share price index of *The Financial News* and the number of bargains recorded in the Stock Exchange Lists (in hundreds). Observations in both cases have been taken daily.

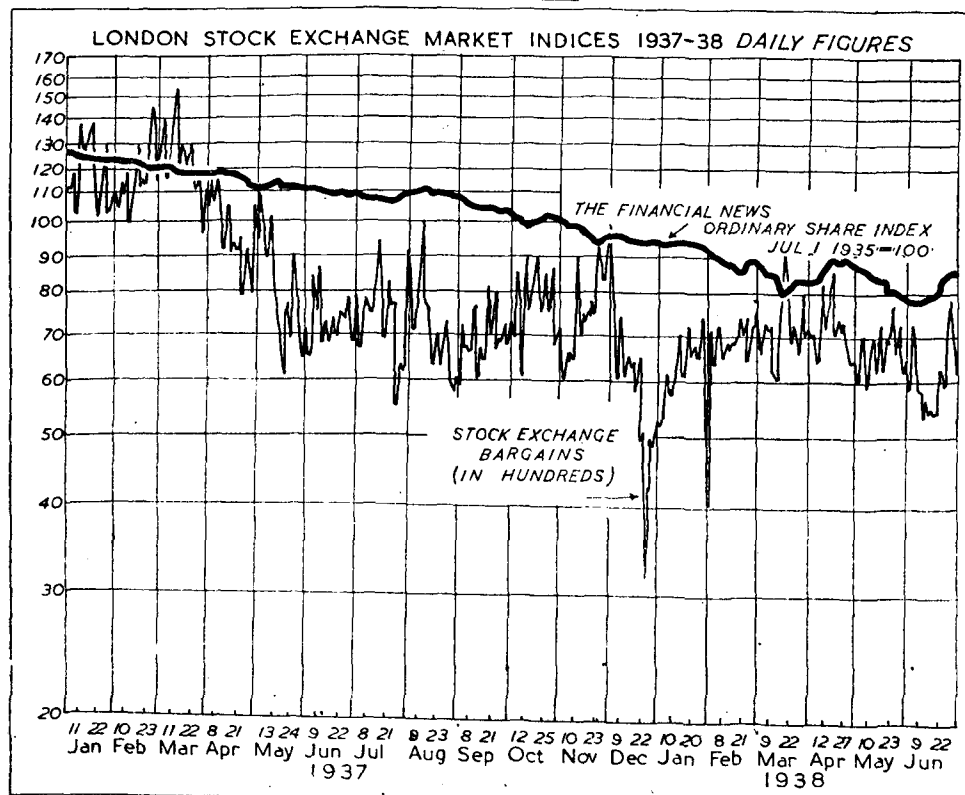
It will be noted that, although the main direction of the share index curve is upward on Chart A and downward on Chart B, there are at least five occasions on which its immediate direction is downward in the bull market and at least seven on which it is upward in the bear market. In other words, periods when the "dominant trend," upward or downward, is interrupted for days, weeks or months at a time, are a characteristic feature of market experience. Their incidence, however, to judge from the charts, appears to be far too irregular to be acceptable as evidence of probabilities affecting the main movement in any way whatever. As regards the index of Stock Exchange bargains, there is a tendency for the volume of

dealings to move with the short-term market trend—that is, to rise (exaggeratedly) when the immediate course of the share index is upward and to fall when the share index is suffering a "secondary" or "tertiary" decline. Apart from that, all one can say is that the average volume of dealings is greater when share prices are high than when they are low—which, of course, is merely the same thing as saying that dealings are more active in a bull than in a bear market.

The conclusion rather forcibly suggested by this evidence is that, so far as short-term market fluctuations are concerned, expert research into what at present are classed as chance factors, must be carried much further before any really satisfactory "forecasting" technique can be evolved.

(To be concluded)

CHART B



forces as their universe. Provided they were sufficiently diligent in accumulating, sifting, and building up their evidence, and in checking the movements of their market series with those of a really considerable number of "external" figures, they could afford to rely, with reasonable confidence, on the accuracy of their cyclical diagnoses. "Secondary" and "tertiary" market movements, superimposed on the main cyclical trends, however, were quite another matter. These, it was discovered, were not paralleled by corresponding changes in non-market indices; they were specialised fluctuations, usually of a "financial" rather than a "real" character, registered only inside the market itself and proportionately hazardous as a basis for generalisation.

A few examples may help to point a current moral in what has been irreverently described as a battle for the

New Building Materials

THE Englishman's traditional home is a brick house. But brick construction is expensive of skilled building labour, which in the immediate post-war period will be more scarce than materials and which will in fact be the weakest link in the building chain. Suitable alternative materials to brick, such as cement, steel, and timber, make it possible to employ a higher proportion of unskilled labour—and also, in some cases, to build more quickly. Similar conditions of urgent demand after the last war led to the development of new types of houses, but their production was abandoned as soon as enough skilled labour became available to build the traditional brick house. Only in Scotland did a need for experimental methods continue, where it was met by the formation in 1937 of the Scottish Special Housing Association, which has specialised in timber constructions. The long-term, as opposed to the immediate, demand for new building materials must depend upon whether they can achieve a reduction in housing costs. (Throughout this article, all materials alternative to brick

are classed as new; and the discussion is confined to houses only—not blocks of flats, etc.). Does a steel or concrete house give as good results for the same outlay of money as a brick one? The emphatic negative with which this question has so far been answered by the practice of the British industry owes something to the prejudice of tradition, but a great deal more to the fact that new methods of house construction are of recent origin and need to be greatly improved by intensive research before they are fully acceptable. Their current claims may be much exaggerated, and it is still broadly true to say that the all-brick house cannot, at the moment, be beaten. Its alternative, it should be made clear, is not so much a house made entirely of some other material as one constructed of a combination of several materials, which may include brick.

There are at present few authoritative data to show the relative advantages of new forms of house construction. A great number and variety of new methods were tried in the inter-war years; but the experiments were mostly on a small

scale and undertaken at a time (before 1928) when the lack of competition meant that contract prices for all houses were roughly similar. There is little reliable information about costs, and few records were kept of the speed of erection. Such data as exist have been carefully sifted in the first of a number of studies on building materials to be undertaken by an inter-departmental committee,* as a preliminary to its task (not yet completed) of making recommendations for post-war building practice.

Taking the standard brick house with 11-inch cavity wall as its basis of comparison, the committee found that what constitutes a satisfactory house has never been properly defined. It formulated, for the first time, the basic technical standards which should underlie all house construction, and then proceeded to consider how far, in each case, these standards were realised. It was found that nearly all materials, except brick, are defective under one or more of the headings which are laid down as determining a house's habitability. These are strength and stability; freedom from moisture penetration and condensation; thermal insulation; sound insulation; lack of fire hazard; easy maintenance and durability; and freedom from vermin infestation. Thus steel sheets exclude the rain but do not provide thermal insulation; concrete is, generally, a bad insulator; and timber suffers from a greater liability to fire hazard and vermin infestation. The logical solution is to combine the materials in such a way as to secure the particular advantages of each; and, partly as an alternative and partly as an additional necessity, to select wall linings and methods of external rendering and painting very carefully so that they fit and supplement the main walling materials used. It is in the use of new walling systems that most experience has so far been gained, and not in flooring or roofing—although the use of steel for these latter purposes has possibilities.

The results of the inter-departmental committee's investigation showed, as a very tentative hypothesis, that the new types of house examined were, in the main, roughly similar to brick in cost and, apart from a number of remediable mistakes, in quality and appearance as well. It is possible to draw a few specific conclusions.

For the purpose of saving skilled labour, the best results come from factory prefabrication of steel frames, metal panels, and timber frames, and from many types of poured concrete construction, all of which use extensive unskilled labour. On the whole, frames, especially steel frames, are usually preferable to panels, and all-steel houses (of which a number were built) less satisfactory than the use of a steel frame in conjunction with light internal and external claddings of other materials. Steel structures offer good possibilities, if combined with highly complex wall boards. Satisfactory boards are now in production, but may prove costly. It is claimed that all types of house, including brick, can benefit from using a light steel superstructure, which gives cohesion before building commences. The saving in speed and in the avoidance of scaffolding is said to offset the fact that steel itself costs more than brick.

Timber has been widely used as a building material in the United States, Sweden, and elsewhere, and wholly or mainly factory-built houses have been produced abroad on a large scale; but it has been little used in this country, and the shortage of supplies, which will last for some years, and its comparatively high price must severely limit its post-war use. Savings of 20 per cent and more claimed for timber houses have not so far been realised in practice.

Concrete constructions have been the most frequent alternatives to brick in this country, and concrete walls have been constructed either of a single-leaf layer, poured on the site, or of precast slabs or blocks which are usually jointed to load-bearing piers. Even in the latter case, the slabs are better cast on the building site, and concrete prefabrication has only limited possibilities. Houses of concrete slabs do not save skilled labour in the same way as poured concrete houses, since the casting of the slabs requires a certain minimum of skill. But their general value is perhaps greater and the committee went so far as to say that "with good organisation (these houses) should be built more cheaply and quickly than brick houses." These possibilities have so far been vitiated and maintenance costs greatly increased by the use of unsound aggregates—especially faulty clinker aggregate—for whose composition a British Standard has now been introduced. The Ministry of Works is now inquiring into the possibilities of producing some selected forms of light-weight aggregates and concretes. In addition, the danger of cracking in concrete makes the use of some light reinforcement generally desirable.

* "Post-War Building Studies: No. 1, House Construction" (H.M.S.O., 2s.).

Highly interesting types of wall or building board, nearly all of them satisfactory improvements on old-fashioned plastering (which can be done over a number of the boards), were considered by the committee. They are made from widely differing materials, each of which has some defect. Consequently, composite boards give the best results—for instance, in the United States insulating fibreboard is combined with the hygienic, self-decorative value of laminated plastics and sold under the name of "fibre-tile board." Few composite boards have, so far, been produced in this country. Sheet materials can always be glued together on the building site, but the use of resin-bonded plywood—and the development of the plastics industry generally—hold important possibilities for the prefabrication of composite boards. Some standardisation of size is especially necessary in the production of wall-boards, whose width varies enormously at present, severely limiting their range of application.

*

It is impossible to enumerate all the new materials and methods which may have a valuable part to play in future housing construction. Many new building materials, unlike brick, can be used under widely different forms. Timber, for example, can be used to provide the entire shell of a house or merely the framework, or it can be repulped to form a valuable plastic material for wall linings such as resin-bonded plywood (in this form the disadvantages of importing timber arising from its bulkiness are reduced); or, again, timber waste products can be bonded with cement to form new types of light-weight aggregate. (Concrete itself can be combined, in different proportions, with a great variety of materials ranging from coke breeze to sawdust). Again, the combination on the site of what may already be highly composite materials can be done in innumerable ways.

But for the great wealth of possibilities thus opened up by new materials and methods to be even partially realised, a number of urgent steps must be taken. To start with, the greater the number of materials—or sections—in a house, the more essential becomes a much greater standardisation of the various parts. This need—already experienced in the provision of factory-produced internal fittings—becomes much stronger where part or all of the main structure is to be prefabricated. The cost of prefabrication is closely related to the scale of production, and a fair-sized demand is thus necessary for the employment of many new types of building technique. Bulk purchases of prefabricated materials by the Government are one way of reducing building costs. They also assure industry of large and continuous orders which are essential if it is to make an effective contribution to housing.

Prefabricated structures should display their special advantages. These include greater adaptability—it is much easier to change the size and nature of rooms and passages; and greater elasticity—it is easy to add new external sections and economy in floor space, which for brick-building is the principal determinant of total cost, is relatively unimportant. The appearance of some new types of house has been unattractive—partly due to the fact that some of the main materials used need very careful rendering to look presentable. Much more attention should be paid to architectural design, in which new and pleasing styles could be evolved to suit the characteristics of new materials. Finally, the use of new materials increases the need for co-ordination between

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the many trades engaged on some branch of house construction. It is partly the lack of proper organisation within the building industry proper—between contractors, surveyors and architects, for instance—which has given Britain its low standard of efficiency compared with the United States revealed by the Bossom Report. It is especially necessary—indeed, it is absolutely vital—to the utilisation of a wide range of materials to provide machinery which will bring satisfactorily together, so that each can contribute of its best, hand craftsmanship and the machine—or building and industry. This urgent need has led to the proposal, from the Committee for Industrial and Scientific Provision of Housing, for a Housing Production Council.

Enough has been said to indicate that, as a whole, new materials have valuable possibilities, although it is difficult to single out which individual materials afford the best investments. This will depend partly upon which of their present and future combinations turn out to be most satisfactory. At the moment there is no best method of house construction, and the most skilful and ingenious combination of the many new building materials can show to date few improvements (in value for money) upon the 11-inch

cavity wall brick house which is equipped with modern fittings. But the point to remember is that the application of science to the building industry is still in its infancy. Research has great possibilities and changes may come rapidly. It can at least be said that for economy in skilled labour during the period of its acute shortage, especially good possibilities are offered by prefabricated steel frames and by poured types of concrete construction. When cost becomes once more the all-important factor, it is difficult to predict which, if any, of the systems discussed will survive. But steel frames and houses of (this time) precast concrete blocks have again a good chance, and new types of wall and building board should have an assured market. A satisfactory synthesis may be reached between, for instance, brick and steel. The present possibilities of new materials may perhaps point in the direction of bigger and (in some ways) better rather than cheaper houses. To raise housing standards is extremely important. But it is even more certain that any methods which can cheapen the much too high existing cost of housing deserves every encouragement and will have great success.

Business Notes

Thomas-Baldwins Fusion

The Thomas-Baldwins fusion is plainly of the first importance for the future of the tinplate industry. Also, among its other implications, is a very substantial adjustment in the steel-sheet trade. In tinplate, the position is that the industry possesses one modern plant, that of Richard Thomas at Ebbw Vale, while the rest of the country's equipment is in old hand mills. It is believed that Richard Thomas owns, or controls, almost half the total capacity of the country; of this total possibly 40 per cent is covered by the new plant at Ebbw Vale. A further amount of possibly one-seventh is owned by Baldwins, while the next largest unit is believed to be Briton Ferry, with something like one-tenth of the capacity. There are a couple more concerns of similar size and a number of very small ones. Some of this capacity is considered "redundant" and plans for its elimination have been under consideration, without any great success, for a long period. The evolution of a successful scheme was to be followed by plans for the erection of more modern plant, presumably an up-to-date copy of Ebbw Vale, and it is widely assumed that it will be under the same control as that unit. Richard Thomas and Baldwins had already undertaken to abandon two-thirds of their old hand mills as a contribution to the scheme, but the terms of compensation could not be agreed. So much for the internal set-up. As to the outlook, the position is that one continuous mill, as at Ebbw Vale, cannot cope with the domestic demand without assistance. Further, tinplate is one of the things for which there will almost certainly be a considerable export demand, and it is one of the fields in which the manufacturer is anxious to expand his overseas sales. It is evident that, in these circumstances, the near future—a period of some years before a new continuous mill can be working—will involve cooperation by some at least of the old hand mills. Evidently speed is essential, and it was, perhaps, the main object of reaching the projected fusion that it does in fact resolve the conflict of interest between old and new plant. It is likely that there will be no difficulty in finding terms acceptable to the few larger firms outside the fusion, and that cash compensation can be paid, where necessary, to firms to suspend the use of old mills for the manufacture of tinplate without raising the price to the consumer by more than, possibly, a half of one per cent. It is impossible, until full terms are published, to say what the real cost of the compromise will be, but it is evident that, if it is only of the order suggested, it may well be in the national interest if the only alternative is continued delay.

Monopoly Dangers

The fusion in itself will not do a great deal to increase the element of monopoly enjoyed by Richard Thomas in tinplate. But, if that company owns the second new mill, monopoly will be virtually complete, even if none of the other interests joins. There can be little doubt that the

fusion will favour a monopolistic set-up by withdrawing the only competitor with really large resources. Actually, pooling or cartel arrangements existed in tinplate at various times before the war, but there was, even up to the present time, the remote contingency of an effective challenge to any effort at price control. The fusion must not, however, be judged solely from the angle of tinplate, which is far from being the principal asset of Baldwins—although it may prove to be one of the main assets transferred—and is perhaps not a majority interest of Richard Thomas. The steel and steel sheet sides of Baldwins are of substantial interest in the national context and in that of finding employment in South Wales, while the new aluminium and light alloy business is by no means negligible, although the future of this type of business is at present far from clear. When the extent of assets actually to be transferred and the degree of co-operation between the new Baldwins holding company and the Richard Thomas group are fully known, it will probably be found that the ramifications of the fusion cover a considerable section of the whole steel industry. It is, of course, claimed that concentration of control in a few hands is essential for modernisation and effective bargaining power. If, as seems certain, the policy has official support, the public is entitled to demand full information and official supervision directed to ensuring that the benefits claimed do in fact emerge and that they enure to the public after due provision for capital replacement and remuneration for any remaining element of risk.

Principles and Practice

The United States Commodity Credit Corporation has lost no time in implementing the provisions of the Surplus War Property Act of last month, which authorised it to sell farm surpluses in foreign markets at world prices even if this means the granting of export subsidies. Last week the Corporation fixed export subsidies for raw cotton and wheat, but there is no indication that these will, in fact, be confined to war surpluses. In spite of a heavy crop, the United States is expected to have little wheat available for commercial export this season. In cotton, on the other hand, available supplies will be big enough for a substantial export trade; but America's export surplus in cotton can hardly be classified as surplus war property. At the beginning of the season stocks were about 11 million bales, that is, they were almost as large as the new crop; yet the new crop is not expected to equal the average of the pre-war decade, and stocks, large though they were at the beginning of the present season, were about one-fifth smaller than at the outbreak of war. The resumption of subsidised cotton exports, in fact, suggests that the Government has decided to continue the policy adopted before the war of increasing its share of world trade in cotton, which had previously been reduced because prices had been deliberately raised above world prices as a means of improving the position of cotton growers. If this is to be the policy, countries such as Brazil and India, which had benefited from the restrictive policy

previously pursued by the United States, are bound to suffer unless—an unlikely event—total exports rise to, and are maintained at, a level which will enable them to maintain the volume of their exports at the same price as that which would obtain in the absence of the American subsidy. This has been fixed at four cents a pound, but is apparently subject to adjustment if this should be necessary to sustain American shipments. It may be that the threat of dumping, which the United States abhors in principle, is primarily calculated to induce other cotton-growing countries to join an international cartel, though these are no less violently denounced in principle. If this is, indeed, the meaning of the subsidies, the United States could hardly be shocked by the inference drawn elsewhere that it is ready to depart from principles when their application is inconvenient in practice.

Protecting Overseas Investments

Mr Molson raised in Parliament last week the vital need to protect such overseas investments as Britain has not sold to help pay for the war. Income from these investments not only provides a valuable source of taxation, but—much more important—foreign currency with which to purchase vitally needed imports. Mr Law's reply showed the Government's determination to take any possible steps to prevent unfair and discriminating treatment by foreign governments. But what steps can be taken? The idea of a new, wider, and more official council of protection, which would extend to investments in private companies the protection already given by the Council of Foreign Bondholders to governmental and municipal borrowing, was rightly rejected. Such a council would have to deal with widely assorted cases, already represented (unlike bondholders) by their own elected boards, and frequently in a position to gain more from local than from Governmental action. The threat to curtail imports from an offending country is this country's chief economic weapon, but it is one that needs extremely careful timing, and should only be used very sparingly, if at all. It is, in fact, hard to know what to do with an offending country. It is when the offending country is prosperous and has itself a favourable balance of payments, that default, obstruction, or discrimination becomes wholly inexcusable. This is the chief ground of complaint against Argentina's treatment of the private investor. Mr Law pointed out that the exchange concessions recently granted to the Argentine railways cannot compensate for the inadequate earnings which result from compulsorily low fares and charges. He stated that the Argentine authorities are self-admittedly postponing the question of railway reform and reorganisation for use as a bargaining counter in post-war trade negotiations. Sooner or later the Argentine Government will either have to acquire the railways and other transport itself, or make it possible for these undertakings to re-equip themselves. This will be the time for the British Government to bring all its influence to bear, although the hope of securing anything approaching justice seems very slight. Meanwhile, in hopeful distinction from the "rogue's gallery," Guatemala is redeeming its external debt at par and Paraguay is expected to produce a satisfactory scheme for service on its external debt.

France's Liberation Loan

Last Sunday, a fortnight after the opening of subscription lists, General de Gaulle appealed to the people in a broadcast to ensure that the three per cent Liberation Loan will be not merely a success—this, he said, was assured—but a triumph of the confidence of the French people in France. He emphasised the potential threat to financial stability arising from excessive holdings of cash, and he appealed to national pride by asking what status, and what place France would have if she appeared to her Allies as a country unable to put her affairs in order. General de Gaulle has thus made the response to the loan a test of confidence. Only a resounding response can now satisfy this test—to meet its purpose, it has been stated, at least frs. 100,000 million must be subscribed. If the Loan turns out to be a triumph, the initial hurdle in restoring financial stability will have been overcome, and the Government's reliance on the voluntary co-operation of the people will have been justified. Much is at stake. In Great Britain, the results of a Government appeal of this nature could be measured by the response to it within a few days of its

launching; in France, however, which neither has the habit of, nor the machinery for, quick subscription, it may take some weeks before the response can be measured.

Franc-Mark Exchange Rate

As the French armies liberate Alsace and Lorraine their currency follows them, and is being exchanged for the reichsmarks that had been circulating in these territories since their incorporation in the Reich. The French authorities, acting on their own initiative, have fixed an exchange rate of 15 francs to one reichsmark for the conversion of locally held German currency. This rate is widely out of alignment with the rates fixed by the Allied authorities for francs and marks, namely, 200 francs and 40 marks to the pound, with corresponding rates for the dollar. Taking the rate fixed by the French authorities for the conversion of reichsmarks and the Allied rate of 40 marks to the pound, the cross parity between francs and sterling becomes 600 francs to the pound. Looking at the equation from the angle of the official franc rate of 200 to the pound, the reichsmark-franc conversion rate gives a sterling-mark parity of 13½ marks to the pound, against the official rate of 40. These are huge disparities, but this figure is probably nearer the true parity than 40 Rm. = £1, and unless the operations they govern are hedged with considerable care and reservations, they may lead to damaging arbitrage traffic. To arbitrage across a battle-front may have its difficulties, but they are difficulties that will not be altogether proof against the temptation of a 200 per cent profit. One result of the advertisement of this highly favourable mark-franc rate may well be to create in the part of Alsace-Lorraine yet to be liberated a much greater density of reichsmark currency than obtained until recently. The motives of the French authorities in fixing so favourable a rate of conversion can readily be understood and appreciated. They do not wish to penalise their nationals who had reichsmark currency forced on them since 1940. The rate of 15 francs to the mark, in other words, is a compassionate and not a market rate. Great care will have to be taken, however, to prevent this compassion from flowing into the wrong pockets.

Businesses for Sale

The announcement over last week-end, that the Government is prepared to re-sell five businesses taken over during the war, marks a further step in removing the direct wartime ownership of manufacture. So far as is known, the total number of companies taken over is small and in these five cases the individual concerns are of quite moderate size. By far the largest, as judged by capital, is John Fowler and Company, of Leeds, with a paid-up capital of £200,000. The announcement states that the shares are to be sold to approved buyers, but the intention is that each concern should be taken over by a single buyer. Further, although the Ministry of Supply no longer considers Government ownership useful, it is only prepared to sell to people of whom it approves. The basis of selection is the same as that adopted in selecting occupants for Government factories. It may be recalled that on July 25th the President of the Board of Trade definitely rejected the principle of competitive tender in favour of a choice by the authorities. The principles guiding that choice were to be balanced distribution of industry in the area; the need to expand exports and to maintain a suitable war potential; the requirements of town and country planning and the ability of the purchaser to use the factory with a minimum of reconstruction. To these are added in this announcement, ability to develop production and give employment. It will certainly be objected that the surest criterion of ability to use the assets to be acquired is provided by the price which the purchaser is prepared to pay, but under existing conditions it might well be the case that the purchaser might wish to restrict development of the particular line of business acquired. There is, therefore, much to be said for a careful "vetting" of all offers, although it is by no means clear how due weight is to be given to all the considerations which Mr Dalton wishes to keep in mind. With such small concerns there is little point in urging that the share capital shall be spread. But, when it comes to a sale of some of the larger undertakings—Short Brothers is a case in point—there may be legitimate objections if the public is not given an opportunity to re-acquire an interest.

BINC on Prefabricated Houses

The Building Industries National Council—its associated bodies include, among others, the National Federation of Building Trade Employers, as well as the National Federation of Building Trade Operatives—has given its qualified support to the adoption of prefabrication methods in a report issued last week. BINC admits that prefabrication methods should be “regarded under normal circumstances as a form of technical progress.” It agrees that the adoption of a scheme making maximum use of standardisation and mass-production methods would add to the capacity of the traditional industry, and, hence, make for higher speed and lower costs. It suggests caution in the arbitrary introduction of new processes employing improved materials, and recommends the provision of adequate safeguards, especially the formulation of standards. In view of the long life expected from houses, adequate safeguards to ensure durability are, indeed, essential. But for all the support given to technical progress in the report, it does not sufficiently emphasise the overriding need of bringing adequate new homes within the means of the income groups that could not afford them before the war.

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Clothes Stocks and Output

The building up of war supplies for the European battles made necessary the removal of more clothing workers from civilian production early this year. In addition, Service demands have been heavy, both for uniforms and for demobilisation outfits. This has meant that stocks have had to be drawn upon to meet the civilian ration to a greater extent than has been the case since clothes rationing began. The latest statistics reveal a disquieting position. During August and September, retail sales rose, mainly owing to the issue of a new block of coupons, and stocks were drawn upon to meet the demand. At the end of September, according to the Retail Trade Report published in the *Board of Trade Journal* for November 11th, the value (at cost) of stocks of women's wear was 19.2 per cent below the level of a year before, and that of men's and boys' clothing stocks dropped 22.4 per cent. The Wholesale Textile Association figures show more serious reductions in stocks over the same period of 29.6 per cent in women's and children's wear, and 27.1 per cent in men's and boys' clothing. The potential dangers inherent in an exhaustion of stocks has not escaped the Board of Trade. Efforts are being made to raise production by a gradual increase in the labour force. The principle to be followed is that skilled clothing workers who are released from war production will be allowed to return to clothing firms, who may take on workers up to the limit of the approved labour force (a percentage of the number employed in June, 1942), which has in some cases been increased. It will take time before sufficient labour can return to the production of civilian clothing, and in the interval scarcity is likely. While the position is serious, it is not desperate. The danger of a reduction in the ration can be averted by two parallel courses of action. One is the increased production already promised, and the other is the voluntary curtailment and postponement of consumption wherever and whenever possible, until output is higher and stocks are replenished. There will be an additional demand from service-men for garments not included in the demobilisation outfit. Output must take this into account. Only when stocks are large enough to cover this contingency, as well as to improve the present stock position, can any increase in the basic ration be contemplated.

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Australian Banking Legislation

Next year should see the introduction of controversial banking legislation in Australia. The exact provisions of the

proposed laws are a well-kept secret, but there is little doubt about the Government's intentions. A section of the Federal Cabinet, led by Mr Chifley, the Treasurer and Mr Lazzarini, his assistant, favours the nationalisation of banking, and the complete control of the Commonwealth Bank by the Government. Dr. Evatt, the Attorney General, during the course of the referendum campaign last summer, was asked how the Government proposed to get the money to implement its post-war plans, and whether it intended to “get control of the Commonwealth Bank, and use money from that source.” To that, Dr. Evatt replied, “Yes, that is Labour's policy, and now that the Labour Government is in power in both Houses, it is going to carry it into effect.” These intentions must in recent weeks have crystallised into the first drafts of proposed bills, for there has been a sudden outburst of anticipatory protests both from the political opposition in Australia and from the commercial banks. The National Bank of Australasia has recently issued a public statement condemning the extension of Government control of the banks as a threat to public confidence in the banking system. The chairman of the Bank of Adelaide has warned the country that Government control of banking would lead to inefficiency and heavy loss to the taxpayer. Mr Menzies has stated that it is an open secret that the Labour Government intended to introduce legislation placing rigid controls of a permanent kind on the Australian banking system, and to deal drastically with the position of the Commonwealth Bank. He specified the latter charge by suggesting that the Government proposed to reduce the board of the Commonwealth Bank to a purely advisory status, leaving the effective control of the bank's policy to the Government of the day. Fortunately for Australia, the storm over the control of the banking system will break at a time when the Commonwealth's external finances are strong. The London funds of the Commonwealth Bank have risen over the past year from £73,000,000 to £139,000,000. At the outbreak of the war they were around £24,000,000. This position will allow the contestants to have their domestic quarrel without undue concern for what the neighbours may think.

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Australian Conversions

The report, so far lacking official confirmation, that the £4,000,000 of Queensland 3½ per cent stock falling due on January 1, 1945, is to be repaid in full without option of conversion raises the much larger question of the treatment of the loans with optional maturities next year. It may be recalled that in the last extensive borrowing and conversion operations, the Commonwealth and States raised very large sums at 5 per cent repayable 1945-75. If to these stocks is added a 5 per cent loan of New South Wales repayable 1945-65, the total involved exceeds £100 million. The first of these maturities occurs on July 1st, and a large proportion of them fall due in the autumn so that it will be some time before any action is called for. Meanwhile, it is extremely probable that all opportunities will be taken to prepare the market for a substantial cut in interest rates. The present indications are that Commonwealth credit is on a 3½ per cent basis. A cut from the 5 per cent running on the stocks to be converted would cause a number of investors to look elsewhere, but they will not easily find a return much in excess of 3½ per cent in trustee securities. The Commonwealth is in a very strong position since it can effect a substantial repayment if it so desires. Figures for the accumulation of sterling resources are given in the note above and if expansion continues at the present rate, it seems probable that there will be a repayment large enough to force the rate offered on the remainder down to 3½ per cent if not lower. At current prices, it already pays the ordinary investor to sell these stocks. These conversions, with similar operations in the few succeeding years by both Australia and New Zealand will make a drastic change in the return obtainable on that portion of Dominion loans which may then remain in existence.

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L'Appetit Vient . . .

Spokesmen for India lose no opportunity of reminding the world at large of the debts to their country which the United Kingdom is accumulating as a result of the war. The latest occasion for pressing this reminder has been provided by the international business conference now being held in New York, where the Indian delegation appears to have called a Press conference at which a certain amount of

dirty Empire linen was washed in public. The burden of the Indians' complaint was that India was not given complete and unfettered freedom to dispose of the proceeds of her exports to the dollar area. They disclosed that last March India was allowed to retain 20 per cent of her net income of exchange other than sterling. The surplus in question must refer mainly to US dollars, of which India's receipts have greatly increased as a result of the substantial US military expenditure in that country. The dollars are not being spent, but are accumulating as a reserve for future use. This concession does not appear to have satisfied the Indian representatives at the business conference. They “see no justification for the continuation of an Empire dollar pool,” and as a first step toward its liquidation they have pressed for a declaration by Great Britain on the extent of its dollar holdings. These are the kinds of questions and pressures to which Great Britain has laid herself open through a financial agreement which over the five years of war has enabled India to repay £360 million of sterling debt and, over and above this, to accumulate £870 million of sterling assets. Here is another illustration of the proverb: *L'appetit vient en mangeant.*

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The Gold Cure

Gold sovereigns continue to be made available to the Greek public through market sales by the Bank of Greece. They are being sold at 2,400 drachmas per sovereign, which is four times the official rate of the pound. Since the sovereign in Great Britain is worth 39s. paper, it will be seen that the coin is being sold to the Greek public at twice the official sterling price for gold. In this respect the sales of gold in Greece conform to those made, on official account, in the Middle East and in India. The programme of gold sales in Greece has been justified on two counts: that it will foster confidence in the new drachma, and that in the continued absence of consumer goods, gold serves the essential purpose of providing some objective on which the purchasing power of the currency can be exercised and therefore tested. Neither argument holds much weight in the peculiar circumstances obtaining in Greece. The gold coins sold to the public appear to vanish from circulation. The fact that the new currency has a 100 per cent backing of gold and foreign currency does not endow it with its purchasing power. That value derives from the limitation of its issue and from the volume of goods against which it can be tendered. The new currency is very strictly limited owing largely to the fact that the former drachma circulation against which it was issued had lost the greater part of its global value. Admittedly, new drachma notes are steadily finding their way into circulation, but it cannot be said that Greece is now suffering from a redundancy of currency. It is where such redundancy occurs—as in India, for example—that sales of gold are justified. In the conditions that obtain in Greece the gold sold to the public is unlikely to achieve much more than provide a convenient hoarding medium for the wealthy.

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Belgium Taxes War Profits

Following the compulsory conversion of currency and blocking of bank accounts, the Belgian Government have tackled an even more formidable problem: the retrospective taxation of war profits. Not to pay taxes during the war was evidence, or could be pleaded as evidence, of resistance to the Germans. This happy combination of virtue and expediency is now over, and the time for paying up arrears has come. The first step in assessing these profits is the taking of a detailed inventory of all private fortunes in Belgium and a request for justification of the means by which any surpluses over the amounts held in 1940 have been acquired. The compulsory declaration of bank notes and blocking of bank accounts went some way towards providing the data required for this investigation. Obviously, these two items left undisclosed many other types of assets into which war profits might have been canalised. Those are now being declared and analysed in the most meticulous probe into private fortunes which any Belgian Government has ever dared to undertake. Resentment is said to be considerable, which is understandable, but does not by any means disprove the need or justification of the Government's initiative. Resentment against the currency conversion was also keen and widespread. Last week there were noisy demonstrations by the shopkeepers of

Brussels outside the Ministry of Finance demanding larger releases of bank notes. The opponents to the monetary purge have gained new and surprising allies: the Belgian Communists. During last week-end's anti-Government demonstration in Brussels there were Communist banners demanding the immediate release of all bank balances up to 50,000 francs. The Communist party is evidently anxious to gain the confidence of the middle-class. But most men of good will in Belgium have admitted both the courage and the justice of the Government's attempted solution of the currency problem. When the data on war profits is completed, a heavy retrospective tax on them will be levied. This is expected to yield over 50,000 million francs—or about half the note circulation at the time of liberation. This operation, if it succeeds, should play its own highly important part in speeding the process of currency deflation and getting the circulation down to the basis from which healthy re-expansion can begin.

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More Capacity for Electricity

The Central Electricity Board has announced details about its post-war expansion programme. Broadly, the capacity of selected generating stations supplying the grid is to be increased by 3,000,000 kilowatts during the period up to the winter of 1948. This is equal to about a third of the installed capacity in 1939—it was then 8,875,000. If the post-war programme is fulfilled in time, the total capacity of selected stations in the winter of 1948 will, of course, exceed the 1939 figure not merely by 3,000,000 kilowatts but also by the new capacity installed during the war. No figures have been released for war-time additions—it is difficult to understand the continued ban on publication—but those may be equivalent to as much as 1,500,000 kilowatts. Total capacity at the end of 1948 is thus planned to show an increase of nearly 50 per cent over the pre-war total. This is a substantial increase, but in view of the large-scale house construction plan and of the need for modernising British industry, it is hardly excessive. By the terms of the Electricity (Supply) Act, 1926, the increase in capacity

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planned by the CEB is to be financed by the owners of selected stations; it is estimated that the expenditure on new capacity will exceed £90,000,000—though the basis of this estimate has not been disclosed. Total expenditure, inclusive of distribution and consumers' equipment, will be appreciably higher. Since export demand for electrical equipment is also expected to be good, the electrical equipment industry seems assured of a heavy volume of orders after the war.

Help for Hydro-Electricity

Another step towards helping the development of hydro-electricity in the Highlands has been taken by the introduction of a Bill to reduce the high level of local rates in Scotland, whose present method of calculation bears far more heavily upon water-power than upon steam electricity undertakings. The chief beneficiary of this Bill will be the North of Scotland Hydro-Electric Board, the non-profit making body set up last year to bring prosperity to the Highlands by a policy of large-scale electric generation and cheap local rates. It has suggested two big schemes involving an initial outlay of £5½ million for Central Perthshire and £4.6 million for Loch Sloy. These have still to receive Government assent, and opposition, which should be surmounted, has come from large landowners and (in the case of Loch Sloy) from the county council, whose water supply must be properly safeguarded. Low costs are all-important to the Board's success and for the influx of light industries. The Board is confident that its generating costs can be kept at least as low as the best steam stations in the country, and the new rating concessions should enable its costs to be considerably lower. But the chief difficulty in hydro-electricity is that, for the same plant capacity, the initial capital outlay is about twice as much as in steam generation. The Treasury can guarantee the Board's borrowing up to £30 million (which is, in fact, its intended outlay over 30 years), but the Board's heavy capital expenditure will unavoidably involve it in high interest charges. Hence the crucial issue will be the size and profitability of the Board's bulk exports of electricity to the Central Electricity Board for use in the Lowlands. It is the duty, and it is certainly the wish, of the Development Board to use this surplus revenue to extend electricity supplies, and to reduce rates, to Highland consumers. The ideal is that the whole of the Highlands and Western Isles shall be covered by a network of plentiful and cheap power, encouraging light and crofters' industries, helping agriculture and improving domestic conditions. One difficulty is that the Board has no power of direct supply to the most accessible parts of the Highlands (which are naturally the area most suitable for development), since they are already served by existing supply undertakings; and its service to the very isolated areas left, which are so far completely without supplies, must necessarily be uneconomic. Care should be taken to see that the advantages of cheap electricity fall where they are most needed in the Highlands, which have gained much encouragement from the Board's proposals.

Second Thoughts

Shareholders in the Tinsley Park Colliery Company may think themselves fortunate that a few of their number held out for an investigation eight months ago. At the end of last year the United Steel Companies, who had for some time been general managers and part owners of the Tinsley Company, made an offer of one share of £1 for every five similar stock units of the colliery company. The United Steel ordinary then stood at about 24s. 6d., while the Tinsley Park ordinary, which have an imperfect market, were quoted around 6s. 6d. The reasons urged for acceptance of the offer by United Steel were the large overdraft, £230,000, of J. and G. Wells, a Tinsley subsidiary, and the need to raise new capital. The suggestion was endorsed

by the then directors of Tinsley and accepted by them in respect of their own holdings. Subsequently acceptances were received from holders of a majority of the capital of £775,532, but the stipulated 90 per cent acceptance was not forthcoming and the offer was finally withdrawn. Following the 1944 annual meeting and an extra-ordinary meeting called by dissentient shareholders, the board of Tinsley was largely changed, certain assets were realised and the overdraft reduced to a satisfactory level. J. and G. Wells is working at a profit but needs considerable outlay, and Kilnhurst, another colliery subsidiary, is running at a loss. In addition, Kilnhurst is under obligation to supply coking coal to Stewarts and Lloyds. The new Tinsley chairman has secured a conditional offer from the Manvers Main Colliery to purchase Kilnhurst, in consideration of which United Steel are prepared to take over J. and G. Wells and to assume some part of the obligations with regard to the supply of coking coal. As part of this arrangement, they now offer for each £1 stock unit in Tinsley, not as before one-fifth of a share, now quoted at about 26s. 6d., but 12s. 6d. in cash. In January the original offer seemed reasonably fair on the information provided. No mention was made of realisable assets or of particular difficulties, other than financial, at Kilnhurst. It is difficult to see what the new chairman has achieved which might not have been accomplished by any competent board which was in touch with the situation. It can only be hoped that the success which has crowned the labours of the dissentient minority on this occasion will encourage other shareholders to use the rights they have and to demand more.

Coal-Mining Industry Consolidation

There has been a significant development to the statement of the Minister of Fuel and Power in the House of Commons on October 10th last that the future of Part II of the Coal Act, 1938—giving the Coal Commission statutory powers to expedite integration in the industry—was then "under consideration." In May, 1939, the Commission addressed to colliery owners a memorandum outlining a scheme for the creation of suitable geographical areas with only one undertaking within each; but on the outbreak of the war its consideration was suspended, although undertakings were left free to arrange voluntary amalgamations. Last June, however, colliery owners were advised by the Commission that it had decided to resume its task on the basis of the 1939 memorandum. In the meantime, on the recommendation of the Mining Association, committees of colliery owners had been appointed in each district to consider the local problem of reorganisation in the light of the proposals of the Commission, and these committees were asked to inform the Commission by the end of July to what extent action had been taken by them. In the local investigations into the possibilities of consolidation the districts had acted independently, but by the end of September the Commission was fully informed about the progress made. Meanwhile, however, the Ministry of Fuel and Power, in the exercise of its powers under the White Paper of June, 1942, had assumed effective control not only over operation finance but also over the organisation of the industry, and particularly under the scheme of group production directors announced by Major Lloyd George last December, empowering the regional controllers, among other things, to prepare for the approval of the Minister plans for the grouping of pits in their respective areas with a view to the more efficient operation of the industry. The application of these grouping schemes would have to be immediate if they were to serve their purpose, while the consolidation plans of the Commission related to the long-term policy of reorganisation; but apparently there has been some inconvenient over-lapping, and the Commission has been asked by the Minister of Fuel and Power not to take any further action for the present in the implementation of Part II of the Act. The colliery owners have been informed of this development, and the application of the proposals of the Commission for the reorganisation of the industry is thus indefinitely suspended.

Royal Bank of Scotland

Banking experience north of the Border during the past year appears, on the evidence of the Royal Bank of Scotland figures for the 12 months to October 14, 1944, to have conformed very closely to that of the English clearing

banks. The Royal Bank's deposits have risen from £95,336,000 to £104,005,000 and its note circulation from £7,622,000 to £8,979,000. The main counterpart to the rise in deposits has been a rise from £7,000,000 to £12,500,000 in Treasury Deposit Receipts, while the holding of gilt-edged securities has increased from £43,310,000 to £45,259,000. The bank has done rather better than the clearing banks in maintaining its advances, the latest total of £25,135,000 comparing with £24,215,000 a year previously. The rise in deposits carries the Royal Bank's total above £100 million for the first time. Adding to the latest figure, the deposits of the two controlled banks, Glyn Mills and Williams Deacons, an aggregate deposit figure of £246,864,000 is obtained. This puts the Royal Bank group sixth in the ranking of British banks.

The Causes of Fires

Some interesting statistics relative to the causes of fires have been collated by the Fire Offices' Committee with the cooperation of the Home Office Fire Service. They embrace ten Fire Force areas and cover the period from July 1st to September 30th. During that period the total number of fires attended was 4,108; 1,801 fires (43.9 per cent) are ascribed to carelessness other than careless smoking, 530 (12.9 per cent) to careless smoking, 380 (9.2 per cent) to children playing with fire, 404 (9.8 per cent) to rubbish fires, and 207 (5 per cent) to electrical defects; the remaining 786 fires (19.2 per cent) are unexplained. These facts confirm the expert view that most fires originate in acts of carelessness. They are being used for purposes of education and, in order to increase the effectiveness of the campaign against fire waste, the statistical test should be repeated at intervals. Moreover, it is obviously in the national interest that the Fire Offices' Committee's campaign against loss of life and property through avoidable fires should be continued after the war. During the war attention has been focussed chiefly on the fire hazard in factories and warehouses—and rightly so—but there is a great deal that could be done in averting tragedy in the home by instructing parents in simple rules and devices for the protection of their children and property. The number of outbreaks attributed to children playing with fire is altogether too high.

Training for the Land

The incessant and irrepressible demands from men in the Services for facilities to settle on the land after the war has led the Government to announce its agricultural training scheme. Suitable candidates without experience, who will be selected by the County War Agricultural Executive Committees, will be given a year's training on selected private farms at the Government's expense. At the same time, a number of temporary centres will be set up to train men with experience, as farm managers or foremen. There is no mention of what will happen to the inexperienced candidates after their year's training. They will find a reasonable demand for skilled labour. Both the attractiveness of a labourer's life and farming efficiency would gain greatly from better opportunities for promotion and from an accompanying increase in the size of some farms. But most ex-Servicemen want simply "to be independent," and to run smallholdings of their own. The dismal failure of many individual smallholdings between the wars was due much more to their uneconomic size and function than to inexperience or to insufficient capital, which in most cases was part-provided by the Land Settlement Association. This time smallholders will have to face additional difficulties, such as the growth of co-operative marketing which tends to shut out their products. Except for specialised products in certain areas, individual smallholdings pay neither their owner nor the nation. There is, however, limited opportunity for co-operative farms or groups of smallholdings, buying and selling jointly and under skilled central management, as has been illustrated by the very high wages earned on the market garden settlements of the Welsh Land Settlement Association. Since many prospective smallholders cannot be discouraged, the Government should promote some type of co-operative scheme. It has been pointed out that the Ministry of Agriculture (or the county committees) possesses extensive land, skilled foremen and advisers, and up-to-date machinery, all of which could be utilised to set up, at low cost, co-operative schemes of smallholdings.

Military land and camps no longer required, which are already equipped with essential services, would also provide suitable centres. The Government should make it clear that the total number of new entrants which can be absorbed in agriculture is strictly limited.

Shorter Notes

The Institute of Chartered Accountants has just published in pamphlet form the recommendations of its Council on accounting principles.* These recommendations were made known at various times between December, 1942, and July of this year, and have already had an appreciable effect on the form of some published accounts. A foreword by the President of the Institute, while stating that the form in which accounts are submitted to shareholders is a matter for the discretion of directors, makes it plain that a reasonable degree of uniformity of principle and practice is considered desirable. The pamphlet is in loose-leaf form, thus encouraging the hope that further recommendations are to be made.

The resumption of dividend payments by Mufulira Copper, with a payment of 7½ per cent, and the consequent distribution of 8½ per cent by the holding company, Rhodesian Selection Trust, has caused some surprise. This is the greater since profits show a decline on the year. It ought, however, to be remembered that Mufulira passed its dividend three years ago, resumed dividends for 1941-42, and made no payment last year, whereas Roan Antelope, the other mine under the Chester Beatty management, paid dividends each year until 1943. The RST shares of 5s. rose to 13s. 3d. on the announcement, at which they yield £2 8s. 7d. per cent free of tax.

* "Recommendations on Accounting Principles." Gee and Company. 28 pages, 1s. 6d.



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COMPANY MEETINGS

THE WALL PAPER
MANUFACTURERS, LIMITED

CHAIRMAN'S SPEECH

The forty-fifth annual general meeting was held at the Midland Hotel, Manchester, on Tuesday, the 21st instant.

The chairman (Mr Alan V. Sugden, J.P.) referred to the goodwill item, which he said appeared on the books at too high a figure to ignore, despite its inadequacy if earning capacity and past results are taken into account. As this asset is subject to wide fluctuations it seemed wise to repeat the earlier expressed intention of the board to write the figure progressively down to a nominal one as and when opportunities present themselves.

After commenting on the accounts, the chairman continued:—

RECOMMENCEMENT OF WALLPAPER
MANUFACTURE

I wish to emphasise the reference to this question in the directors' report. It is of vital importance to our future wellbeing.

No other industry of importance, to my knowledge, with one exception, has been deliberately put out of business in the interests of other users of its raw materials, and none has suffered this real calamity for so long a period.

The effect at home has been a great impetus to the use of substitutes but, apart from this, the volume of arrears at the cost of dirty interiors, is quite immeasurable.

Psychologically we believe this has not been a good element in the maintenance of home morale, and since the advent of a great increase in war damage the deprivation of the opportunity of using wallpaper, easily the cheapest and most effective means of rendering first aid to interiors, has created real hardship.

Abroad we have been compelled to watch with folded arms the passing of our markets, including some whose establishment has been entirely our own creation, into the hands of competitors from overseas, favoured with plentiful and cheap paper supplies and abundant labour.

When we start up we shall have to re-create a lost business, and, unlike our overseas competitors, with old designs, plant which has not been running for three to four years, and which has not had the advantage of renewal, modification, and improvement.

We shall be faced with much higher costs for paper, our most important raw material, than will be the case with our overseas competitors.

Our wages will have advanced to a greater degree than those of the same competitors and we shall be for many months working below the capacity of the plant, an entirely uneconomical situation.

On the more cheerful side we have first of all an insistent public demand for wallpaper which no discouragement appears to be able to stem, whilst on our part we have a national capacity for adaptation to new circumstances which we believe to be unequalled. We have craftsmen, technicians and designers who are second to none and we have a team which can be relied upon in any circumstances, however difficult.

Our financial position is strong. We have no anxieties from this source.

As you know we have used these resources in an ever-growing degree to spread our interests and our risks and we shall continue to do so.

ORGANISATION

Within the present year the board has initiated a reorganisation and concentration of the company's internal and domestic structure.

In future the administrative centre for home affairs, including sales and manufacture will be in Manchester, where in fact the head offices will be housed.

The registered office and export department will, when opportunity permits, be removed back to High Holborn.

JOHANNESBURG
CONSOLIDATED
INVESTMENT COMPANY,
LIMITED

STRONG FINANCIAL POSITION

The annual general meeting of Johannesburg Consolidated Investment Company, Limited, was held, on the 21st instant, in Johannesburg. Mr G. H. Beatty, who presided, said that the strong financial position of the company had been maintained. The book value of the assets totalled £10,983,637, while the liabilities made up of provision for taxation and sundry creditors, deposit and current accounts of associated companies and dividend No. 52, amounted to £2,769,599, thus leaving an excess of assets over liabilities of £8,214,038. The market value of the company's holdings was substantially in excess of the value shown in the balance-sheet.

The net profit for the year, after making provision for taxation, for all ascertained and estimated charges and depreciation, amounted to £831,969, which compared closely with the net profit of £881,423 for the previous year. After adding to the net profit the balance of £258,569 brought forward from the preceding year, there was available the sum of £1,090,538. Dividend No. 52 of 3s. per share, subject to United Kingdom income tax, absorbed £592,500 and £250,000 was transferred to reserve fund, leaving a balance of £248,038 to be carried forward.

A DISTURBING FEATURE

The tonnage crushed by the gold-mining industry showed a further decline, caused almost entirely by a scarcity of native labour. That reduction in operating scale was, however, not serious. The most disturbing feature was the rise in working costs. The country was mainly dependant upon the maintenance of gold production, and for a considerable period would be dependant upon the output of the present working mines. Gold production on an adequate scale depended upon the maintenance of low costs. That did not mean that living standards must fall, but it did mean that the country must realise that, if it desired to increase or even maintain existing living standards, it could not afford to indulge itself in luxuries which gave only an emotional satisfaction.

The following were the principal features of the aggregate results of operations of the gold-mining companies of the group for the six months ended June 30, 1944: Tons crushed 5,325,000; yield 869,968 oz.; yield per ton 3,267 pennyweight; working costs £5,868,096; working costs per ton 22s.; working costs per ounce of fine gold produced 134s. 11d.; gross profit, including sundry revenue, £1,503,355.

Two of the gold mines of the group, namely the Van Ryn Deep, Limited, and the Langlaagte Estate and G. M. Company, Limited, were in difficulties owing to rising costs and it became necessary to give the Government notice of the probable closure of those mines.

FREE STATE DEVELOPMENT

The Free State Development and Investment Corporation, Limited, was registered in February, 1944, with a view to acquiring options over mineral rights in various areas in the Free State, and to exploring the possibilities of gold mining.

The company was under heavy financial obligations in regard to option payments, having such large areas under its control. It was, therefore, the policy primarily to drill, with the available machines, a large number of exploratory holes spaced over the areas held, to investigate quickly its potentialities with the object of discarding, as soon as possible, such portions which might be proved to have no economic importance. The company was at present operating nine drilling machines in the field, and it was hoped to have three or four more units at work in the near future. The report was unanimously adopted.

MODDERFONTEIN EAST,
LIMITED

(Incorporated in the Union of South Africa)

MR W. M. FRAMES'S REVIEW

The annual general meeting of Modderfontein East, Limited, was held in Johannesburg on the 16th instant. Mr W. M. Frames, chairman, presided, and moved the adoption of the report and accounts.

The chairman said the total profit for the year had been £913,408. Provision on account of outstanding liability in respect of miners' phthisis compensation was £5,695, provision for taxation £481,188, provision for lease consideration £124,325, and dividends accounted for £302,512.

Development during the year was again restricted in order to conserve stores and labour, footage accomplished being 5,678, compared with 6,699 in the previous year. Total payable ore developed was estimated at 661,922 tons, having an average value of 4 dwt. per ton. Available ore reserve at June 30, 1944, was estimated at 6,259,000 tons, averaging 3.6 dwt. over a stoping width of 41.6 in. Compared with the estimate at the close of the previous financial year, the available reserve had shown a decrease of 453,700 tons, the average stoping width being 0.1 in. lower, while the average value was unchanged.

The native labour supply throughout the year had been much below requirements, and operations had been seriously restricted. Failing an improvement in the labour supply, of which there was no present indication, the increased development programme would cause a further decrease in the tonnage milled.

The price received for gold and the rate at which taxation had been payable had remained unchanged throughout the year.

During the year the report of the Witwatersrand Mine Natives Wages Commission had been published. Shareholders are aware that the Government had not accepted in full the recommendations of the Commission but, nevertheless, had decided that from April 1, 1944, certain increases should be made in the wages paid to Witwatersrand Mine native labourers. Briefly, the increases amounted to 5d. per shift for the natives employed underground and 4d. for those employed on the surface, with payment at time and a-half for all overtime and Sundays.

GOVERNMENT AND GOLD REALISATION
CHARGE

Since January 1, 1940, gold-mining companies had been obliged to pay the Government a gold realisation charge, and since September 1, 1940, that charge had remained fixed at 38s. 3d. per cent. The Government had decided to place in a pool the sums thus collected during the year ending March 31, 1945, and to distribute those funds among individual mining companies in proportion to their share of the increased costs in respect of native wages. On present estimates the amount thus made available is only sufficient to meet about 90 per cent of the additional direct burden placed on the company.

Since the close of the year the board had accepted with regret the resignation of Brigadier R. S. G. Stokes from the position of chairman and director. Brigadier Stokes had joined the board and had been appointed chairman in January, 1936. He had rendered valuable service to the company.

The report of the proceedings will not be circulated to shareholders, but copies are obtainable on application to the head office in Johannesburg or to the London office.

A large number of the company's European employees were absent on military service and the company continued to give full support to the national war effort. The report and accounts were adopted.

CONSOLIDATED MAIN REEF
MINES AND ESTATE,
LIMITED

(Incorporated in the Union of South Africa)

DR HANS PIROW'S ADDRESS

The annual general meeting of Consolidated Main Reef Mines and Estate, Limited, was held in Johannesburg on the 16th instant.

Doctor Hans Pirow, chairman, in moving the adoption of the report and accounts, said that the total profit had been £369,523. Dividends absorbed £218,330, provision for taxation amounted to £131,349, net capital expenditure £5,974, and provision on account of outstanding liability in respect of miners' phthisis compensation has been £13,152. Total expenditure on capital account had amounted to £14,595, from which had been deducted £8,621 received in respect of sales of plant and freehold. Main items of expenditure had been on account of hoisting and shaft equipment and installation of two tube mills which had been completed during the year with beneficial effects on the residue.

Development accomplished during the year totalled 56,843 ft., an increase of 4,468 ft. compared with the previous year. Payable ore developed had been estimated at 725,000 tons, averaging 3.3 dwt. per ton, a decrease of 659,300 tons compared with the previous year.

The available ore reserve had been re-estimated at June 30, 1944, at 7,489,000 tons averaging 3.6 dwt. over a stoping width of 56.7 in. Compared with the previous year, the available reserve showed a decrease of 1,386,100 tons, the estimated stoping width being 0.7 in. less and the average value unaltered.

LABOUR

The price received for gold and the rate at which taxation is payable by the company remained unchanged throughout the year. During the period under review operations had been severely hampered by a serious shortage of European and native labour, also by abnormally heavy rains last February.

Since the company's last meeting the report of the Witwatersrand Mine Natives Wages Commission has been published. Shareholders will be aware that the Government had not accepted in full the recommendations of the Commission, but, nevertheless, had decided that from April 1, 1944, certain increases will be made in wages paid to Witwatersrand Mine native labourers. Briefly, the increases amounted to 5d. per shift for natives employed underground and 4d. for natives employed on the surface, with payment at time and a-half for all overtime and Sunday work.

Since January 1, 1940, the gold mining companies had been obliged to pay to the Government a gold realisation charge, and since September 1, 1940, that charge had remained fixed at 38s. 3d. per cent.

The Government had decided to place in a pool sums thus collected from the industry during the year ending March 31, 1945, and will distribute those funds among individual mining companies in proportion to their share of increased costs in respect of native wages. On present estimates the amount thus made available will only be sufficient to meet about 90 per cent of the additional direct burden placed on the company.

In order to conserve paper stocks, the report of the proceedings at the meeting will not be circulated to shareholders. Copies could be obtained on application to the head office in Johannesburg or to the London office.

A large number of the company's European employees were absent on military service and the company continued to give full support to the national war effort.

The report and accounts were adopted.

NEW MODDERFONTEIN
GOLD MINING COMPANY,
LIMITED

(Incorporated in the Union of South Africa)

DR HANS PIROW'S REVIEW

Dr Hans Pirow, chairman, presided at the annual general meeting of New Modderfontein Gold Mining Company, Limited, held in Johannesburg on the 17th instant.

In moving the adoption of the report and accounts, the chairman said the total profit had been £150,028. Dividends had absorbed £105,000, provision for taxation had amounted to £34,996, and provision on account of outstanding liability in respect of miners' phthisis compensation had been £39,612.

Development work undertaken during the year had amounted to 30,517 ft., an increase of 16,864 ft. compared with the previous year's figure. Payable ore proved had totalled 222,300 tons, valued at 3.0 dwt. per ton, which was a decrease of 98,000 tons compared with the previous year's total, the value being 0.4 dwt. higher. No improved prospects had been shown by development, and there was very little hope of adding any appreciable tonnage to the reserves on any of the reefs.

Ore reserves were now insufficient to supply mill requirements and a large proportion of the mill tonnage was obtained from sources outside the reserve, with the result that the yield per ton milled showed only a small margin over working costs. It followed that any further decline in the value of ore mined or any increase in working costs would have serious results. Available ore reserve had been re-estimated as at June 30, 1944, to be 2,188,200 tons of an average value of 3.0 dwt. over a stoping width of 46.4 in. Compared with the previous year's figure the available reserve had shown a decrease of 1,280,000 tons, the average value being 0.3 dwt. higher, while the stoping width had been 0.9 in. lower. In view of the unlikelihood of any new areas of payable ore being developed it must be expected that the tonnage contained in reserve would show a continuous decrease.

The price received for gold and the rate at which taxation had been payable by the company remained unchanged throughout the year.

LABOUR PROBLEMS

During the period under review operations had been seriously hampered by the serious shortage of native labour and had also been adversely affected by abnormally heavy rains which had occurred in February last.

Since the company's last meeting the report of the Witwatersrand Mine Natives Wages Commission had been published. Shareholders would be aware, no doubt, that the Government had not accepted in full the recommendations made by the Commission but, nevertheless, had decided that as from April 1, 1944, certain increases should be made in the wages paid to the Witwatersrand mine native labourers. Briefly, the increases amounted to 5d. a shift for natives employed underground and 4d. per shift for natives employed on the surface, with payment at time and a-half for all overtime and Sunday work.

Since January 1, 1940, gold-mining companies had been obliged to pay to the Government a gold realisation charge, and since September 1, 1940, that charge had remained fixed at 38s. 3d. per cent. The Government had decided to place in a pool the sums thus collected from the industry during the year ending March 31, 1945, and to distribute those funds among individual mining companies in proportion to their share of the increased costs of the industry in respect of native wages. On present estimates the amount thus made available would only be sufficient to meet about 90 per cent of the additional burden placed on the company.

In order to conserve paper stocks the report of the proceedings would not be

circulated to shareholders. Copies of the report could be obtained from the head office in Johannesburg or from the London office.

A large number of the company's employees were absent on military service, and the company continued to give full support to the national war effort. The report was adopted.

NOURSE MINES, LIMITED

(Incorporated in the Union of South Africa)

IMPROVED DEVELOPMENT

The annual meeting of Nourse Mines, Limited, was held in Johannesburg on the 17th instant. Mr W. M. Frames, chairman, presided and, moving the adoption of the report and accounts, said the total profit was £237,646. Provision on account of outstanding liability in respect of miners' phthisis compensation was £16,174, provision for taxation £88,096, and dividends absorbed £117,550.

Rainfall last February had been exceptionally severe and an excessive quantity of water had entered the mine, flooding some lower levels and causing considerable disorganisation and delay. The sinking of No. 3D incline, which had been restarted at the beginning of the financial year, had been interrupted by floods and had not been resumed until June. Although reorganisation of the underground pumping system had been completed it had been delayed owing to the late arrival of some equipment and the enlarged plant had thus not been available in time to deal with the flood water. During the critical period an agreement with City Deep had enabled some excess water to be passed to that company's mine.

Development amounted to 11,623 ft., an increase of 2,759 ft. over the previous year. Flooding of the incline had delayed operations in 3D section, where development was urgently required to open up new ore reserves, and the scarcity of native labour now made it difficult to divert an adequate labour force for that purpose. Continual attention was being given to the development position and since the end of the financial year footage had been further increased. The favourable values disclosed in 3D section in past years were well maintained in recent development.

AVAILABLE ORE RESERVE

Available ore reserve at June 30, 1944, had been estimated at 2,419,700 tons, averaging 4.3 dwt. over an estimated stoping width of 47 in. Comparing the position with the previous year, the available reserve had shown a decrease of 623,900 tons with the average width and value unchanged.

The price received for gold and the rate at which taxation had been payable by the company had remained unchanged throughout the year. During the period reviewed, the report of the Witwatersrand Mine Natives Wages Commission had been published. Shareholders were aware that the Government had not accepted in full the recommendations of the Commission, but had decided that, as from April 1, 1944, certain increases should be made in the wages paid to Witwatersrand mine native labourers. Briefly, the increases amounted to 5d. per shift for natives employed underground and 4d. per shift for natives employed on the surface with payment at time and a-half for all overtime and Sundays.

Since January 1, 1940, gold-mining companies had been obliged to pay the Government a gold realisation charge, and since September 1, 1940, that charge had remained fixed at 38s. 3d. per cent. The Government had decided to place in a pool the sums thus collected during the year ending March 31, 1945, and to distribute those funds among individual mining companies in proportion to their share of the increased costs to the industry in respect of native wages. On present estimates the amount thus made available was only suffi-

cient to meet about 90 per cent. of the additional direct burden placed on the company.

Since the close of the year the board had accepted with regret the resignation of Brigadier R. S. G. Stokes from the position of chairman and director of the company. Brigadier Stokes had joined the board and had been appointed chairman in January, 1936. He had rendered valuable service to the company.

The report of the proceedings will not be circulated to shareholders. Copies were obtainable on application to the head office in Johannesburg or to the London office.

A large number of the company's European employees was absent on military service and the company continued to give full support to the national war effort.

The report and accounts were adopted.

BLIVOORUITZICHT GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

BETTER VALUES DISCLOSED

DR HANS PIROW'S ADDRESS

Doctor Hans Pirow, chairman, presided at the annual general meeting of Blyvooruitzicht Gold Mining Company, Limited, held in Johannesburg on the 17th instant. Moving the adoption of the report and accounts, the chairman said that expenditure charged to capital account during the year under review had been £133,255, principal items being in respect of sinking at No. 2 shaft and provision of additional dwelling houses and quarters, leaving a balance of working capital at the close of the financial year of £13,526.

Operations at the mine during the year had resulted in a net profit of £171,456, which, added to unappropriated balance brought forward at beginning of the year, namely £42,992, had given a total of £214,448. After providing £43,284 for taxation, £702 in respect of miners' phthisis outstanding liability and writing off £64,301 in respect of preliminary expenses and share commission, there had remained an unappropriated balance of £106,161 at June 30, 1944, which, together with capital funds in hand, had totalled £119,687.

Development accomplished during the year had amounted to 35,349 ft., an increase of 8,591 ft. compared with the previous year. That included 754 ft. of shaft sinking in No. 2 shaft, which had reached a depth of 3,009 ft. at the end of the period under review. The development done to date did not clearly indicate any shoot direction for values nor did it indicate any large area of low value.

Throughout the development, operations

on the reef had shown remarkable consistency with occasional very high values. During the past year, however, there had been a tendency to disclose rather better values in drives progressing towards the east than in those advancing to the west.

INCREASED ORE DEVELOPED

Ore reserves re-estimated as at June 30, 1944, had totalled 3,270,600 tons, valued at 15.2 dwt. per ton over an assumed stoping width of 45 in. Compared with the tonnage of ore developed at June 30, 1943, that represented an increase of 1,844,600 tons, the value being 0.1 dwt. higher. Of that total, 593,500 tons, valued at 14.4 dwt. per ton, were contained in the shaft pillar. A balance of 2,677,100 tons, valued at 15.4 dwt. per ton over the assumed stoping width of 45 in. would become available for stoping when a connection had been made with No. 2 shaft.

During the year forty drill compressors had been purchased and installed, 2,200 drill compressors were on order, and tenders had been called for a supply of electric hoists for No. 1 shaft capable of raising an 8-ton load.

In order to ensure satisfactory ventilation throughout the life of the mine it would be necessary to sink a circular ventilation shaft, and it was hoped that it would be possible to commence work at that shaft when sinking of No. 2 shaft was completed.

Ore milled during the twelve months under review had totalled 125,900 tons, and in addition the remaining 22,300 tons of accumulated slime, assaying 4.414 dwt. per ton, had been treated in the reduction plant. Gold recovered from those two sources had totalled 69,069 oz. fine, or an average of 10.972 dwt. per ton milled, with a residue of 0.316 dwt. per ton. A notable feature of the reduction operations was the fact that waste sorted on surface had increased from an average of 14.05 per cent. of rock sent to mill in 1942-43 to 15.87 per cent. in 1943-44.

On October 31st No. 2 shaft had reached a depth of 3,597 ft. and had to be sunk a further 1,226 ft. to the horizon of the Sixth Level Haulage. If no serious difficulties were encountered in sinking No. 2 shaft or in driving the Sixth Level towards it, it was estimated that a connection would be made in about twelve months' time. When that connection had been made, limitations imposed by mining regulations on single outlet mines would fall away, and considerable expansion of the scale of operations would normally take place. Naturally, the extent to which expansion would be possible under prevailing conditions would be governed by the availability of material, equipment and labour. It was hoped, however, that at that stage the milling plant could be increased to a capacity of some 40,000 tons per month, and steps were being taken to finance by temporary loan

arrangements the purchase of necessary equipment as it became available, profits earned by milling the development rock obviously being insufficient to meet capital expenditure involved.

LABOUR SHORTAGE

Owing to a serious shortage of native labour throughout the year under review it had been impossible to do all the necessary development work, particularly in connection with ore-pass systems and shaft bins at No. 1 shaft, nor could the mill be kept supplied with ore to its full capacity. Unless the labour position improved, the post-war development of property was likely to be retarded, although everything possible was being done to ensure that, when conditions became more favourable, expansion commensurate with the promising results obtained to date could take place.

During the period under review, the report of the Witwatersrand Mine Natives Wages Commission had been published.

Shareholders would no doubt be aware that the Government had not accepted in full the recommendations made by the Commission but, nevertheless, had decided that as from April 1, 1944, certain increases should be made in wages paid to Witwatersrand mine native labourers. Briefly, the increases amounted to 5d. a shift for natives employed underground and 4d. a shift for natives employed on the surface, with payment of time and a-half for all overtime and Sunday work.

Since January 1, 1940, gold-mining companies had been obliged to pay the Government a gold realisation charge, and since September 1, 1940, that charge had remained fixed at £1 18s. 3d. per cent. The Government had decided to place in a pool sums thus collected from the industry to distribute those funds among individual mining companies in proportion to their share of the increased costs to the industry in respect of native wages. On present estimates the amount thus made available would only be sufficient to meet about 90 per cent. of the additional direct burden placed on the company.

Since the close of the financial year, Brigadier R. S. G. Stokes had resigned as chairman and director of the company on taking up an important position with Central Mining and Investment Corporation in London.

The board desired to record its sincere regret at the resignation of Brigadier Stokes and its high appreciation of the services he had rendered to the company since its inception.

The report of the proceedings at the meeting would not be circulated to shareholders, but copies could be obtained on application to the head office in Johannesburg or to the London office.

The report and accounts were adopted.

GOVERNMENT RETURNS

For the week ended Nov. 18, 1944, total ordinary revenue was £43,085,000, against ordinary expenditure of £93,034,000 and issues to sinking funds of £360,000. Thus, including sinking fund allocations £8,959,408, the deficit accrued since April 1st is £2,061,186,000 against £2,057,207,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Nov. 20, 1943	April 1 to Nov. 18, 1944	Week ended Nov. 20, 1943	Week ended Nov. 18, 1944
ORDINARY REVENUE					
Income Tax	1,300,000	433,551	504,815	8,355	9,969
Sur-tax	80,000	16,661	14,253	550	650
Estate, etc.					
Duties	100,000	61,861	67,436	1,868	1,751
Stamps	19,000	10,980	7,916	200	...
N.D.C.	20,243	21,386	630	817	...
E.P.T.	500,000	315,635	318,763	11,472	9,147
Other Ind. Rev.	1,000	238	130	...	...
Total Ind. Rev.	2,000,000	859,169	934,698	23,075	22,334
Customs	564,900	345,525	367,683	9,447	13,201
Excise	472,900	302,800	317,200	4,400	4,800
Total Customs & Excise	1,037,800	648,325	684,883	13,847	18,001
Motor Duties	27,000	5,128	5,433	104	...
P.O. (Net Receipts)					
Wireless Licences	4,850	2,190	2,240	...	...
Crown Lands	800	650	650	...	...
Receipts from Sundry Loans	7,350	4,410	3,413	391	...
Miscell. Receipts	24,000	49,209	56,606	2,104	2,750
Total Ord. Rev.	3,101,800	1,569,082	1,687,924	39,521	43,085
SELF-BALANCING P.O. & Broadcast	112,370	70,600	74,550	2,400	2,650
Total	3,214,170	1,639,682	1,762,474	41,921	45,735

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Nov. 20, 1943	April 1 to Nov. 18, 1944	Week ended Nov. 20, 1943	Week ended Nov. 18, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	244,009	266,886	1,226	1,384
Payments to N. Ireland	9,000	4,340	5,020	...	...
Other Cons. Fund Services	7,000	3,770	3,853	...	...
Total	436,000	252,119	275,758	1,226	1,384
Supply Services	550,139	336,527	346,433	93,150	91,650
Total	593,739	361,793	374,150	94,376	93,034
SELF-BALANCING P.O. & Broadcast	112,370	70,600	74,550	2,400	2,650
Total	604,979	368,793	381,470	96,776	95,684

A change has been made in the method of showing a excess of Post Office Expenditure over the Post Office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £51,502 to £2,630,335, the other operations of the week (no longer shown separately) used the gross National Debt by £2,135,591 to £21,654 million.

NET ISSUES (£ thousands)	
Damage Act	2,126
NET RECEIPTS (£ thousands)	
Trade Guarantees	148

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
Tender	Tap	Public Depts.	Bank of England	
1943				
Nov. 20	1210-0		Not available	
Aug. 19	1430-0			
" 26	1430-0	2199-0	390-9	1478-5
Sept. 2	1430-0		Not available	
" 9	1430-0		"	
" 16	1430-0		"	
" 23	1430-0		"	
" 30	3695-3	449-8	21-0	1582-0
Oct. 7	1430-0		Not available	
" 14	1430-0		"	
" 21	1440-0		"	
" 28	1450-0	2300-0	497-0	1705-0
Nov. 4	1460-0		Not available	
" 11	1470-0		"	
" 18	1470-0		"	

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allot- ment		Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted	%		
				s.	d.	
1943						
Nov. 19	90-0	190-4	90-0	20	0-23	29
1944						
Aug. 18	110-0	200-9	110-0	20	0-83	42
" 25	110-0	202-9	110-0	20	2-84	34
Sept. 1	110-0	222-5	110-0	20	2-45	30
" 8	110-0	217-7	110-0	20	2-81	35
" 15	110-0	220-4	110-0	20	2-47	31
" 22	110-0	207-2	110-0	19	11-60	54
" 29	110-0	228-3	110-0	19	11-70	25
Oct. 6	110-0	227-1	110-0	20	0-27	35
" 13	120-0	227-0	120-0	20	0-30	35
" 20	120-0	227-5	120-0	20	0-16	34
" 27	120-0	223-3	120-0	20	0-69	37
Nov. 3	120-0	211-3	120-0	20	0-62	41
" 10	110-0	206-1	110-0	20	0-43	35
" 17	110-0	209-7	110-0	20	0-43	36

On Nov. 17 applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 36 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £110 millions of Treasury Bills are being offered on Nov. 24. For the week ending Nov. 25, the banks will be asked for Treasury deposits to the maximum amount of £90 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 1½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
Sept. 12	4,022	1,483	4,228	...
" 19	4,552	1,442	5,621	...
" 26	4,713	1,444	4,214	...
Oct. 3	4,108	1,511	4,977	...
" 10	4,030	1,753	7,667	...
" 17	4,356	1,768	7,144	...
" 24	4,377	1,812	3,449	...
" 31	4,445	1,745	5,037	...
Nov. 7	4,624	2,258	6,683	436
" 14	4,048	1,973	4,511	4,140
" 21	...	...	3,882	1,872
Totals to date	1,261,112*	766,627*	1,793,367*	6,448*

* 260 weeks. † 203 weeks. ‡ 3 weeks.

Interest free loans received by the Treasury up to Nov. 21st amounted to a total value of £69,503,906. Up to Oct. 28th principal of Savings Certificates to the amount of £185,770,000 has been repaid. The issue of 2½% War Bonds (1952-54) closed on Nov. 6th has so far raised £89,627,822, bringing the total raised in all issues of War Bonds to £2,984,146,942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 6d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold per Fine Tola	Silver per 100 Fine Tolas
Nov. 16	Rs. 4. 115 12	Rs. 2. 118 12
" 17	64 2	118 12
" 18	65 0	118 12
" 20	65 4	120 2
" 21	64 14	120 0
" 22	64 6	119 0

BANK OF ENGLAND RETURNS

NOVEMBER 22, 1944

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation...	1180,424,791	Other Govt. Securities...	1188,282,862
In Bank, Department...	19,816,927	Other Secs...	691,052
		Silver Coin...	10,966
		Am't. of Fid. Issue...	1200,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)...	241,718
			1200,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	229,912,764
Res.	3,195,775	Other Secs.	19,816,927
Public Depts.	7,686,866	Advances & Securities...	5,601,813
			14,638,058
Other Depts.	192,195,349		20,239,871
Bankers' Other Accts.	54,639,072	Notes...	19,816,927
		Gold & Silver Coin...	2,300,500
			272,270,062

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

COMPARATIVE ANALYSIS (£ millions)

	(£ millions)			
	1943	1944		
	Nov. 24	Nov. 8	Nov. 15	Nov. 22
<i>Issue Dept. :</i>				
Notes in circulation	1019-0	1174-9	1177-3	1180-4
Notes in banking department	31-2	25-4	22-9	19-8
Government debt and securities*	1049-2	1199-3	1199-2	1199-3
Other securities	0-8	0-7	0-8	0-7
Silver Coin	0-0	0-0	0-0	0-0
Gold, valued at s. per fine oz. . . .	168-00	168-00	168-00	168-00
<i>Deposits :</i>				
Public	6-8	16-8	6-0	7-7
Bankers	183-2	177-0	186-1	192-2
Others	53-3	55-6	54-4	54-6
Total	243-3	254-4	246-5	254-5
<i>Banking Dept. Secs. :</i>				
Government	205-1	212-7	217-9	229-9
Discounts, etc. . . .	6-0	11-1	7-0	5-6
Other	17-0	15-8	14-1	14-6
Total	228-1	239-6	239-0	250-2
Banking depart. res. . . .	32-9	27-7	25-2	22-1
	<i>o/o</i>	<i>o/o</i>	<i>o/o</i>	<i>o/o</i>
" Proportion "	13-5	11-0	10-2	8-6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,150 million to £1,200 million on August 2, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands		Week Ended		Aggregate from Jan. 1 to	
Nov. 20, 1943	Nov. 18, 1944	Nov. 20, 1943	Nov. 18, 1944		
Working days:					
Birmingham	6	6	275	274	
Bradford	1,615	1,760	99,620	79,676	
Bristol	1,168	1,595	86,488	82,531	
Hull	492	688	29,959	30,197	
Leeds	517	455	26,561	27,024	
Leicester	948	826	51,222	52,802	
Liverpool	718	789	37,524	36,944	

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE Million \$'s

12 U.S.F.R. BANKS	Nov. 18, 1943	Nov. 2, 1944	Nov. 16, 1944	Nov. 30, 1944
RESOURCES				
Gold certifs. on hand and due from Treasury	19,803	18,011	18,016	17,980
Total reserves	20,250	18,805	18,799	18,782
Total cash reserves	319	251	235	242
Total U.S. Govt. secs.	9,832	17,605	17,957	17,941
Total loans and secs.	9,878	17,973	18,367	18,306
Total resources	32,297	38,719	38,966	39,643
LIABILITIES				
F.R. notes in circ.	15,974	20,823	21,015	21,104
Excess r.r. bank res.	1,100	900	900	1,100
Mr. bank res. dep.	12,263	14,803	14,159	14,557
Govt. deposits	407	215	314	119
Total deposits	14,384	15,932	16,113	16,165
Total liabilities	32,297	38,719	38,966	39,643
Reserve ratio	66.7%	51.2%	50.6%	50.4%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,096	20,727	20,726	20,694
Treasury & bank currency	4,101	4,115	4,115	4,114
LIABILITIES				
Money in circulation	19,559	24,409	24,674	24,717
Treasury cash and dep.	2,700	2,588	2,627	2,457

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

ASSETS	Sept. 15, 1943	Aug. 28, 1944	Sept. 4, 1944	Sept. 11, 1944
Gold and stg. exch.	28.29	35.45	35.74	35.83
Advances to State	38.31	39.95	38.85	38.68
Investments	10.32	11.74	11.74	11.74
LIABILITIES				
Bank notes	33.62	37.96	37.99	37.82
Demand liab. : State	13.53	9.07	10.31	11.69
Banks and others	29.08	39.27	37.34	36.06
Reserve to sight liab.	37.1%	41.0%	41.7%	41.8%

SOUTH AFRICAN RESERVE BANK Million £'s

ASSETS	Oct. 8, 1943	Sept. 22, 1944	Sept. 29, 1944	Oct. 6, 1944
Gold coin and bullion	78.99	95.57	95.32	95.10
Bills discounted	13.18	21.34	19.28	16.98
Invest. and other assets	87.14	90.51	91.98	92.38
LIABILITIES				
Notes in circulation	47.04	52.87	56.26	55.14
Deposits : Government	5.23	4.44	3.14	3.17
Bankers'	117.30	142.86	142.76	144.81
Others	5.50	5.18	4.99	5.30
Reserve ratio	45.2%	46.6%	46.2%	46.2%

RESERVE BANK OF INDIA Million rupees

ASSETS	Nov. 5, 1943	Oct. 13, 1944	Oct. 20, 1944	Oct. 27, 1944	Nov. 3, 1944
Gold coin & bullion	444	444	444	444	444
Rupee coin	126	160	161	166	166
Balances abroad	1,389	987	3,023	3,129	3,245
Sterling securities	6,848	8,503	8,563	8,563	8,563
Ind. Govt. r.p. secs.	583	578	578	578	578
Investments	72	116	116	116	117
LIABILITIES					
Notes in circulation	7,906	9,570	9,622	9,565	9,648
Deposits : Govt.	640	1,940	1,967	2,098	2,042
Banks	664	1,011	1,035	1,051	1,151
Reserve ratio	91.2%	92.6%	92.7%	92.6%	92.7%

CENTRAL BANK OF IRELAND Million £'s

ASSETS	Nov. 13, 1943	Oct. 28, 1944	Nov. 4, 1944	Nov. 11, 1944
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	22.15	26.59	26.59	26.84
Sterling balances	1.91	1.24	1.84	1.84
LIABILITIES				
Notes in circulation	27.38	30.87	31.40	31.65

BRITISH WHOLESALE PRICES

	Nov. 7, 1944	Nov. 21, 1944		Nov. 7, 1944	Nov. 21, 1944
CEREALS AND MEAT			TEXTILES—continued		
GRAIN, etc.			COTTON—continued		
Wheat	s. d.	s. d.	Cloth, Overall Cloth, 38 in.	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	50 8	50 8	52 x 50, 22's & 16's	65 6	65 6
Eng. Gaz. av. per cwt. (e)	13 9	13 9	Drill, 30 in., 80 x 46,		
Flour per 280 lb.			12's & 10's	94 3	94 3
Straights d/d London	40 0	40 0	FLAX (per ton)—		
Barley Eng. Gaz. av. per cwt. (e)	24 11	25 1	Livonian ZK	Nom.	Nom.
Oats (e)	15 10	15 6	Pernau HD	Nom.	Nom.
Maize, Argentine, per ton	10/0/0	10/0/0	HEMP (per ton)—Manilla, spot		
MEAT—Beef, per 8 lb.—			"J2"	Nom.	Nom.
English long sides	5 4	5 4	JUTE (per ton)—		
Imported hinds	6 7	6 7	Daisee 2/3 c. and f. Dundee	39/10/0	39/0/0
Mutton, per 8 lb.—English	5 2	5 2	Common 8 lb. cops. (per spindle)	s. d.	s. d.
Imported	8 4	8 4	10 1/4 Hessians, per yd.	5 5	5 5
Pork, English, per 8 lb.	5 2	5 2	8/40 Hessians, per yd.	0 5-96	0 5-96
BACON—(per cwt.)—Wilts, cut side	142 0	142 0	10/40 Calcutta Hessians, spot,		
HAMS—(per cwt.)—Green	147 0	147 0	Dundee, 100 yds.	58 0	58 0
OTHER FOODS			7 1/4	44 9	44 9
BUTTER (per cwt.)—All Grades,			SISAL (per ton)—African, spot		
First hand	151 4	151 4	No. 1 delivered	45 0	45 0
CHEESE (per cwt.)—			WOOL (per lb.)—		
Home Produced	99 2	99 2	Lincoln wethers, washed	19 1/2	19 1/2
Imported	99 2	99 2	Selected blackface, greasy	14	14
COCOA (per cwt.)—			Australian scd. fleece 70's	37	37
Accra, g.f.	45 0	45 0	Cape scd. average snow white	29 1/2	29 1/2
Grenada fine	81 0	81 0	N.Z. scd. 2nd pieces, 50-56's	24	24
EGGS (per 120)—English	14 9	14 9	TOPS—		
LARD (per cwt.)—Imported	64 0	64 0	64's warp	45	45
POTATOES (per cwt.)—			56's super carded	39	39
English	5 0	5 0	48's average carded	31	31
SUGAR (per cwt.)—			44's prepared	29 1/2	29 1/2
Centrifugal, 96%, prpt. shipm.			MINERALS		
c.f. U.K./Cont.			COAL (per ton)—		
Refined London			Welsh, best Admiralty	43 4	43 4
Granulated, 2 cwt. bags	49 10	49 10	Durham, best gas, f.o.b. Tyne	38 11	38 11
Granulated, 2 cwt. bags, domestic consumption	30 11	30 11	IRON AND STEEL (per ton)—		
West India Crystallised	47 6	47 6	Pig, Cleveland No. 3, d/d	128 0	128 0
TOBACCO (per lb.)—			Bars, Middlebrook	360 0	360 0
Indian stemmed and unstemmed	1 0	1 0	Steel, rails, heavy	290 6	290 6
Rhodesian, stemmed and unstemmed	1 8	1 8	Timplates (home i.c. 14 x 20)	29 9	29 9
TEXTILES			NON-FERROUS METALS (per ton)—		
COTTON (per lb.)—			Copper (c)—Electrolytic	62/0/0	62/0/0
Raw, Mid-American	d.	d.	Tin—Standard cash	300/0/0(f)	300/0/0(f)
Giza, F.G.F.	12-75	12-75	Lead (d)—Soft, foreign, cash	25/0/0	25/0/0
Yarn, 36's King Beams	24-08	24-08	Spelter (d)—G.O.B., spot	25/15/0	25/15/0
" 42's Cop Wets	23-06	23-06	Aluminium, ingots and bars	110/0/0	110/0/0
" 60's Twist (Egyptian)	33-00	33-00	Nickel, home delivery	190/0/0	190/0/0
Cloth, per 100 yards—			Antimony, English, 99%	195/0/0	195/0/0
31 in. Printer, 64 x 64,	s. d.	s. d.	Wolfram, Empire	2/15/0	2/15/0
36's & 42's	43 3	43 3	Platinum, refined	9/0/0	9/0/0
Cambric Shirting, 32 1/2 in.			Quicksilver	68/10/0	68/10/0
72 x 60, 24's & 24's	58 5	58 5	GOLD (per fine ounce)	168 0	168 0
MISCELLANEOUS			SILVER (per ounce)—		
COCOA, N.Y., Accra	8-81	8-81	Cash	1 11 1/4	1 11 1/4
Coffee, N.Y., cash—					
Rio, N.Y.	9 1/2	9 1/2			
Santos, No. 4	16 1/2	16 1/2			
Cotton, N.Y., Am. mid., spot	22-07	21-92			
" Am. mid., Dec.	21-57	21-52			
Cotton Oil, N.Y., Dec.	14-31	14-31			
Eard, Chicago	1 1/2	1 1/2			
Petroleum, Mid-cont. crude, per barrel	117	117			

* Nominal. (a) + 7s. per ton net paper bags, jute sacks charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises. (d) Including import duty and delivery charges. (e) Average for weeks ended Nov. 4 and Nov. 18. (f) Price at which Ministry of Supply supplies consumers delivered works. (g) Trading suspended. (h) Nominal.

AMERICAN WHOLESALE PRICES

	Nov. 7, 1944	Nov. 21, 1944		Nov. 7, 1944	Nov. 21, 1944
GRAINS (per bushel)—			MISCELLANEOUS (per lb.)—		
Wheat, Chicago, Dec.	164	165 1/2	Cocoa, N.Y., Accra	8-81	8-81
Winnipeg			Coffee, N.Y., cash—		
Maize, Chicago	109 1/2	110	Rio, N.Y.	9 1/2	9 1/2
Oats, Chicago, Dec.	64 1/2	65	Santos, No. 4	16 1/2	16 1/2
Rye, Chicago, Dec.	111 1/2-111 3/4	108 1/2-108 3/4	Cotton, N.Y., Am. mid., spot	22-07	21-92
Barley, Winnipeg			" Am. mid., Dec.	21-57	21-52
METALS (per lb.)—			Cotton Oil, N.Y., Dec.	14-31	14-31
Copper, Connecticut	12-00	12-00	Eard, Chicago	1 1/2	1 1/2
Tin, N.Y., Straits, spot	52-00	52-00	Petroleum, Mid-cont. crude, per barrel	117	117
Lead, N.Y., spot	6-50	6-50			
Spotter, East St. Louis, spot	8-26	8-25			

Liberation Pains

THE political crisis in the liberated countries continues. For the time being Belgium is still the chief storm centre. After the leaders of the resistance had agreed to hand over their arms to the Allied commands, demonstrations and shootings took place in Brussels last Saturday; and widespread strikes took place on Tuesday. The Belgian Parliament has mirrored the present discontents and, though the Government was granted the special powers it asked for, the debate was bitter. The opposition to M. Pierlot's Government is fairly widespread. It includes many Left-wing Catholics and Liberals as well as Socialists and Communists. But the opposition has not hardened enough to overthrow the present Government; and it has not found enough positive and common ground to form an alternative administration. In Italy and in Greece the crises have been of a more creeping or latent character. Last week Signor Bonomi resigned from his post because of the dissensions among the six parties of his coalition; but he has now apparently been asked by the representatives of those parties to remain in office and to reshuffle his Government. In Greece, the critical date of December 10th, when the guerillas are to lay down their arms, is approaching; and in the meantime uneasy tension, caused by jockeying for political positions between the Left and the Right, still prevails.

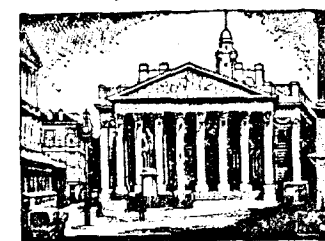
Allied policy, and British policy in particular, cannot ignore these events. The sharp clashes of opinion, the sudden release of pent-up emotions, the social antagonisms and the political rivalries, are developing close behind the Allied fronts and astride the Allied communication lines. The military campaigns and the politics of the liberated countries are confused in a difficult and complex tangle. The needs of the war tell very heavily upon the economic situation in every liberated country; and political events inevitably affect the Allied commanders' freedom of movement and military action. A general strike immediately behind the fighting lines may be a serious threat to military security. A clash of opinion that may lead to a clash of arms is bound to cause the gravest concern to any military commander. Yet these are Allied countries and order cannot simply be imposed by the bayonet, even if there were bayonets to spare. Difficult and distracting though it may be, it is necessary to understand the nature of the political and social tensions among the liberated peoples before there can be any hope of removing them.

Easy optimism over the political affairs of the liberated countries would be cut of place. For all these countries the approaching winter means hardship and suffering. The Allied armies have brought war as well as liberation

to their frontiers. Liberation has not been painless. For the four years of the German occupation the French, the Belgians and the Dutch lived under a reign of terror. The lives and property of many of them were in constant peril. But the mere length of the occupation gave something like an air of stability and normality to the material existence of the great mass of peaceful and non-political citizens who shunned the hazards of active resistance. It is true that the enslaved nations were impoverished; but, within the limits of their poverty, life went on. The shopkeepers carried on somehow; and the miners received the additional rations to which, as heavy workers, they were entitled. Most of this artificial normality has now been upset. Food is short, or badly distributed; fuel is lacking; and communication lines have been disrupted. True, some improvement has been achieved. General de Gaulle has stated that the French coal production has already risen to about half of the pre-war level. Locomotives are being repaired. Railways and harbours are being restored. But the improvement is unsteady and painfully slow; and it will remain so in the coming months. And restored means of transport will be used, in the first place, to feed the Allied war-machine and not the civilian population. This, clearly, is a situation which can easily be exploited by demagoguery and irresponsibility to foster anarchy, and much of the recent political trouble is doubtless to be attributed to this source. But much of it must also be debited to the faults of leadership among the Governments—or to its total absence.

The purge of ex-collaborators is the cause of endless trouble in the political life of the liberated countries. The demand for a purge has been so widespread, genuine and persistent that the political atmosphere is almost certain to remain poisoned as long as its scale and methods are undefined. Hitherto it has been a tragic farce. In France, as well as in Belgium, the courts are investigating tens, if not hundreds, of thousands of cases of alleged or genuine collaboration. At the same time "spontaneous" attacks on collaborators are a daily occurrence. Trials have taken place in which death sentences have been pronounced on minor culprits. Yet there are constant complaints that ex-collaborators are entrenched in the civil services and in public life. It is not for the British to lay down the law in a matter where national pride is so fiercely engaged. But the friendly observer can advise what will have to be done if the purge is not to develop into a witch-hunt that may go on for years. The denunciation of small fry ought to cease; punishment ought to be confined to the big men who collaborated with their eyes open. But within these restricted limits the purge

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ought to be carried out with severity and speed. So far, the whole issue has been almost hopelessly confused by the light-headed promises of impracticable purges that have been made by the Governments, promises that are coming to be regarded as empty lip-service to popular passions. On the other hand, the violent propaganda of the Communists has reduced the issue to an absurdity. They have so often labelled any opponents of Communism as Fascists and Fifth Columnists that the charge has become almost meaningless. The demand for a "wide purge" has been the most effective obstruction to the execution of real justice upon those few who bear the heaviest burden of guilt. During the occupation years, the active resisters in each country were a small minority. The passive acquiescence of the ordinary citizen cannot be regarded as criminal; the mere absence of heroism is not a felony. Nor ought heroism in resistance to be regarded as a title deed to office and power after the liberation. In the period of direct action against the enemy, the minority of active resisters counted most; but this does not mean that the political views of that minority can be taken to be a valid expression of the will of a whole country. Where fighting impinges so closely on politics, the military rule should be followed: decorate for gallantry but promote for efficiency.

It is easy to propound these logical rules in England, whose sufferings, though no smaller, have been psychologically so different. In the liberated countries all is still emotion, and for some time to come the role of the active minority of the resisters is bound to be much greater than its mere numbers would justify. No parliamentary elections are to take place in the liberated countries before the end of hostilities. The process which gives an equal vote to the active resister and to the passive citizen and puts them both on an equal political footing has thus been deferred. Meanwhile, political life is largely an affair of the townspeople, and of the active minorities among the townspeople. The countryside and the large mass of citizens in the towns remain silent and passive spectators in the background. It is possible—perhaps even probable—that there is a great gap between them and the active groups. But for the moment all is guesswork. Democracy is trying to function without its basic sanction in a clearly ascertained public will. The Governments are being accused of being dictators. But in present circumstances, no Government can have an electoral basis, and if the critics succeeded to office they would have even less claims to legitimacy than the present Ministers.

This does not, of course, mean that the Governments

have no need to seek public support. On the contrary, their obvious duty is to keep in the closest possible touch with the active minority of resisters who have kept alive the spirit of the nation, but without forgetting their wider duty to act as trustees for the great inarticulate mass of their peoples. The two duties are not always compatible with each other, and most of the recent trouble has arisen when one of them has had to be subordinated to the other. The Belgian Government has almost certainly estranged itself too strongly from the Resistance. The Greek Government, which has tried hard to march in step with the resisters, is in trouble with the Right, which claims to speak for the peaceful citizen.

And over all the turmoil presides the Allied commander. His first duty is to the fighting armies. But his second duty is to regard himself as the chief guardian of democracy in the liberated countries. The first duty makes it imperative for him to secure law and order—that is, to support the constituted Government, whatever the imperfections of its constitution. The second duty points in the same direction at least as far as the stage where all private armies are disarmed, for nothing is more certainly fatal to the prospects of democracy than the private possession of arms. But the Allied commander's duty does not stop there; he needs not only a Government but a popular Government; and he should use all his influence in this direction. He can rightly distinguish between constituted authority and armed dissent; indeed, he must do so. But it would be a calamity if he gave the impression that some parties were the Allies' friends and some their enemies. In particular, irreparable harm would be done if it got about that the Allies disapproved of the Resistance movements—disapproved of them, that is to say, not only as armed bands which might disturb the peace but also as parties which might give to their countries' politics a twist that would be unwelcome in London and in Washington. The only valid criticism of the action that General Erskine has taken in a very difficult situation in Belgium is that he has not made this distinction sufficiently clear, and much good might be done if an opportunity were taken to state publicly that the British Government, for its part, will think no less highly of a Government that contains Communist members than of any other. The next few months will be very hard and very unpleasant, and the trustee must expect far more kicks than ha'pence. He may have to be severe and hard-hearted. But time will bring forgiveness for these harsh necessities if only he can establish and maintain confidence in his impartiality.

International Cartels

THE sustained and violent American campaign against international cartels has now reached the point at which the word "cartel" has become an indiscriminate imprecation. The campaign has its roots, of course, in the familiar American trust-busting tradition, but this particular variant has romantic features all of its own. The wicked cartelist has taken the place of the wicked arms manufacturer in popular demonology. Any attitude that is unpopular, whether it be the British stand on civil aviation, or opposition to the dismantling of German heavy industry, is indiscriminately attacked as the handiwork of the cartel interests.

The subject of international cartels, and of international economic organisations in general, obviously takes its place on the agenda for discussion in the reconstruction period. But the prejudicial atmosphere that has been created does not make a cool and unimpassioned treatment of the subject any easier. This is the more true since the American attitude itself is far from consistent. Individual Americans, as producers, are by no means proof against the temptations offered by combinations in restraint of international trade. And where the national interest of the United States as a whole is that of a high-cost pro-

ducer, as in cotton and wheat, American Governmental policy is in the forefront in establishing organisations of precisely the type condemned, in general terms, as cartels.

Another of the difficulties of the subject is that no one seems to be very sure what a cartel is. The word is of German origin—which perhaps explains why it has been selected for propaganda use—and had, at the beginning, a restricted and particular meaning. It was applied to an association of manufacturers who, while maintaining their separate existence, agreed to accept, and work to, quotas of production and division of markets. But the word is used, in current discussion, in much wider meanings and has become synonymous with almost any form of international arrangement to control production, sales or markets.

In this wider meaning, there can be said to be three main types of international cartel.

First, there are the agreements among primary producers designed to regulate the volume of supplies to world markets by production or export control, or both, as a means of preventing excessive and socially destructive fluctuations in prices. Sometimes, as in tin, control is supplemented by buffer stocks or, as in the first rubber

agreement, additions to productive capacity may be restricted. Where there is a multiplicity of producers—as in tin, rubber, sugar and wheat—these schemes are generally sponsored and supervised by governments. Where the number of producers is relatively small—as in copper—they have been operated privately.

Secondly, other cartels go one stage further in that they use price fixing as a means of making sure of profitable operation. Often they even go so far as to divide the world into spheres of influence. Among primary products, aluminium, mercury, oil and nitrate come into this category; among manufactures, the international steel cartel, with its various appendages, is a stock example; in transport, the liner conferences and the tanker pool have used price-fixing devices.

Thirdly, there is the multitude of—usually secret—cartel arrangements among producers of patented goods. Apart from the usual devices of control over capacity, supplies, prices and markets, owners of patents enjoy direct control over the location of production. If there are rivals in other countries—as in chemicals—they can eliminate competition by entering into agreements about the location of production, the sharing of markets and profits and the fixing of prices.

These three broad categories could, of course, be subdivided into dozens of specialised types. The detailed methods used vary with conditions of supply and demand, with the degree of monopoly power they wield and with the policy of the personalities who run them. Fortunately, very few have ever been completely watertight or have remained so for very long.

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International cartels, of any of these types, have one outstanding difference from domestic cartels. Their activities may have political and strategic consequences, as well as purely economic. Indeed, economic consequences, when they cross state frontiers, have a habit of becoming political. An attempt to mulct consumers for the benefit of producers is bad enough in any case; but when the producers are in one sovereign state and the consumers in another, there may be serious political repercussions. The influence that a cartel can exert on the location of an industry, by discouraging or forbidding new entrants, is a far more serious matter when it affects the relative industrial strengths of nations. This is the strongest reason for saying that Governments must necessarily concern themselves with the activities of international cartels.

But with the large exception of these political aspects of the matter, the case for and against international cartels is, in the main, the case for and against domestic combinations in restraint of trade. They are a distinct species, but still members of the same genus. The general attitude to be taken to cartels, both internal and international, should be the same—again with reservation of the special political aspects of the latter. And that general attitude cannot be other than one of suspicion. Anything which acts, or might act, as a restraint on production is inherently suspect, since it prevents wealth from coming into existence. And any restraint which is exercised by the producers is doubly suspect, since their interest is the opposite of the community's. If the answer has to be black or white, then all cartels are black.

But it is no more possible in the international sphere than in the domestic to argue in terms of black and white. To condemn cartels is one thing, but to condemn all forms of economic organisation that include the exercise of purposive direction over production is an entirely different thing. In the international sphere, as in the domestic, it is necessary to distinguish and to define. This may not be much to the taste of the propagandist, who likes sweeping judgments, but it is necessary. In domestic matters it is now all but universally recognised that there are legitimate cases for the exercise of some immediate restraint in order to secure wider objectives. Similarly, nobody would argue—and certainly no Government would contend—that international trade must never, in any circumstances, be quantitatively controlled. A sweeping condemnation is not a practical attitude. It is necessary

to attempt the much more difficult task of distinguishing cases.

In a purely domestic context, the questions to be asked of any proposed restraint of trade are "Will it, in the long run, increase real national income?" and "Even if not, will it avoid an amount of social and political trouble that is worth the economic cost?" International cartels, and any other form of international organisation of production and trade, need to be tested by exactly the same questions, substituting only the concept of "real world income" for real national income. Judged by this test, there are three main sets of circumstances in which some restraint is justified.

The first is to prevent excessive fluctuations of the prices of primary materials. It is hardly necessary to argue either the social damage done by these fluctuations in the producing countries, or the economic damage they do in stimulating over-investment at some times and under-maintenance at others. Real world income, not to mention world social welfare, would unquestionably be enhanced if raw material prices, without being higher on the average, could be stabilised.

The second leading case is at the other end of the economic scale, in industries which require a very heavy investment of fixed capital. In these industries, since the prime cost of production is so far below the total cost (including overheads), there is always the possibility of "weak selling" and the consequent consumption of capital. The community loses in the end, when it finds itself with a derelict industry on its hands and faced with the necessity of very heavy expenditure for rehabilitation. Without some assurance of stability, investment will not be undertaken, and since a steady flow of investment is the chief prescription for a rising world income, as for a rising national income, anything that will ensure stability is in the common interest. Here again, there is a case for restraint and for the fixing of minimum prices, provided that they do not, on the average, lead to excessive profits.

Thirdly, there is the case of an industry or activity where one nation, through reasons that may be historical rather than economic, enjoys a considerable advantage in cheapness or efficiency of production, but where other nations, for political reasons, insist on retaining their share of the business. Civil aviation is a case that is very much in point. Some form of international regulation is usually preferable to subsidy, wars or Navigation Acts.

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There may be other equally legitimate cases, but these will serve to make the point that it would be foolish to ban all forms of organisation, even if they exercise some immediate restraint over trade. But there are those who would concede this argument, but would still maintain that, where there is a case for restraint, it should be done by Governments. Private international cartels, they say, are still to be condemned.

This is a powerful argument, for which a great deal of sympathy will be felt. But there are two reasons for doubting whether it can be sustained. The first is that the machinery of Government is not equipped to do the job. Even in countries like Great Britain, it is necessary, in normal times, to go slow in piling tasks of economic organisation on to a relatively small Governmental machine. Other countries are less well equipped (and less honestly served). Secondly, there is no reason to suppose that Government-sponsored international cartels would be any better than private ones. Governments are often interested parties, or can be influenced by interested parties, and Government-sponsored cartels are among the choicest specimens in the rogues' gallery of international economics.

Nevertheless, it would obviously be impossible to leave the private cartel-monger unhampered. Because some forms of restraint are justifiable, it does not follow that all instances are excusable, or even that all those who sail under a legitimate flag are wholly innocent of piracy. There is a plain necessity for some public supervision. Publicity is the first requirement, and the minimum precaution that a country should take is to provide that the terms of any cartel, or similar, arrangement entered into

by its nationals with the nationals of another country should be published, exception being made only where proof can be brought that damage to the public interest, or gross individual harm, would be caused by publicity.

But publicity by itself is hardly enough. For domestic restraints of trade, *The Economist* has, on more than one occasion, suggested the passage of a declaratory Act, re-asserting that restrictive practices—specifically the fixing of minimum prices or maximum production quotas, the division of markets, the limitation of entry to a trade or any combined action to destroy productive capacity—are contrary to the law, but providing for the issue, upon proof, of licences to commit any of these acts. Before any licence was issued, the licensing authority would be required to satisfy itself not merely that the interests of the consumer were fully protected, but that no particular class of consumers was likely to be prejudiced. Provisions of this sort would obviously cover the international cartel. Similarly, the way to deal with the restriction of trade, both domestic and international, through the abuse of patent rights is through a general revision of domestic patent laws. The approach to the international problem must be through the domestic.

But this would hardly meet the full case of the critics, for a cartel might be licensed by all the produc-

ing countries and yet be against the interest of the world community. Yet it is difficult to see what, as a practical matter, could be done to secure a uniform policy, because of the obstruction provided, as in so many other directions, by national sovereignty. The nations might be prepared to agree to impose obligations of disclosure on their nationals, and to exchange the information disclosed. They might perhaps agree to the constitution of an international board of review which would express opinions on the facts disclosed. But it is highly unlikely that any of them would be willing to give any such body power to enforce its decisions. There would be all the usual resistances of national pride and jealousy. Even beyond these, there would be the difficulty that the nations have no agreed policy on the whole subject. It is unlikely, as Mr Milo Perkins has recently pointed out, that the United States will be able to impose the Sherman Act on other countries. And, in the present temper of American opinion, it is even less likely that other countries will be able to convert the United States to the more discriminating view contained, for example, in the resolution passed, at Sir Clive Ballieu's motion, by the recent International Business Conference. In all the circumstances, it is probable that an exchange of information is the most that can at present be achieved, and that will seem very little to the extremists in Washington.

Armchair Cricket

MR BERNARD SHAW once said that since history repeats itself and the unexpected always happens, man must be quite incapable of profiting by experience. The paradox holds enough of truth to serve as a maxim for these troubled times. Until recently there seemed to be a real danger that the lessons of the last war would lie unheeded; and that peace would find Britain totally unprepared for the struggles ahead. When the men came home from the war of 1914-1918 it was to an England that was wholly deceived by the subtleties of Warwick Armstrong—an England scattered like chaff before the whirlwind deliveries of Gregory and Macdonald. If the indignities of that dreadful aftermath are not to be repeated the credit will be due to a handful of zealots whose selfless exertions have kept the flame alight through the darkest hours.

These men, some of them at least, gathered on Tuesday under the auspices of the Royal Statistical Society to hear two papers dealing with the statistical analysis of cricket scores. Not all who heard could understand. The many famous cricketers present were, no doubt, mentally in the pavilion—Sir Pelham Warner confessed as much—but one's deepest sympathies were reserved for several distinguished foreign statisticians who, for once, were completely out of their depth. Have so many brows been puckered at any previous meeting of the society?

Sir William Elderton's paper was entitled "Cricket Scores and Some Skew Correlation Distributions." The statistician has been described unworthily as one who proceeds from an unwarranted assumption to a foregone conclusion. There was nothing unwarranted in this paper and only the most tentative and academic of conclusions were reached. But Sir William Elderton is neither a Cardus nor a Selincourt, and his discourse, while preserving the authentic atmosphere of the game, suggested a bad light and a wicket of shocking difficulty.

By contrast Mr George H. Wood's paper seemed all sunlight and green grass—to the mere cricketer. He showed that, as a general rule, the scores of individual players tend to obey the law of geometrical progression. Cricketers have suspected something of the sort for many years even when their efforts have been more geometrical than progressive. But the GP is not perfect and every cricketer would agree wholeheartedly with the results of Mr Wood's careful analysis (1) "that all (batsmen) failed to score more frequently than their common ratio required" and (2) "that all played too many innings of 1 to 4 runs." This paper was a bit of an all-rounder; it contained something for everybody. It revealed the many

traps that await the unwary sporting journalist. For example, it would be asking for trouble to write "Tunnicliffe and Warner in 1907 were wonderfully consistent" when every statistician worth his salt knows that they were 21 per cent and 17 per cent inconsistent respectively.

At least one important lesson can be drawn from these papers—that the average club cricketer is in urgent need of statistical net-practice. It is not enough for the batsman to see the ball clearly, to have the measure of his assailant and to be on good terms with the umpire—he must adjust his play to his statistical background. In the past many good cricketers have failed because they have omitted to master the theory of probability. The odds against any batsman making three ducks in a row are very great, and yet . . .

The papers should not, however, be regarded in isolation but as a sequel to developments in the technique of scoring that were apparent before the war and as a foretaste perhaps, of what may be expected after it. Cricket has always been the statistician's delight and every cricket fan with his score-card is something of a statistician. Already the text-books chronicle such records as:

Fifty runs in both innings of a match—with a bruised hand.

Most "wides" bowled in the first over after lunch.

Most catches missed in one innings through some faulty positioning by the sun.

What then does the future hold? One can imagine the press account of a match played in 1954. "The England innings was opened, of course, by X and Y to the bowling of A and B. X, who was generally expected to score either 67 or 81, faced the bowling and took a single off B's first ball—thus refuting Hackenstein's Theory of Cyclic Improbability. Y, who has been 18 per cent inconsistent throughout the season, looked supremely confident and drove his first ball to the Tavern rails. With his score at 10, however, he was well caught at extra-cover (frequency .9961, Morr's Scale). The spectators applauded a very fine prediction. Z, who followed, was somewhat abstract and his movements lacked correlation. It was no surprise to the statisticians when he was clean bowled by a long hop with the score at 38. (See page 2 for the Wisden Sensitive Second-Wicket Index.) At lunch . . ."

But enough of levity. The statisticians are seeking to improve their status. However strong their case may be it will be all the stronger if their services to cricket are taken into account. The MCC might attend to this—it is the least they can do.

NOTES OF THE WEEK

Last Lap

The King's Speech at the opening of a session whose length cannot be forecast is necessarily a tentative document. But the Gracious Speech delivered on Wednesday was even vaguer than it need have been. It did, indeed, mention the possibility of legislation on a long list of subjects: health services, national insurance, industrial injury insurance, family allowances, national water policy, electoral reform, the resumption of local elections, export credits, the extension of colonial development, the capital expenditure of local authorities and the adjustment of their areas. But many of these are to be proceeded with only "as opportunity serves," and other important subjects, notably full employment and industrial location, are contained in the paragraphs which do not promise legislation. There is a tendency to attack the Government because it does not now promise to do more in this Parliament's last session than can be squeezed through the time-table and because the Prime Minister persists in talking of a General Election in less than twelve months time—which would mean an abbreviated session. But this is not the real point of attack. Time is now very short, and there is a real dilemma. Though every effort should be made to press on with agreed legislation, it is far more important to have a new Parliament at the earliest possible moment, since, the parties having now agreed to part, it is obvious that no progress can be made with controversial issues until the election is over. The real criticism is that so much has been left for the last session. Many fewer reconstruction measures have been placed on the Statute Book in the fifth year of this war than in the fourth year of the last. The Government's culpable delay lies not in the future, when they will clearly be racing against the time-table, but in the past, when they obstinately charged with lack of patriotism all those who gave warning that precisely the present dilemma would certainly arise.

The Polish Crisis

The resignation of M. Mikolajczyk, the Polish Prime Minister, marks the beginning of the most difficult and dangerous phase in Russo-Polish relations. Before he resigned, M. Mikolajczyk had sounded both the British and American Governments on their attitude to the Russian demands. Mr Churchill, in his statements to the House of Commons, left no doubt that the British Government took a favourable view of the Russian proposal that Poland's new frontier in the east should be based roughly on the Curzon line. Mr Churchill, it is believed, also approves the suggestion that Poland's new frontier in the west should be on the Oder. Until recently it was not quite clear whether the United States Government also favoured a settlement on these lines. However, Mr Harriman, the American Ambassador to Moscow, who arrived in London last week, made it fairly clear that the British and American views on the issue were on the whole agreed. The Polish Premier then presented the leaders of the other Polish parties with the draft of a reply to Moscow which he hoped would be acceptable to all the Allied powers and would help to break the protracted diplomatic and political deadlock. M. Mikolajczyk's proposals were rejected by his colleagues; and so the Premier, finding that his views did not command the support of a majority in his Government, resigned. M. Mikolajczyk's attitude has been unanimously supported by the Peasant Party, which decided not to join any Government that would be committed to a policy opposed to agreement between Russia and Poland. At the time of writing, it is reported that the Socialist, M. Arciszewski has, in spite of strong opposition in his own party, formed a Government in which the Peasant Party does not participate and which is based on an artificial coalition of the Socialists, or the anti-Russian tendency among the Socialists, and of the extreme Right. It is doubtful whether such a coalition will be capable of asserting itself against the Lublin Committee of Liberation. The controversy between the Government and the Committee may easily become a conflict between two minority factions of which neither really represents the broad mass of the Polish people.

Allied Responsibilities

M. Mikolajczyk's resignation may be interpreted as evidence that the policy of a compromise between Poland and Russia has failed. Should this interpretation prove to be correct, then each of the Great Allied Powers would bear its share of responsibility for this tragic outcome. M. Mikolajczyk's willingness to make concessions and to come to terms with Russia has so far not met with any real response or encouragement from Moscow. It would have been in the Russian interest, if Russia really intends to respect Poland's independence, to strengthen the hands of the conciliatory Polish politicians by meeting them part way, if not half way. The essence of any policy of compromise is give and take. So far the Russians have proposed to give the Poles the dubious benefits of a frontier on the Oder without giving them any convincing assurance that in Poland proper they will be the masters of their own fate. The Poles have been told that they will be given Stettin, but they do not know yet whether Warsaw will really be theirs. This explains the striking growth of anti-Russian sentiment among the Poles. British—and even more so, American—policies are to be blamed for their glaring inconsistencies. The Poles were left for far too long to believe that they would find support in Allied countries for intransigence towards Russia; and that the Western Allies would be able and willing to intervene actively in eastern European affairs. This period of illusion led to a correspondingly more painful disillusion. The Western Allies have now swung over to the other extreme and has backed the Russian viewpoint far beyond the limits of reason. If British and American diplomacy could do little or nothing to help the Poles, it ought at least to have refrained first of all from encouraging them to get themselves into a hopeless position, and then later from endorsing the Russian policy when it became manifestly unjust and wrong. Past mistakes do not absolve the Allied Governments from future responsibilities. The possibilities of a just and workable agreement between Russia and Poland ought to be explored anew. They will not be found if a broadly based Polish Government is not re-appointed; and they will not be exploited unless the policies of the British and American Governments are more balanced, realistic and just than they have been hitherto.

Chicago Bargaining

The debate on the blank spaces left in the draft convention on civil aviation continues at Chicago. How it is progressing is so far unknown, since discussions are being carried on in private. It is clear, however, that the conference has already achieved more than could have been expected, and the convention, even if the blanks are not filled in, will cover a wide range of technical matters and many of the less contentious items on the economic side. The points that are still in dispute are the closely connected ones of the regulation of traffic by quota and of the so-called "fifth freedom of the air" (that is, the right of aircraft flying on world-wide routes to pick up traffic en route—for example, the right of an American aircraft flying between New York and Moscow to carry traffic between London and Paris). It has been very difficult for observers in London to find out what has been happening on these issues. Like other recent conferences in America, it has not been fully reported and has been surrounded by a cloud of prejudicial nonsense created by the American reporters, who, on this occasion, have been particularly childish in reporting everything as a "victory" for their own side. The truth is that the two extreme positions, those of the United States and the United Kingdom, have been steadily approaching each other and there have been compromises on both sides. The original American proposal, which was for an international organisation

having power in technical matters and having consultative functions in economic matters,

has been widely departed from, and the American delegation has accepted the principle of quotas. (This much is evident from the discussion on the interpretation of the "escalator clause," which governs the methods by which quotas can be increased in the event of an increase in

traffic carried; if there were to be no quotas, there would be no escalator clause.) On the other hand, the British delegates, by accepting the principle of an escalator clause, have equally departed from their original position and have made a concession to the view that those (i.e. the Americans) who can get the traffic should be allowed to carry it.

On these lines, it would appear, an agreement could have been reached some time ago. But the question of the "fifth freedom" was then tossed into the ring—it would appear, by the Americans and (it would also appear) contrary to their original proposals. What this "freedom" means in substance is that if the United States could, in bilateral negotiation, persuade a country at the other end of the earth—let us say Siam—to permit an American airline to terminate in its territory, then it would have the right, not merely to cross other countries to get there ("the right of innocent passage"), not merely, on the way there, to carry passengers between New York and London, or between New York and Paris, but also between London and Paris. Clearly, by this means, American airlines, with their enormous initial advantages, would be able to scoop the pool. The British attitude was not (as it well might have been) to refuse this "fifth freedom" completely, but to say that it could only be permitted if it were governed by the quota arrangements—that is to say, the number of flights made by American airlines from New York to Bangkok would be governed by the amount of traffic arising from New York to Bangkok, and it would only be on these flights that intermediate traffic could be carried. What is more, since Orient Express services would be provided on a journey more suited to a local train, higher fares should be charged for local traffic carried on through flights. These proposals the Americans have rejected, claiming that their quota for intermediate stages should be determined by the traffic they can attract on these intermediate stages, irrespective of the amount of through traffic carried. If this were granted, the "through" character of the flights would be merely a farcical formality. There, apparently, the matter rests at the moment. The emergence of the "fifth freedom" explains what was so difficult to understand in the early stages of the conference—namely, why the Americans, who harp so much on "freedom," also insisted on bilateral negotiations, which are *prima facie* the most restrictive system. It is now clear that they had no intention of engaging in bilateral negotiations with other countries who possess civil aviation of their own, since that would inevitably have meant a division of traffic with those countries. The American intention was to limit their bilateral negotiations to securing terminal points—plenty of countries without flying ambitions would be ready to oblige—and then to claim from the intermediate countries, in virtue of these terminal agreements and the "fifth freedom," all that they wanted. This would seem to be another instance in which the fine moral principles proclaimed in Washington turn out to have very special definitions, tailored to fit self-interest.

British Air Policy

The British attitude to the whole problem stands halfway between that of the American and the Australasian delegates. While unwilling to see a complete monopoly of air transport in the hands of an international authority, as Australia and New Zealand, backed by France, have advocated, Britain is supported by almost all European countries in demanding some regulation of unbridled American competition. American airlines have clearly gained a relative benefit from the war, while the development of British and European air transport has necessarily been hampered and interrupted by the interference of the war, both in the production of planes and in the building-up of routes and services. The whole wrangle is bound up with the benefits accruing to American aviation from late participation in a war carried on at a greater distance from its home territory. At the same time, the liberated European countries are hesitant to oppose American ambitions in the air too strongly so long as they are primarily dependent for their material reconstruction on American relief and lend-lease. The smaller nations have secured a gradual expansion of the national representatives on the board of the organisation to 21 members. But if the organisation is to be powerless to protect them from intense American competition in Europe and elsewhere, this concession will not be of much value to them. The feeling against the British

attitude in America is, not unnaturally, very strong. Lord Swinton has done much to make it clear that Britain is not alone in its "obstruction," but the belief that it is Britain that is hampering the progress of aviation is still not balanced by any clear appreciation of the points at issue. In effect it is the United States, not Britain, which, in its bid for a mastery of the air comparable to British mastery of the sea in the past, is running counter to the hopes of all for "a fair chance to operate international lines."

Sir William Beveridge on Tour

Sir William Beveridge's "Midlothian Campaign" has raised new hopes of a Liberal revival. The policy put forward at Newcastle-upon-Tyne and Oxford, though stronger in its principles than in its practical proposals, is one that should command considerable support. At Oxford, on Monday, Sir William's main task was to show that positive planning by the state is not incompatible with the freedom of the citizen. He condemned the attitude of mind that regards all liberties as equally important:

The essence of Liberalism is to distinguish between essential liberties, to be preserved at all costs, and lesser liberties, which should be preserved only so far as they are consistent with social justice and social progress.

This is a most useful corrective to the rival views of those individualists and collectivists who contend either that all controls are odious or that the degree of state control is a measure of social and economic progress. The Liberal party has discovered a worthy champion and the champion is working energetically to formulate and propagate a truly liberal creed. If Liberalism is regarded at the polls as no more than the policy of a centre party with a bias to the left and a programme of compromises it has very little chance of success. The Liberals should now define their practical aims and methods and should show clearly, and repeatedly, where their tenets differ from those of Labour. The recent history of the party is such that it will not do to leave the public to draw its own distinctions and conclusions.

Parliament's Watchdog

The Select Committee on National Expenditure is becoming a public institution, and its reports—though sometimes too readily regarded as omniscient and conclusive—have made a valuable contribution to the efficient and economic prosecution of the war. It may therefore come as something of a shock to the general public to read in the Committee's latest report that the present Select Committee on National Expenditure is a purely *ad hoc* body, appointed year by year, with terms of reference limited to the examination of public expenditure on purposes "directly connected with the war." This limitation has not, it is true, prevented the Select Committee from covering a very wide range of subjects, as is shown from the catalogue of its activities since 1939; it must, however, limit its usefulness in the forthcoming transition period, which will call for careful supervision of public expenditure. No such limitation was imposed on the Select Committee of 1917-20, and the Committee's suggestion that it should be re-appointed with its terms of reference amended is obviously sensible. Equally sensible, though it raises far wider issues, is the proposal that Parliament should appoint a special Select Committee to enquire into the whole machinery for Parliamentary control of expenditure. The Committee points out that

the House has been successful in setting up machinery capable of securing that money is spent only upon the objects for which it was voted, but has not succeeded in devising satisfactory permanent machinery to secure due economy in that expenditure.

It draws attention to certain snags in the present procedure for supervising public expenditure. One is the form in which estimates are presented to the House—the "penny notebook" system—which makes it impossible to determine what the real total expenditure has been or would be on any particular object. Another is the danger of overlapping with the Public Accounts Committee, whose duties are more in the nature of a post-mortem, and which is mainly concerned with seeing that the actual expenditure of departments corresponds to the estimates approved by Parliament. It is clearly desirable to enlist Members of Parliament for the all-important service of scrutinising the nation's expenditure, yet there are very real disadvantages

in creating permanent standing committees, which are apt to produce a privileged caste of legislators. Whatever final solution may be reached, a full report on the mechanics of Parliamentary control of expenditure must be the first step.

Trade Union International

One of the most important decisions announced at the recent meeting of the Trades Union Congress was the calling of the world trade union conference early in February, 1945. The Conference was originally to have been held in June, but had been postponed because of the war situation. Next week the Conference's Preparatory Commission, consisting of representatives of the British TUC, the Soviet Trade Unions and the American Congress of Industrial Organisations, meets in London to prepare the agenda and arrange the administrative details. The Commission will be faced with a more difficult task than its terms of reference would suggest. The position of the British representatives is particularly delicate, for, as always, they will be expected to hold the balance. The TUC has always maintained close links with the American Federation of Labour—there is a joint trade union committee and there are mutual exchanges of "fraternal delegates" at annual conferences. It has no such links with the CIO. The Federation has now reaffirmed its intention not to attend the world conference because the invitation has been accepted by the CIO and by the Soviet trade unions, which they do not consider "free" trade unions. What the British must decide, now that force of circumstances has flung them into the arms of the CIO, is what their future relationship with the AFL can be. Macheath's dilemma was child's play compared with that of Sir Walter Citrine. This problem leads to the wider problem of the future world trade union organisation. One of the declared objects of the February conference is to reconstruct the trade union international. But what is to be its basis? Mr Sidney Hillman, fresh from his successes in the Presidential campaign, is putting forward proposals for a World Political Action Committee. The Soviet point of view, sharply expressed in an article in *War and the Working Classes*, is that there can be no question of a resurrection of the Amsterdam International, which excluded the Russians and the CIO and was dominated, until 1933, by the German unions. This International, however, is far from being dead; it will be represented at the conference and most of the European movements still acknowledge it. The international trade union conference, it would seem, will call for as much diplomacy as any inter-Governmental conferences.

Visit to Holland

More than four-fifths of the Dutch population is still under German rule, and the liberated provinces of Limburg, Brabant and Zeeland are an operational zone. The liberation of Holland is thus in its first stages, and at the moment, even in the liberated provinces, Shaeff's authority cannot be questioned. The local administration has been put into the hands of Military Commissions nominated by the Dutch Government in London. Economic activities are almost at a standstill, and workers in the coalmines and factories of Limburg province are virtually without employment, although they are kept on the payroll. The food situation and the punishment of collaborators seem to be the first concern of the section of the Dutch people which has been freed. But they have suddenly begun to take an interest in politics as well, and there is no doubt that their ideas do not coincide with the Government's plans for the political reconstruction of Holland. The Press, both old and new, in the liberated provinces, which are predominantly Catholic, is emphatic that something new should be built in national policy, some structure of a united Holland in which professional politicians and party interests will no longer have any place. The three different trade unions, the Free, the Catholic and the Christian unions, already appear to have achieved some unification of their policy. The newspapers are unanimous in demanding swift and just punishment for collaborators. Both workers and management of the Eindhoven factories even staged a short strike to demonstrate against the lenient treatment of collaborators interned in one particular camp. This popular dissatisfaction seems to have prompted Professor Gerbrandy and some of his colleagues to visit Holland. The Prime Minister stated that he intended to get first-hand information about the situation

and to solve the problems of food distribution, of the purge and of the organisation of a new Dutch army on Dutch soil. The Premier himself will soon return to London, but some of his Ministers—notably the Minister of Justice, who is also head of the police, and the Minister of War will stay in Holland and will doubtless try to establish their authority as Ministers of the legitimate government. It is thus not only a visit for information purposes. The Dutch Government has clearly found it necessary to back up the authority of the Military Commissioners, who in some places are alleged to have maintained collaborators in important positions. As long as the liberated provinces remain an operational zone open conflicts are hardly likely, but the differences between the Government and the people are large enough to foster discontent.

Canada and Conscription

The Canadian political crisis over the application of conscription for overseas service is still at its height. Feeling is running high on both sides. The advocates of conscription, who appear to be in the majority, are making the most of the fact that the supply of adequate drafts for the Canadian Army is now virtually impossible by voluntary means. But in Quebec resistance to conscription is adamant and French Canadian troops stationed in British Columbia have reached a state of insubordination officially described as mutiny. In the midst of these passions, Mr Mackenzie King has not abandoned the attempt to steer a middle course. An Order in Council has been passed authorising the conscription of 16,000 men, but this has not quieted the storm, since Quebec is enraged at the principle, and the critics complain about its insignificant application. Having lost one Minister, Colonel Ralston, in protest against the refusal to conscribe, the Prime Minister has now lost another Minister, Mr Power, in protest against the decision to conscribe. It is impossible not to have sympathy with Mr Mackenzie King's objects. It will really make very little difference to the course of the war, or to the magnitude of Canada's part in it, whether a handful of men are conscribed or not, while, on the other hand, the damage done to the relations between French-speaking and English-speaking Canadians might disturb the unity of the Dominion for decades to come. The difficulty is that the course that Mr Mackenzie King has chosen to follow in evading the issue has involved so much equivocation and ambiguity, so little candour and so much misleading, that he has destroyed his own moral authority and is now, it would appear, not fully trusted by either side. His policy has been to appear to concede the principle of conscription without in fact applying it. He did this when he asked the Canadian people, in a special plebiscite, to give him powers to impose conscription—and having got the powers, refused to use them. It is believed that the new Order in Council is the same thing on a smaller scale, or at least that it will not be applied to any citizen of Quebec. Had Mr Mackenzie King been willing, earlier in the war, to widen his Government to a coalition basis, he would not now be open to the imputation of putting his party's interest before the country's. The imputation is the more unfair, since his present course bids fair to achieve the exact opposite. He may succeed in pre-

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

venting an open breach between Quebec and the rest of the Dominion—which is certainly the patriotic thing to do—but the Liberal Party's chances at next year's General Election, poor before this crisis arose, are now much worse.

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Change of Government in Persia

The new Persian Government, headed by M. Bayatt, presented itself to the Diet in Teheran last Sunday. The former Prime Minister, M. Saed, had resigned in order that the tension between Russia and Persia, which had followed his refusal to accept the Russian demand for oil concessions, should not be aggravated. It does not seem likely that the new Government will be much more amenable on this point, but it has started in office with some friendly gestures towards Russia, and some of the most outspoken anti-Russian newspapers have been banned. The Russian attitude towards M. Bayatt's Government has not yet been clarified. At first, M. Bayatt was strongly criticised, but, more recently, the Russians have adopted an attitude of wait and see. Meanwhile, the situation inside Persia is still troubled. Russian propaganda is hard at work through all sorts of channels, from the People's Party and the Societies of Friendship with the Soviet Union to the Societies of Moslems which were recently founded under Russian auspices. Resolutions and petitions demanding the granting of oil concessions to Russia continue to pour into Teheran. Some Persian newspapers, however, claim that people in northern Persia have been forced by Russian soldiers to sign those petitions, and that those who refused have been deported by the Russians. Resentment against Russian interference has been voiced fairly widely, and its expression has culminated in the demand that the head of the Soviet Mission and Vice-Commissar of Foreign Affairs, M. Kavtaradze, who is blamed for most of the trouble, should leave Persia. The next week or two will show whether M. Bayatt's Government will be more fortunate in improving Russo-Persian relations than its predecessor.

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FBI and Bretton Woods

The Federation of British Industries has issued an interesting report on the Bretton Woods Agreements. The gist of it is that since "an abundant and prosperous international trade is of vital importance to the United Kingdom" and since a regime of free interconvertibility of currencies is obviously the ideal, "the successful functioning of the Monetary Fund and the International Bank would make an important contribution to Britain's prosperity." But the operative word is "successful" and the FBI is not hopeful of success until progress has been made in commercial policy, in the "orderly marketing of staple commodities at fair prices," in measures to alleviate the problems of reconversion, and in "an international understanding to maintain high levels of employment and rising standards of living." It is accordingly recommended that the full application of the Bretton Woods agreements should not come into effect until a further conference has been held at the end of the interim period to review the progress made in these directions. This is the view that is held by a very large number of people, perhaps the majority, in this country. "Bretton Woods will work if the nations, America in the first place, balance their trading accounts and maintain full employment. Let us wait and see whether those conditions are observed." It is a temptingly attractive view. But there are two difficulties about it. The first is the familiar difficulty of any interim period. The pressure to finalise, especially when one powerful country has an interest in finalising, will be immense and very difficult to resist. A few easy years would make caution and delay look like recalcitrance. The second is that, if we are to wait for a full test, we may have to wait for much more than three or five years. After the last war, a final verdict could not be passed on the feasibility of the new currency system until 1931, thirteen years after the Armistice. Nevertheless, this middle course may be the only way out of the dilemma into which the country has been allowed to drift. It has disadvantages, but they are probably smaller than those that would attach either to complete acceptance or to outright rejection. In the meantime, while these arguments rage round the Monetary Fund, the International Bank is neglected. The Bank is less controversial than the Fund and more urgently needed. In the Final Act the two are tied together, but if the Bank could be untied and set up separately, great advantage would result.

National Airways in Australia

The Australian Government has put the match to political dynamite with its decision to nationalise interstate airlines. The announcement, made by the Acting Prime Minister, Mr Forde, was quite unexpected. It proposed a statutory authority to take over—by July next year—the assets and staff of the airline companies at a compensation cost of between £2 and £3 million (Australian currency). The Government already own and maintain all airfields, radio and meteorological services, and the extension of public ownership is likened to government operation of railways and broadcasting. Overseas air transport would remain the monopoly of Qantas, the Australian counterpart of BOAC, while the question of airlines operating within state boundaries—mainly small feeder lines—is still under consideration. Mr Forde's announcement, which has naturally caused a storm of protest against "socialisation by a labour caucus" and "arrant political confiscation" from the ranks of the opposition, is an interesting sequel to Mr Curtin's defeat at the August referendum. By a majority of nearly 54 per cent, the electorate then refused the transfer of powers for post-war reconstruction from the states to the Commonwealth Government. Among the list of subjects over which Mr Curtin sought power to legislate was air transport. Consequently, although opposition to the necessary legislation will probably be futile against Mr Curtin's strong Labour majority, the Bill will probably be questioned on constitutional grounds. What the decision of the High Court would be it is impossible to tell, but the Government have apparently taken the plunge fortified by the advice of the Crown Law Department. Whatever the outcome, it will be a test case. If successful, Mr Curtin may be able to put through a social and economic policy which apparently received a severe setback at the time of the referendum. Obviously, he will be able to count on better support if he attacks the opposition of business to "socialisation" and the opposition of Labour to "bureaucratic direction" separately, on different issues, rather than together as in the referendum.

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Tito and Mikhailovitch

The bitter rivalry between Marshal Tito and General Mikhailovitch has now ended with Marshal Tito's complete triumph. General Mikhailovitch has fled to Italy, since he obviously has no hope of being recognised as an ally by the Russian Command in Yugoslavia. At the same time an agreement between the Soviet Government and Dr Subasitch, the Yugoslav Prime Minister, has been announced from Moscow. How far this will result in a real merging of the Government and of Marshal Tito's Committee of Liberation cannot yet be foreseen. It is even less certain whether Marshal Tito and Dr Subasitch between them will win the support of the Serbs, since both can much more confidently speak for the Croats and the Slovenes than for the senior of the three partner-races. Marshal Tito has made an attempt to win over the Serbs by announcing an amnesty to General Mikhailovitch's Chetniks on condition that they give themselves up to his authorities before a specified date. But the implication of the amnesty is that it has been an offence to have served under General Mikhailovitch.

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Coal for the Winter

The Ministry of Fuel appears to be muddling its coal publicity as badly as it has muddled its coal policy. When the coal shortage first became apparent, the economy campaign did achieve considerable savings which, together with warm winters, enabled the Ministry to scramble through to the summer. The Ministry's latest announcement, however, seems to be almost a positive incitement to people not to economise. Just as the very serious position in the coal industry has begun to be recognised by the whole country, the director of supplies at the Ministry states that there will be sufficient coal supplies for industry and domestic consumers during the coming winter. It is quite true that he also said that this will depend on three conditions; but two of those conditions—that enough is produced and not too much consumed—are such truisms, and the third—that transport conditions are reasonably good, which largely depends on the weather—so incalculable that the public will be forgiven if it ignores them and fastens upon his main pronouncement. It would surely have been

wiser, at this stage of the winter and the war, to have emphasised first of all that coal output continues to decline. The consequences of this for military operations ought then to have been frankly stated. This would probably bring the need for fuel economy more sharply home than anything else, for the prospect of a sixth summer of war is more alarming than the unlikely chances of an empty grate.

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Institutions and Homes

The Home Secretary has ordered an inquiry into the provision of remand homes made by the London County Council and into the administration of the homes. In the interest of the children and young persons detained in the homes, the inquiry will be held in private, but the report will be published. The inquiry arises from the criticisms of the LCC made by Mr John Watson, a juvenile court magistrate, but the case before him was only the latest in a series of incidents that have awakened public interest in the fate of children who come before the law. It is, therefore, a pity that the inquiry is to be so limited in its scope. The Home Secretary's new advisory council on the treatment of offenders is, it is true, to give special attention to juvenile delinquency. But it is not only the fate of offending children that needs investigation. It is the fate of all neglected, abandoned, illegitimate and orphaned children, of the children of Mrs. Paneth's "Branch Street" and of "Our Towns," that should be inquired into. In a remarkable correspondence in *The Times* this summer, writer after writer urged the drawbacks of even a well-run institutional life for a child, and the impression was left that all but the exceptionally bad homes are to be preferred to an institution. As a result of the correspondence, the Nuffield Provincial Hospitals Trust has made a grant to the Provisional National Council for Mental Health to undertake a research into the social adaptation of children brought up in institutions. But this again is too limited an inquiry, though it will be valuable to have scientific evidence to confirm or correct personal impressions. It is not enough to prove that institutional life is bad for a child; the alternatives of adoption, boarding out or leaving the child in its own abnormal home life should be considered. A motion, supported by over 200 MPs of all parties, has been tabled in the House of Commons asking for a Commission to inquire into "the provision made by Government Departments, local authorities and charities for children deprived of a normal home life." It is a far-reaching inquiry of this sort that is wanted.

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United We Stand

The discomfort of railway travel has been one of the most unpleasant wartime burdens of the civilian population. For five years the passenger's cry has been "United we

stand"—a pathetically pointless if noble watchword since whether united or divided there has been no room to fall. The British railway train, like the British legislature, is bi-cameral; and from time to time both upper chambers, the first-class compartment and the House of Lords, are bitterly attacked by class-conscious critics. The mistake that such reformers make is that they are content to level down when the means of levelling up are at hand awaiting development. But if it is true, as a correspondent of *The Times* has alleged, that first-class accommodation on the railways is subsidised by third-class fares, there would seem to be a case for the abolition of the upper chamber. The subject is clearly a matter for careful inquiry. After the war the public's first demand will be for adequate seating accommodation rather than luxury—and it might be a good idea to resuscitate the defunct second-class as the one and only compartment for this purpose. The needs of those regular long-distance travellers who must work on their journeys might be met by a system of seat reservation. The retention of "First" and "Third" smacks a little of Disraeli's "Two Nations" which is surely a little out of date.

Shorter Notes

The tributes that have been paid, from every quarter, to Mr Churchill on his seventieth birthday leave little more to be said. As a war leader, he has deserved supremely well of the state. As a man, he commands a degree of personal affection that few of the great achieve. It must be enough to say—and the Prime Minister himself will take it as the highest compliment—that somewhere in the shades another Churchill, who also served his country as Captain-General and who also did his best work late in life, must this week be very proud of his descendant.

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The "five-year settlement" of mining wages is coming unstuck already, since the mineowners are proposing to make the payment of the guaranteed minimum dependent on reasonable diligence by the workers. The Mineworkers' Federation say they reject this entirely. But what alternative proposal have they to meet the now well-established fact that the more that is conceded to the miners the less work they do?

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The BBC, according to its Director-General, Mr W. J. Haley, is to have three home service programmes after the war. In addition to the existing Home Service, there will be a second programme "capable of regionalisation in the same way as programmes were regionalised before the war," and a third programme whose contents were still being planned, but would "inevitably widen the scope of broadcasting enormously." In addition, there would "eventually" be television. This does not sound like enough variation from the mixture as before to make any difference.

AMERICAN SURVEY

American Notes

Mr Hull's Successor

Ill-health has brought about the resignation of Mr Hull after nearly twelve years in office. He is to be succeeded by Mr Edward Stettinius, who went to the State Department from the Lend-Lease Administration when Mr Sumner Welles retired in September 1943. President Roosevelt's reference to Mr Hull as the "Father of the United Nations" and the hope that Mr Hull may recover to preside at the opening session of that body, do no more than justice to the untiring efforts of the Secretary of State in the cause of international collaboration. The policies of the State Department, under Mr Hull's administration, have not always been popular; and the Secretary did not take kindly to criticism. But on the main issues there has never been any doubt of his single-mindedness, his integrity, and his disinterestedness. His unique place in American politics, where party rancour seldom discriminates, was attested by Governor Dewey's suggestion, during the election campaign, that if he were elected he would seek to retain Mr Hull's

services. His influence on public opinion, and particularly on his old colleagues in the Senate, will be sorely missed in the Administration, which is most vulnerable on the score of its relations with Congress. Early in his period of office, Mr Hull, a last representative of the Southern low-tariff tradition, was responsible for the Reciprocal Trade Treaty programme, with which he attempted to mitigate the rigours of the American tariff. The participation of the United States in a firm system of collective security was the goal to which he devoted his later years. In this Mr Hull's greatest strength has been his realisation that to take the Senate into his confidence, step by step, was the surest means of preventing a repetition of the veto of 1919. To gain this end he has shown an unexpected patience. The discriminating repudiation of isolationists in last month's election is the measure of his success. The new Congress, with which Mr Stettinius will have to work, contains few of the old obstructionists and a host of new and able allies; and a mandate for international co-operation is clear. It is said in the United States that Mr Stettinius' appointment means that President Roosevelt is now free to act as his own Secretary of State. The President, who was returned to office primarily on the issue of foreign policy,

certainly will be no more indifferent to the workings of the State Department than he has been in the past; and the choice of Mr Stettinius no doubt reflects a similarity of outlook. But there is nothing in Mr Stettinius' record to suggest that he will be content to be a cypher.

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The Job Programme

During the election campaign President Roosevelt promised that after the war there would be jobs for 60 million people. Congress already is debating a series of public works measures which are designed primarily to implement that promise. One is a post-war highway programme, to cost the Federal Government an estimated \$100 million. Greater interest is aroused, however, by the proposal to spend approximately \$1 billion on a flood control programme for 23 river basins and for work on 290 river and harbour projects. In the past, rivers and harbour improvements have often had a strong flavour of the pork barrel; and at best they have been piecemeal and unco-ordinated, with the advocates of navigation rights at loggerheads with the advocates of public power development and irrigation. The Tennessee Valley Authority has provided the country with an example of what can be done by integrated planning for the development of the power, soil, navigation and irrigation potentialities of a whole river region. An amendment to the River and Harbour Improvement Bill, providing for the creation of a Missouri Valley Authority, has now been proposed by Senator Langer of North Dakota and Senator Murray of Montana. In 1933, in his original TVA message, Mr Roosevelt said:

If we are successful here, we can march on, step by step, in a like development of other great territorial units within our borders.

Advocates of the use of existing federal agencies will put up a stiff fight against their supersession, but the success of the TVA has been so manifest that this may be the golden opportunity for extending its techniques. Another project which is being re-examined in the light of its effect on employment is the St. Lawrence Seaway. This was to be a joint US-Canadian undertaking, to deepen and dam the 1,900 miles of the St. Lawrence in order to provide cheap power and "maritime coastlines" for the Middle West of both countries. In 1934 the Senate failed to muster the two-thirds majority necessary to ratify the treaty to this effect signed in 1932. Senator Aiken of Vermont is now pressing for reconsideration, and a Senate subcommittee is holding hearings to determine whether the project needs to go through the process of treaty ratification, or whether it might be passed by a simple majority of both Houses in the form of an executive agreement. The acknowledged need for Federal public works to supplement private employment after the war can, if it is imaginatively handled, be made to yield great national benefits.

* * *

Cracks in the Solid South

In the Electoral College this year the Southern states are as solidly Democratic as they have ever been. But the voting in the Southern states suggests that last summer's "revolt" was not as ephemeral as it seemed at first glance. Mr Roosevelt's popular majority in the country as a whole was slightly over 3,000,000 this time, compared with a lead of 5,000,000 over Mr Willkie in 1940. The greatest defections came in the 17 Southern and Border states, where Mr Roosevelt polled 1,400,000 fewer votes than he did four years ago. Alabama cut his majority by 110,000; Arkansas, 58,000; Florida, 64,000; Maryland, 89,000; Mississippi, 69,000; North Carolina, 173,000. In the same states Governor Dewey only ran 238,000 behind Mr Willkie, and in Virginia he polled 145,000 votes to Mr Roosevelt's 235,000. Some Southern votes, of course, were cast in the northern industrial cities, to which Southern workers have migrated. But even allowing for this population shift, it appears that about three-quarters of a million normally Democratic voters failed to turn out for Mr Roosevelt. The decisive Democratic victories were rolled up in 13 cities with populations over 500,000. Mr Roosevelt could, in fact, have won without the electoral vote of a single Southern state. But this is a feat probably impossible for any other Democrat. What is more probable is that a candidate of the sympathies, say, of Mr Wallace, might, in 1948, lose much of the South and with it the election. In Congress, the similarity of interests between the conservative Southern

Democrats and the Republicans on domestic issues has been amply demonstrated. The legacy of bitterness left by the Civil War has ruled out any shift of party allegiance in the South, except in such unusual circumstances as those of 1928. In that year eight Southern states rebelled against Mr Al Smith, the Democratic candidate, because of his Catholicism, his stand against Prohibition, and his Tammany connections. But the Democratic Party, like the old grey mare, "ain't what she used to be." The influence of Labour on the party, which the South has always resented during the Roosevelt Administrations, has been immensely enhanced by the achievements of the Political Action Committee of the Congress of Industrial Organisations. Republican strategists are unlikely to neglect the evidences of disaffection in the South when they plan their campaign for 1948. A realignment of both parties is in the cards.

* * *

Press Paradise

Mr Kent Cooper, general manager of the Associated Press and author of "Barriers Down," is leading a crusade to incorporate a "charter of freedom for news and communications" in the peace settlements. In an article in *Life* he demands freedom of access to news, freedom for agencies to compete or to exchange news, and an end to preferential rates of transmission. Mr Cooper, like most big business executives, experiences a peculiar moral glow in finding that his idea of freedom coincides with his commercial advantage. In his ode to Liberty there is no suggestion that when all barriers are down the huge financial resources of the American agencies might enable them to dominate the world. His desire to prevent another Goebbels from poisoning the wells will be universally applauded, but democracy does not necessarily mean making the whole world safe for the AP. In this, as in other post-war issues—such as civil aviation—commercial practices are habitually confused with such big words as Liberty and the Rights of Man. One of Mr Cooper's happier suggestions is that news correspondents abroad should enjoy diplomatic immunity, without any of its responsibilities. This would turn the Fourth Estate into a king that can do no wrong. The comments of Marshal Stalin and the Generalissimo on the proposition that the war is being waged to secure extra-territorial rights for, say, the *Chicago Tribune* would be worth hearing.

* * *

Military Training

The need for a system of compulsory military training after the war is being kept before the public both by the Services and the President, and it is believed that the Administration will take active steps to secure legislation to this end when the new Congress meets. The stiffening of the opposition underlines the importance of striking while the iron is hot. The most determined resistance is being offered by the Churches, both Catholic and Protestant; and they have been reinforced by a broadside from the National Education Association. Peace-time conscription offends the instinctive anti-militarism of the Protestant Churches, who are convinced that to introduce universal military training is to surrender to the very forces with which America is at war. The Catholics are even more alarmed by what they regard as a threat to the influence of the home and parental control over the young. The Administration is on the strongest ground when it relies upon the Service view that this is a matter of urgent military necessity. This is the argument which will be supported by returning Servicemen. Mr Roosevelt has chosen, however, in a recent press conference, to suggest that national defence is only one of a number of ends which might be served by exacting a year of service to the state from all young people; and that such a scheme would bring a substantial return to the nation in the improved health and training and widened democratic outlook of its young citizens. The President does not seem quite clear, in short, whether this is a case for treatment by Dr Win-the-War or Dr New Deal. By this approach he may hope to disarm anti-militarist sentiment. But it is a tactic likely to be resisted by many who would otherwise feel compelled to assent. It has already been attacked as another New Deal scheme for indoctrinating American youth with the belief in the omnipotent state; and in practice, the most austere scheme would not be immune to the charges of political bias which plagued the old Civilian Conservation Corps.

THE WORLD OVERSEAS

Polish Cross Currents

(By a Polish Correspondent)

POLAND'S attitude towards Russia has always been the central problem in Polish politics. It is generally assumed that the different policies on the question more or less coincide with the accepted divisions between Right and Left. The present crisis in the Polish Government, discussed on page 727, has revealed that this is only partly true. The crisis itself has been caused by the opposition of some Socialist leaders to the policy of conciliation with Russia for which the Peasant Party and its leader M. Mikolajczyk stood. The Right Wing, of which the National Party forms the core, has been divided on the issue. The controversy has cut right across the political divisions between the parties.

Present motives as well as historical traditions explain these cross currents. The Polish Socialist Party has, since its inception, been the party of Polish patriotism, the Party of Independence *par excellence*. As such, it was primarily anti-Russian up to the end of the first World War. By far the largest part of Poland was then under Russian rule; the Socialists saw their chief enemy in the Tsarist Empire, against which they fought with incomparably more bitterness than against the Austrian and German dynasties that ruled over the western Polish lands. At that time Tsardom was regarded as the chief enemy of international Socialism as well. (Significantly enough, it was at a meeting convened to express the sympathy of western Socialists with the Polish insurrection of 1863 that the first Workers' International was founded by Karl Marx.) But the nationalist sentiment in the Polish Socialist Party and the grievance against Russia were strong enough to set barriers of distrust between the Polish Socialist Party and the Russian Socialists. Under the Tsarist Empire, the Polish Socialists used to coalesce with the Left of other oppressed nationalities, the Latvians, the Finns and the Georgians. Together, they dreamed romantically of a wide federation of all these nationalities after their liberation from the Russian yoke.

Their dreams died hard even after the Russian Revolution. They coloured Polish politics in the first years of Poland's independence, when Pilsudski's federalist plans found a considerable response among the Socialists. Memories of those dreams could still be traced in the more recent Polish plans for a federation from the Baltic to the Aegean. Nevertheless, in the inter-war years, the anti-Russian edge in the policy of the Polish Socialist Party was blunted. Russia's appeal for proletarian solidarity was not altogether ineffective. It induced the Socialists to abandon their old paths. Immediately before the war they were foremost in demanding that Poland should adhere to the policy of collective security, which was a synonym for an alliance with Russia and the western democracies.

The Policy of the Right

The traditional pattern of the Right Wing was entirely different. The National Democrats, who in later years assumed the name of the National Party to mark their divorce from democracy, were primarily anti-German and pro-Russian until 1914. The leader of the National Democrats, Roman Dmowski, whose teachings are still gospel to his disciples, preached and practised collaboration with Tsardom. The attitude of the patriotic Polish Left towards Dmowski's party in those years might be compared with the attitude of French resisters towards Vichy. The National Democrats were pilloried as traitors to the national cause. But the "Polish Vichy" lasted more than a century, and the National Democrats were quite in harmony with the unromantic outlook of their middle-class following when they sought accommodation with their foreign rulers. Paradoxically enough, and yet in conformity with this

historical pattern, the National Democrats were in semi-opposition to Pilsudski's march into the Ukraine in 1920. The inclination to pro-Russian policies on the Right Wing reasserted itself even as late as 1941 when the Polish Minister of Information, Professor Stronski, a former leader of Dmowski's party, welcomed the Russo-Polish agreement, concluded by General Sikorski, as a posthumous triumph for Dmowski's political principles. Nevertheless, the pro-Russian tradition of the Right clashed strongly with social and nationalist motives which, after 1917, threw Nationalist opinion into the anti-Russian camp. The National Party was a persistent, though frustrated, imitator of fascist political models. For ideological reasons it had to become anti-Russian.

The re-alignments have, however, never been quite completed, and they have caused open or latent splits on the Right as well as on the Left. In the inter-war years, the Socialists almost contrived to live down their anti-Russian tradition and the Nationalists unlearned their pro-Russian inclinations. Yet at present it is again the Socialist President-Designate, M. Arciszewski, and the Socialist Vice-Premier, M. Kwapinski, who have come to the fore as spokesmen of the anti-Russian policy, while the veteran leader of the Nationalists and Chairman of the National Council in London, M. Grabski, has represented the most conciliatory attitude towards Russia. But the strongest section of the Nationalists in exile still adheres, together with the Pilsudskists, to the most extreme anti-Russian policy, while inside the Socialist Party the anti-Russian line meets with considerable opposition.

The Third Policy

The Peasant Party has been least of all affected by these dilemmas. It is the youngest and most influential of Poland's popular movements. It grew to maturity and became a decisive factor in Polish politics only after the rebirth of the Polish Republic in 1918. It has not been torn between pro- and anti-Russian traditions. Its Right wing has been socially conservative; and its Left wing radical. The party as a whole has drawn its strength from central and western Poland, and not from the east, where the peasantry is not Polish. The eastern borderland, with the exception of Eastern Galicia, now also claimed by Russia, have always been to the Polish peasants remote and misty. The Polish element there has consisted of landlords, intelligentsia and a few workers. The Ukrainian and the Byelorussian peasants were organised in their own national parties, which had little in common with their Polish counterpart. The gentry and the intellectuals, on the other hand, regarded those lands as strongholds of Polish tradition and character. It has been from there that some of Poland's spiritual leaders and her staunchest nationalists have hailed. The intelligentsia of gentry stock, who have strongly influenced the political outlook of, among other movements, Polish Socialism, have surrounded those eastern borderlands with romantic legend and national exaltation, which carefully ignored their non-Polish character.

Among the peasants of central and western Poland, however, exaltation over the eastern borderland has had no response. It was no accident that in the phase of the Russo-Polish war, when Pilsudski sought to extend the eastern frontier of Poland to the Dnieper—to a line drawn from thoughts of 1772—the Peasant Party was the peace party. Its leader, Witos, headed the Government of national defence only when the tide of war turned against the Poles and the Russian army approached the gates of Warsaw. The Riga Treaty of 1921 was a triumph for the Peasant Party achieved in spite of stubborn obstruction from

Pilsudski, who hoped to wreck the peace negotiations and to prolong the war. This is not to say that the Peasant Party now agrees to the cession of the eastern borderlands to Russia without bitterness or heartache. It would, generally speaking, be wrong to underestimate the extent to which Poland's frontier in the east, as it existed in 1939, has become an essential part of Poland to the present generation of Poles, to whom the two decades of their reborn independence, within their pre-1939 frontiers, have been something more than a transient whim of history. Yet while the fate of Poland itself may hang in the balance, the fate of its eastern borderlands has already been decided; and the Peasant Party, which speaks for more than half of Poland's population, can reconcile itself more easily to the decision than can any other section of Polish opinion.

This survey of the various Polish attitudes towards Russia shows clearly that the anti-Russian mood has deep roots. But it also shows that the seeds of pro-Russian policies are present in almost every camp. With more understanding, insight and good-will Russian policy could have cultivated and nursed those seeds and perhaps eventually gathered a harvest of genuine Russo-Polish friendship. But the recent period in the relations between the two countries has been one of wasted opportunities. The seeds of friendship are being nipped by a severe eastern frost.

South Africa and the Indians

[FROM A CORRESPONDENT IN NATAL]

IN 1943, General Smuts, "caught in a storm" to use his own phrase, gave ear to the importunities of Europeans in Natal and introduced what is popularly known as the Pegging Act, to restrain Natal Indians from residing and purchasing property in European residential areas. This discriminatory Act aroused the Government of India and the quarter of a million Indians in Natal to loud and vigorous protest. It was a temporary measure, to remain in force until a judicial commission appointed to investigate the life, labour and status of the Indian community has produced its findings and recommendations. Early this year, after some preliminary discussions among the parties concerned, the Prime Minister came to an agreement with the Natal Indian Congress, based upon the admission by Indians that they have no desire to live at close quarters with Europeans and by Europeans that their main objection to the presence of Indians in Natal is due to their unwillingness to accept residential proximity.

There have been periodic waves of anti-Indian agitation in South Africa's history, and successive governments have attempted to make room for the growing Indian community in the country. These attempts reached their peak in the Cape Town Agreement of 1927, which, in its "Uplift Clause," gave encouragement to those Indians who were prepared to adopt western standards of life, and which contained a comprehensive scheme of emigration to India for any who were willing to leave the country. The prospect of being considered "an integral part" of the South African nation provided Indians with a sense of security they had never before enjoyed. Prospect, however, fell far short of fulfilment. Their history in South Africa is marked by a long series of privileges lost and democratic rights withdrawn, from the parliamentary franchise in 1896 and the municipal franchise in 1924 to the restrictions of the Pegging Act.

The Pretoria Agreement provided some relief from the harsher disabilities and indignities of the Pegging Act, and it was clearly the Prime Minister's wish to find a solution to the problem in the interests of Commonwealth unity. The Pretoria Agreement envisaged machinery whereby changes in the racial character of the residential accommodation of Durban could be controlled. Durban contains the largest Indian population of any city outside India, and complaints had been loud and long against the "penetration" of Indians into European areas. These European claims were not all of them justified. The Broome Commission, appointed to investigate the complaints, found that between 1927 and 1940 the number of cases of penetration into European residential areas throughout the whole of Natal was 512. But in Durban, where the problem is most severe, the cases had become more frequent between 1940 and 1943, and though a feature of the "intrusions" was that they were in areas contiguous to predominantly Indian areas, they were enough to encourage European fears.

The Agreement, however, did not satisfy European opinion, and when legislation was put in train to implement it, opposition became so implacable that the Natal Provincial Council, instead of referring the matter back to the Prime Minister, incorporated in the legislation control of the acquisition by Indians of residential property for investment, thereby introducing a feature which, in the Pegging Act, had occasioned such vigorous protests from Indians and from the Government of India. This legislation is known as the Residential Property Regulation Ordinance. The opposition of the Natal Indian Congress continued, and its spokesman appeared at the Bar of the House of the Provincial Council, but failed to make any impression upon the legislature.

Natal Europeans find it difficult to accept the view that the treatment of Indians in South Africa is anything more than a domestic matter confined to South Africa. The Commonwealth implications are set aside as of little moment. The position of General Smuts was made more difficult by the fact that his own supporters in Natal combined with the Dominion and Labour parties to insist that the economic activities of Indians should continue to be controlled. On the other hand, the Natal Indian Congress and the Government of India see in this new Ordinance a departure from the Pretoria Agreement on a specific issue and also a threat to the whole status of Indians outside India. For not only does the Residential Property Regulation Ordinance prevent an Indian from occupying a dwelling in certain areas; it also forbids him from making any purchase of residential property without a special permit from a Licensing Board. Moreover, this single measure is one of several legislative objects passed by the Natal Provincial Council to determine the territorial racial pattern of the whole Province. A comprehensive post-war plan has been drawn up, based upon principles of racial zoning, whose main object is to separate the races residentially and to prevent residential intrusions from one territory on to another.

Racial Rivalry

This policy is the result of fears for European supremacy in a country where, numerically, Europeans are in a considerable minority *vis-à-vis* the Bantu population, though they are in a majority over the Indians. The commercial rivalry between Europeans and Indians is intense. The colour bar and labour policy close the doors of many employments to Indians, forcing educated young men into the few which are open, particularly into commerce. There is, thus, an overloaded Indian trade, and though it is broadly segregated by the operation of the licensing laws, it is still, in the opinion of European traders, dangerously competitive. The Indian, for his part, complains that a shortage of housing and land development, and the pressure of his growing population, force him to enter areas contiguous to his own which are at present occupied by Europeans. His domicile in South Africa is confined to the province of his birth. Provincial barriers prevent him from moving from one province to another, which means that the vast majority of the Indian population is concentrated in Natal, thereby creating in the mind of the European a firm conviction that the problem is Natal's and not, as the South Africa Act established, for the Union Government to decide.

The question to be settled is the future status of Indians in South Africa. Articulate European opinion fastens upon big emigration schemes and upon residential, social and economic segregation for those who are left behind. Indians are implacably opposed to both emigration and segregation. It is thus a serious situation for the Prime Minister, who has to consider, not only that a problem of a racial minority must be solved, but that South Africa is part of a Commonwealth fighting for the aims of the Atlantic Charter.

Books Received

Banking and Monetary Statistics. The Board of Governors of the Federal Reserve System, Washington. 979 pages. No price stated.

Export Policy and Full Employment. By E. F. Schumacher. Fabian Publications, Ltd. Research Series No. 77. 34 pages. 1s.

Full Employment in a Free Society. A Report by William H. Beveridge. Allen and Unwin. 429 pages. 12s. 6d.

Will Planning Restrict Freedom? By Harold J. Laski. The Planning Bogies Series No. 1. The Architectural Press. 39 pages. 6d.

How Will Planning Affect Land Ownership? By E. S. Watkins. The Planning Bogies Series No. 2. The Architectural Press. 35 pages. 6d.

THE BRITISH WAR EFFORT

The following pages contain a full summary of the text of two White Papers, Cmd. 6564 ("Statistics Relating to the War Effort of the United Kingdom") and Cmd. 6570 ("Mutual Aid: Second Report"), together with the greater part of the statistical tables and charts included in them.

The tables taken from Cmd. 6564 are numbered as in the original. Those omitted are Nos. 3 (detail by age-groups of changes in female employment), 8-12 (year-by-year figures of production of munition items), 33-36 and 38 (national income, expenditure and taxation figures derived from the Budget White Paper, which was fully summarised in The Economist of May 6, 1944). Cmd. 6564 also contains five appendices (not reproduced here) giving more detailed figures for some of the summary tables in the body of the document.

The statistical annexes to the White Paper on Mutual Aid are reproduced in full.

Introduction

Statistics giving a general picture of the mobilisation of British resources during the war can now be published, although reasons of security still demand that some remain secret until the defeat of both Germany and Japan. The vast reorganisation shown by the published figures has been achieved under front-line conditions of black-out, air attack and spare-time mobilisation for Home Guard and Civil Defence duties.

I—Manpower

In the five years up to the middle of 1944 the British labour force (men aged 14-64, women aged 14-59) in the Services and in civilian employment was increased by 3½ million to 22 million. The increase is made up of 1¼ million unemployed and 2¼ million not previously occupied. Another million can be added if all ages are included and part-time women workers counted as one each, instead of one-half. By the end of 1943 labour was fully mobilised, and since then some reduction from wastages has been unavoidable, both in the Services and in industry.

The distribution of the labour force at the middle of 1944 was:—

	Millions	Percentage
Services, Civil Defence and Group I Industries producing munitions.....	10.3	47
Group II Industries:—		
Extractive, shipping and transport, Government service, public utilities, and food and drink production.....	5.7	26
Group III Industries:—		
Building, civil engineering, textile and other manufacturing. Distributive trades and civilian services.....	6.0	27

Of 7.6 millions in the manufacturing industries, only 4 per cent were producing for export, compared with 15 per cent in 1938, whereas 76 per cent were on Government work and 20 per cent were producing for the home market.

Mobilisation of labour has been achieved mainly through the compulsory registration since 1941 of 10 million men born between 1892 and 1926 and 11.6 million women born between 1893 and 1926.

TABLE 1.—NUMBER OF MALES AGED 14-64 IN GREAT BRITAIN. (Thousands)

Mid-year	Armed Forces*	Whole-time Civil Defence	Industrial Groups			Unemployed	Rest of Male Population†	Total Male Population‡
			Group I†	Group II‡	Group III§			
1939	477	80	2,600	4,688	5,798	1,043	1,324	16,010
1941	3,271	324	3,140	4,264	4,116	158	704	15,977
1942	3,785	304	3,285	4,154	3,553	103	750	15,934
1943	4,284	253	3,305	4,040	3,093	76	870	15,921
1944	4,502	225	3,210	4,059	2,900	71	943	15,910

* These figures, and also the total column, exclude prisoners and missing.
† Munitions industries, i.e., iron and steel, non-ferrous metals, shipbuilding, engineering, aircraft and vehicles, instruments, chemicals, explosives, etc.
‡ Agriculture, mining, National and Local Government, transport, shipping (including Merchant Navy), public utilities, food manufacture.
§ Building, textiles, clothing, distribution, professional services, etc.
|| Schoolboys, students, invalids (including war invalids), retired, etc.

The progressive mobilisation of men is analysed in Table 1. Another million could be added to the mid-1944

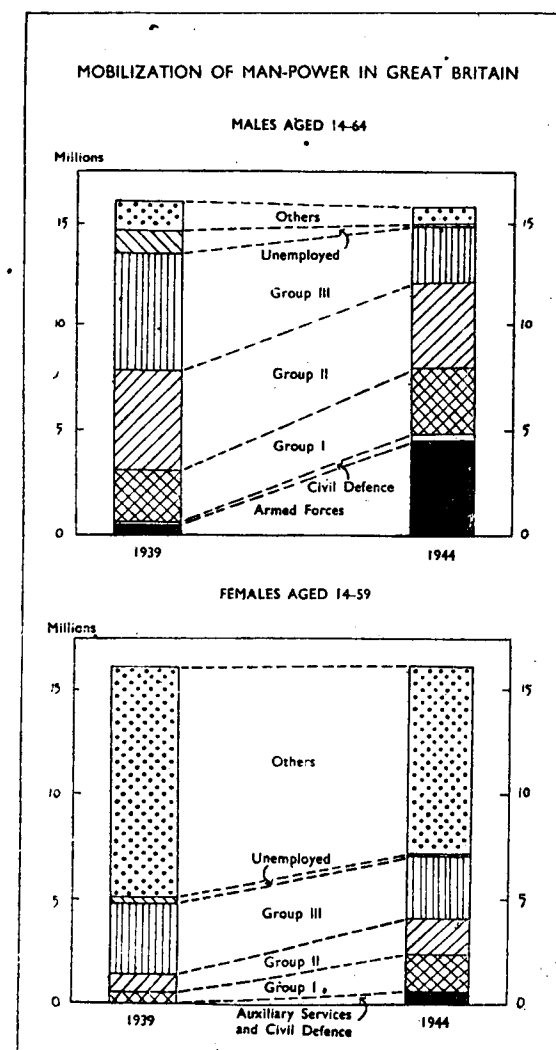
total of men in the armed forces if all casualties and releases were included. Apart from a cut in Civil Defence since the peak of air-raids in 1941, the numbers in the first three categories of Table 1 have increased, while the number of

TABLE 2.—NUMBER OF FEMALES AGED 14-59 IN GREAT BRITAIN (Thousands)

Mid-year	Women's Auxiliary Services	Whole-time Civil Defence	Industrial Groups			Unemployed	Rest of Female Population*	Total Female Population‡
			Group I†	Group II‡	Group III§			
1939	—	—	506	852	3,479	302	10,901	16,040
1941	103	59	1,100	1,269	3,479	146	9,874	16,030
1942	307	80	1,705	1,496	3,301	59	9,082	16,030
1943	461	70	1,928	1,592	3,186	36	8,747	16,020
1944	467	56	1,851	1,644	3,102	31	8,869	16,020

* Mainly housewives. At the middle of 1944 about 900,000 women were doing part-time work and have been counted half in this group and half in the appropriate industrial group. Domestic servants are also included in this column.

CHART I



men employed in other industries has been reduced. Of the 11.2 million men still in civil life, 3,000,000 were doing part-time Home Guard or Civil Defence duties.

The high degree of mobilisation achieved in this war has been largely due to the contribution made by women (analysed in Table 2). Numbers in the Services, CD and industry increased by 2½ millions since the beginning of the war, and 1½ million women were doing part-time work in industry and Civil Defence, besides large numbers in the Women's Voluntary Services and in paid or unpaid part-

TABLE 4.—PERSONS EMPLOYED IN THE MUNITIONS INDUSTRIES ON ORDERS FOR THE SUPPLY DEPARTMENTS

(Thousands)				
Beginning of Month	Admiralty	Ministry of Supply	Ministry of Aircraft Production	Total
1941—January	680	920	1,010	2,610
1942—January	767	1,463	1,346	3,576
1943—January	854	1,698	1,523	4,175
July	897	1,636	1,682	4,215
1944—January	918	1,469	1,821	4,208
July	897	1,406	1,731	4,034

TABLE 5.—NUMBERS EMPLOYED IN GROUP II INDUSTRIES IN GREAT BRITAIN

(Thousands)				
	Mid-1939	Mid-1943	Mid-1944	Increase (+) or Decrease (—) from 1939 to 1944
Agriculture, horticulture, etc.	1,046	945	948	— 98
Mining	67	173	184	+ 117
National Government Service	416	515	520	+ 104*
Local Government Service	123	471	495	+ 372
Gas, water and electricity	520	342	322	— 198
Transport, shipping and fishing†	326	458	468	+ 142
Food, drink and tobacco	225	167	160	— 65
	17	33	32	+ 15
	1,222	993	1,038	— 184
	51	198	212	+ 161
	391	274	269	— 122
	263	245	240	— 23

* Much of this increase has occurred in the number of industrial employees of the Service and Supply Departments.
† Including the Merchant Navy.

time work. The majority of women mobilised have been aged 18-40, of whom 55 per cent were in the Services or industry in 1943. Between mid-1938 and mid-1943 112,000 girls aged 14-17 were added to the numbers already in the services, munitions and Group II industries.

The mobilisation of men and women together for the three groups of industries is analysed in Tables 4, 5 and 6, and a general table (7) compares the numbers and percentages mobilised in each group in 1944 and 1918.

The first group of industries covers the engineering, ship-building, aircraft, metals and chemical industries. In the last five years their labour force was increased—largely through the recruitment of women—from three to five millions, and

TABLE 6.—NUMBERS EMPLOYED IN GROUP III INDUSTRIES IN GREAT BRITAIN

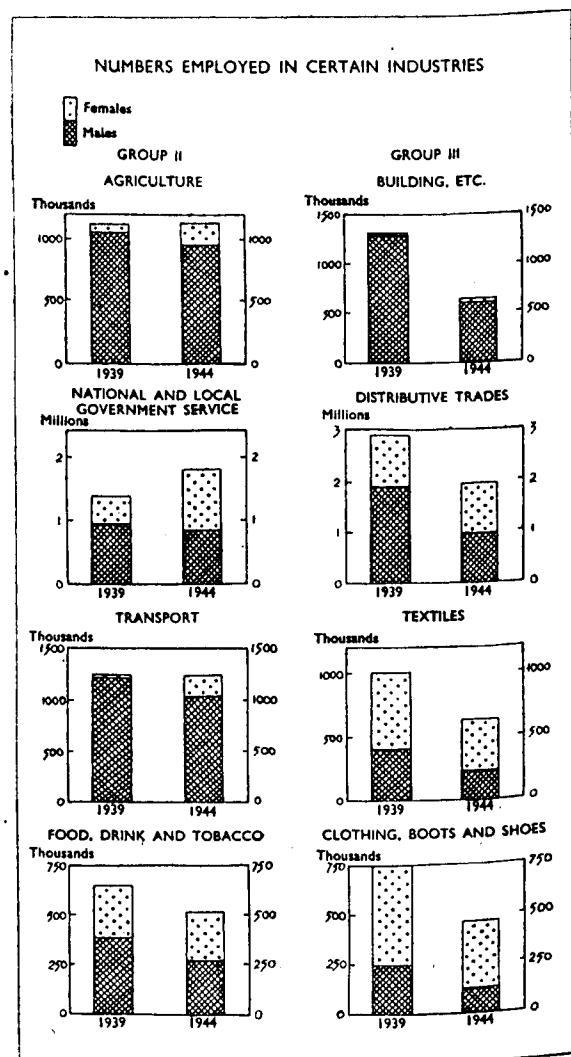
(Thousands)				
	Mid-1939	Mid-1943	Mid-1944	Increase (+) or Decrease (—) from 1939 to 1944
Building and civil engineering	1,294	700	600	— 694
Textiles	16	26	23	— 7
Clothing	401	233	221	— 180
Boots and shoes	601	428	405	— 196
Other manufactures	138	69	65	— 73
Distributive trades	449	312	284	— 165
Other services	108	67	64	— 44
	57	45	43	— 14
	1,004	558	542	— 462
	440	410	414	— 26
	1,888	1,016	972	— 916
	999	953	956	— 43
	965	450	436	— 529
	917	972	977	+ 60

is about equal to the strength of the armed forces and whole-time Civil Defence. (If Commonwealth and Empire forces, casualties and releases are added, the total is raised to over 10 millions, compared with 9 millions in 1918). Working hours have risen on the average, from 48 to 54 a week. The decrease in numbers shown in Table 4 since Novem-

ber, 1943, is due to increased intake of the Services in preparation for the 1944 invasion.

In Group II, the principal basic industries and services, numbers have been generally maintained, but only by the substitution of 800,000 extra women for a loss of 600,000 men. In agriculture, for instance, 117,000 women entered

CHART II



the industry, while 98,000 men left it between 1939 and 1944.

Group III industries, producing goods and services for the private consumer, suffered a decrease of one-third of their labour force since 1939, thus providing more than half the men recruited to the armed forces and many more to the munitions industries. Direct Government orders are absorbing as much as half the total output of the manufacturing industries in Group III—49 per cent of textiles,

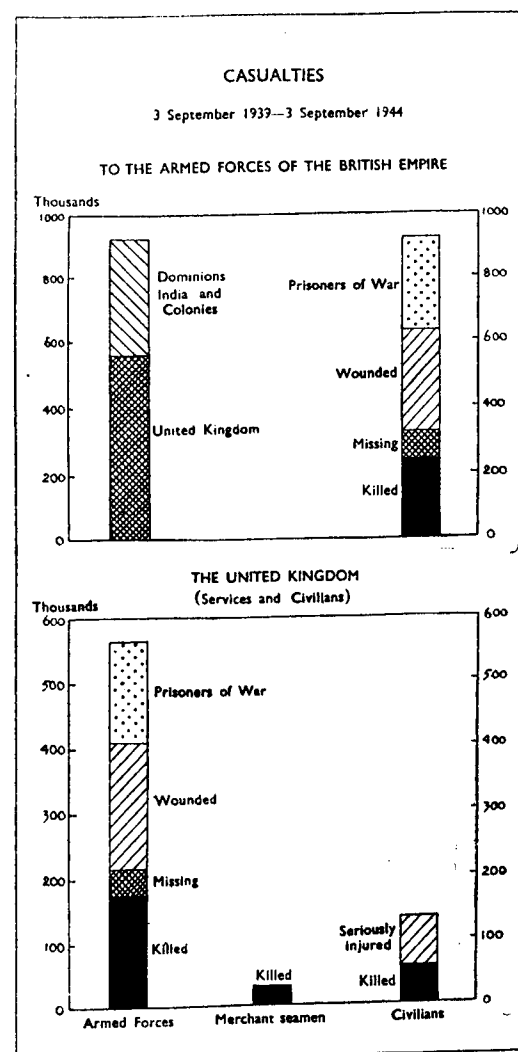
TABLE 7.—MOBILIZATION OF MANPOWER IN GREAT BRITAIN IN 1918 AND 1944

Men aged 14-64 and Women 14-59				
	Mid-1944		1918	
	Millions	Per cent.	Millions	Per cent.
Forces and whole-time Civil Defence	5.25	16.5	4.70	16.9
Munitions industries	5.06	15.8	3.03	10.9
Total	10.31	32.3	7.73	27.8
Group II industries	5.70	17.8	4.25	15.3
Group III industries	6.00	18.8	15.86	56.9
Rest of population	9.92	31.1		
Total	31.93	100.0	27.84	100.0

for instance. Workers in the building and civil engineering trades have been cut by 52 per cent since 1939, and the distributive trades have lost nearly a million employees through mobilisation.

The total losses to Britain's mobilised manpower from

CHART III



September 3, 1939, to September 3, 1944 (August 31st in the case of civilian casualties), are tabled below.

Armed Forces—	
Killed	176,081
Missing	38,275
Wounded	193,788
Prisoners-of-war	154,968
	563,112
Merchant Navy—	
Killed	29,629
Interned	4,173
	33,802
Civilians and Civil Defence	
Killed	57,298
Injured	78,818
	136,116
Total	733,030

II—Home Production

The needs of British, Dominion, Empire and Allied armed forces and the material assistance given to Russia and other Allies have caused a six-fold expansion in the monthly output of British munitions since the war. The following table gives figures of the total production of a number of items in the period of 58 months from September, 1939, to June, 1944:—

Naval Vessels—	
Major naval vessels	722
Mosquito naval craft	1,386
Other naval vessels	3,636
Ground munitions—	
Field, medium and heavy artillery equipments	13,512
Heavy anti-aircraft equipments	6,294
Light anti-aircraft equipments	15,324
Machine guns and sub-machine guns	3,729,921
Rifles	2,001,949
Tanks	25,116
Wheeled vehicles for the Services	919,111
Aircraft—	
Total aircraft	102,609
Heavy bombers	10,018
Medium and light bombers	17,702
Fighters	38,025

Of the total supply of munitions of all kinds available to the forces of the British Commonwealth, 70 per cent has been provided by the United Kingdom, 10 per cent by the other countries of the Commonwealth and 20 per cent by the United States. Of the American 20 per cent, four-fifths have been provided on Lend-Lease, the remainder have been paid for in cash.

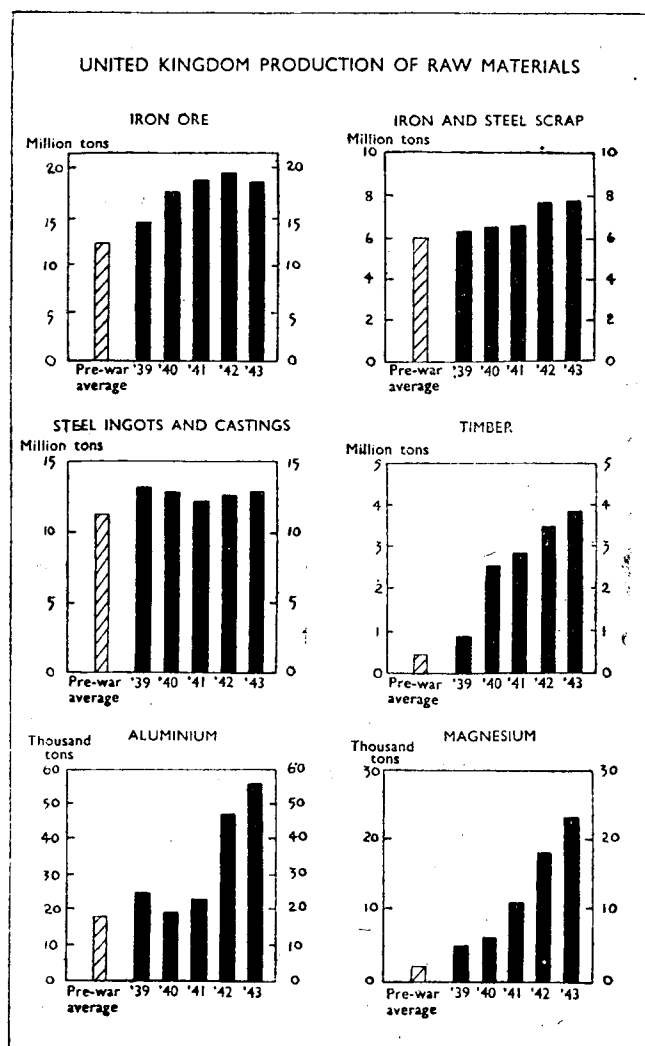
In naval construction, the effort to expand production of offensive and escort ships has had to be combined with the production of landing craft and small patrol boats for the invasions. At the same time, demands for repairs and refittings were high, and naval munitions and equipment com-

TABLE 13.—HOME PRODUCTION OF SOME ESSENTIAL RAW MATERIALS*

	1935-1938 Average	1939	1940	1941	1942	1943
Iron ore†	12,417	14,486	17,702	18,974	19,540	18,487
Pig iron	7,350	7,980	8,205	7,392	7,604	7,187
Scrap for steelmaking	5,800‡	6,379	6,527	6,622	7,688	7,782
Steel ingots and castings	11,256	13,221	12,975	12,312	12,764	13,031
Hardwood	150§	310	496	655	1,025	1,251
Softwood	180§	120	444	701	861	805
Pitwood	120§	450	1,527	1,441	1,574	1,765
Aluminium	18	25	19	23	47	56
Magnesium	2	5	6	11	18	23
Newsprint	857**	294	150	140	129	129
Other paper and board	1,413**	1,523	1,240	1,147	1,031	1,031
Cotton yarn	503	487	529	367	327	312

* Details of the output of fuel and power have been published recently in the "Statistical Digest from 1938." Cmd. 6538.
† Average ferrous content about 30 per cent.
‡ Estimated from statistics of consumption and imports.
§ Production in 1930.
|| Estimated production at the beginning of the war, expressed as an annual rate.
** Production in 1935.

CHART VII



paratively heavier and more varied than at the outbreak of war. The production of naval guns, for instance, was raised from 1,486 in 1940 to 20,023 in 1943.

The general picture of ground munitions production is one, not only of all-round expansion, but of change in the types of equipment produced. While numbers of tanks and

anti-tank guns increased, the individual units produced also tended to become heavier, and new types of equipment, such as aircraft landing track and Bailey bridges, and more elaborate versions of items such as wireless equipment, had to be added to the general list of ammunition, clothing, weapons and vehicles needed for a modern mechanised army.

The same increase in weight was noticeable in aircraft production. By numbers, output increased three-fold between 1939-1943; by weight, six-fold. The expansion in

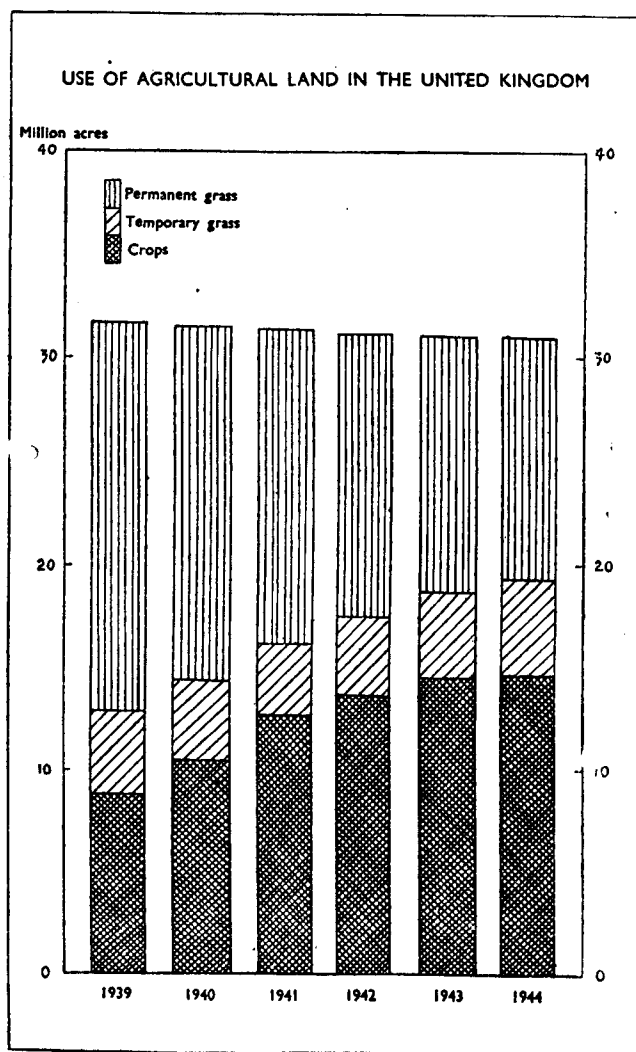
TABLE 14.—USE OF AGRICULTURAL LAND IN THE UNITED KINGDOM
(Million acres)

June	Land Under the Plough			Permanent Grassland	Total Area Under Crops and Grass
	Crops and Fallow	Temporary Grassland	Total		
1939	8.8	4.1	12.9	18.8	31.7
1940	10.5	3.9	14.3	17.1	31.4
1941	12.7	3.5	16.2	15.1	31.3
1942	13.7	3.8	17.5	13.7	31.2
1943	14.5	4.2	18.7	12.3	31.0
1944	14.6	4.8	19.4	11.7	31.1

TABLE 15.—ESTIMATED QUANTITY OF PRINCIPAL CROPS HARVESTED
(Thousand tons)

	Wheat	Barley	Oats	Potatoes	Sugar Beet	Vegetables	Fruit
1936-38 average	1,651	765	1,940	4,873	2,741	2,384	455
1939	1,645	892	2,003	5,216	3,529	2,428	836
1940	1,641	1,104	2,892	6,404	3,176	2,687	580
1941	2,018	1,144	3,246	8,010	3,226	2,974	326
1942	2,567	1,446	3,553	9,393	3,924	3,806	762
1943	3,449	1,641	3,059	9,822	3,760	3,197	705
Percentage increase since 1936-1938	109	115	58	102	37	34	55

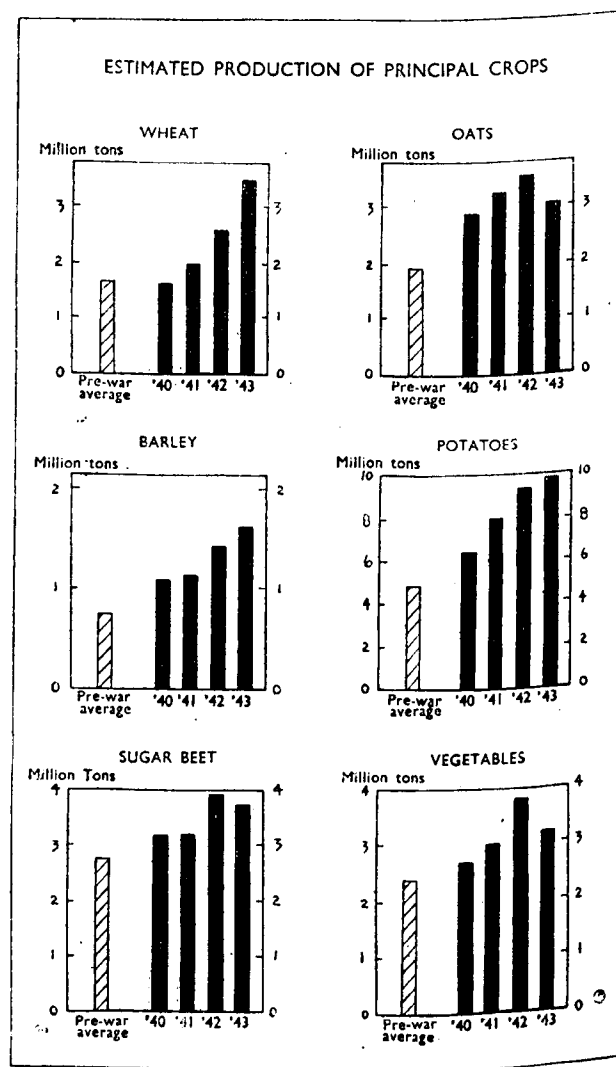
CHART VIII



heavy bomber and fighter output rose respectively from 41 in 1940 to 4,614 in 1943, and from 110 a month in 1939 to 940 a month in 1944. As an index to the increased power of

aircraft, the total horse-power of new engines delivered rose from 17.4 in 1940 to 41.92 in the first half of 1944, and the average horse-power of engines produced was doubled between the end of 1939 and June, 1944. This increased power

CHART IX



was able to carry heavier loads, an average of 4 tons in 1943 compared with 1.2 tons in 1939. The great expansion of air forces, however, brought an increasing need for repairs. For every six new aircraft produced in 1943, four old ones underwent major repairs in United Kingdom workshops.

Behind the greatly expanded production of munitions of war lay an effort to increase home production of raw

TABLE 16.—LIVESTOCK POPULATION
(Millions)

Mid-year	Cattle			Sheep and Lambs	Pigs	Poultry
	Cows in Milk and in Calf	Other Cattle	Total Cattle			
1939	3.3	5.6	8.9	26.9	4.4	74.4
1940	3.3	5.8	9.1	26.3	4.1	71.2
1941	3.4	5.5	8.9	22.3	2.6	62.1
1942	3.4	5.7	9.1	21.5	2.1	57.8
1943	3.6	5.7	9.3	20.4	1.8	50.7
1944	3.6	6.0	9.5	20.3	1.9	55.2

materials. Imports of raw materials—particularly of iron and steel—had, at the same time, to be severely economised. Home output of iron ore was increased by more than one-half since before the war and exports of steel products severely curtailed. Total steel production was kept consistently above the pre-war average, and the production of timber increased to four times pre-war output. Most spectacular expansion has been in the light metals industries, particularly magnesium. By contrast, the raw materials of cotton yarn and newsprint production were severely curtailed to save shipping space.

An increase in agricultural production was equally necessary in order to save shipping space. The output of food has been increased by ploughing up grassland, and so increasing the physical yield of the land, and by growing more crops suitable for direct human consumption. Land reclamation was able only partly to offset losses of cultivable land to military and other needs.

By 1943 the wheat and potato harvests were double the pre-war average. Vegetable production has increased by 30 per cent, partly as a result of the "Dig for Victory" campaign, which increased the number of allotments from 800,000 before the war to about 1,500,000 in 1943. Fodder crops have also been grown in larger quantities, partly to replace a loss of 7½ million tons of imported feed, but they have been insufficient to maintain the output of meat, poultry and eggs. Numbers of sheep, pigs and poultry have all declined, though dairy cows have increased to maintain milk production against the falling-off in yields due to loss of feeding-stuffs.

In spite of the 50 per cent cut in imported food and the loss of male labour, British food production, in terms of calories and protein, has increased by at least 70 per cent and rationing and price control have ensured fair distribution.

Numbers of fish marketed have had to be severely reduced to nearly one-third of 1938 takings, owing to the requisition by the Navy of two-thirds of the deep-sea trawler fleet and nearly three-quarters of the steam-drifter fleet.

III—Shipping and Foreign Trade

The character of the war has made great demands on the use of our limited shipping resources. Since the close of the campaign in France in 1940, and the entry of Italy and later of Japan into the war, the British Commonwealth and Empire Forces have had to be supplied over very long shipping routes. The opportunities the enemy has had to attack our merchant shipping have been greater than in the last war and each successive campaign—Libya, Tunisia, Sicily, Italy and France—has made large demands on shipping for military purposes.

A pre-war merchant fleet of 17½ million gross tons (including all ships of over 1,600 gross tons) was reduced by losses to a fleet of 15½ million gross tons by the end of 1943, of which 2 million gross tons were ships which in due course will be returned to other flags. If these, and Dominion ships are deducted, the total loss at the end of 1943 was 29 ships. This was in spite of 4½ million gross tons added per cent. by the production of British shipyards, by Canadian production, by further additions of ships, new and old, from the United States, and by capture of enemy ships. The gross British losses shown in Table 17 total over 11½ million gross

TABLE 17.—LOSSES OF MERCHANT SHIPS FROM ALL CAUSES*
(Vessels of all tonnages)

	British		Allied		Neutral		Total	
	No.	Thousand Gross Tons	No.	Thousand Gross Tons	No.	Thousand Gross Tons	No.	Thousand Gross Tons
1939, Sept. to Dec.	158	498	17	90	148	347	323	935
1940	728	2,725	201	822	416	1,002	1,345	4,549
1941	892	3,047	344	1,299	183	347	1,419	4,693
1942	782	3,695	987	4,394	90	249	1,859	8,338
1943	361	1,678	388	1,886	63	82	812	3,646

* The figures of losses relate to the period in which the losses occurred. They include losses by enemy action and marine risk.

TABLE 18.—IMPORTS OF DRY CARGO TO THE UNITED KINGDOM
(Excluding imports from Eire)
(Million tons)

	Food	Raw Materials	Finished Goods, Munitions, etc.*	Total
1934-38 average	22.0	26.0	7.0	55.0
1940	18.8	21.5	1.0	41.3
1941	14.7	15.0	0.8	30.5
1942	10.6	11.5	0.8	22.9
1943	11.5	12.8	2.0	26.4
1944—January to June	5.4	6.1	1.3	12.8

* Including tobacco. See Table 12.

tons, and although the losses in any one month have not been greater than in the worst periods of 1917-18, enemy attacks have been maintained at a high level for a much longer period.

The output of British merchant shipbuilding has been correspondingly increased to an average tonnage nearly one-fifth higher than that produced in the years 1915-18. Not only were types more varied and specialised, but armament and equipment became necessarily more complex. Repairs to ships injured by enemy attack and by the bad weather of the North Atlantic and North Sea convoy routes meanwhile absorbed over half the manpower available for merchant shipbuilding.

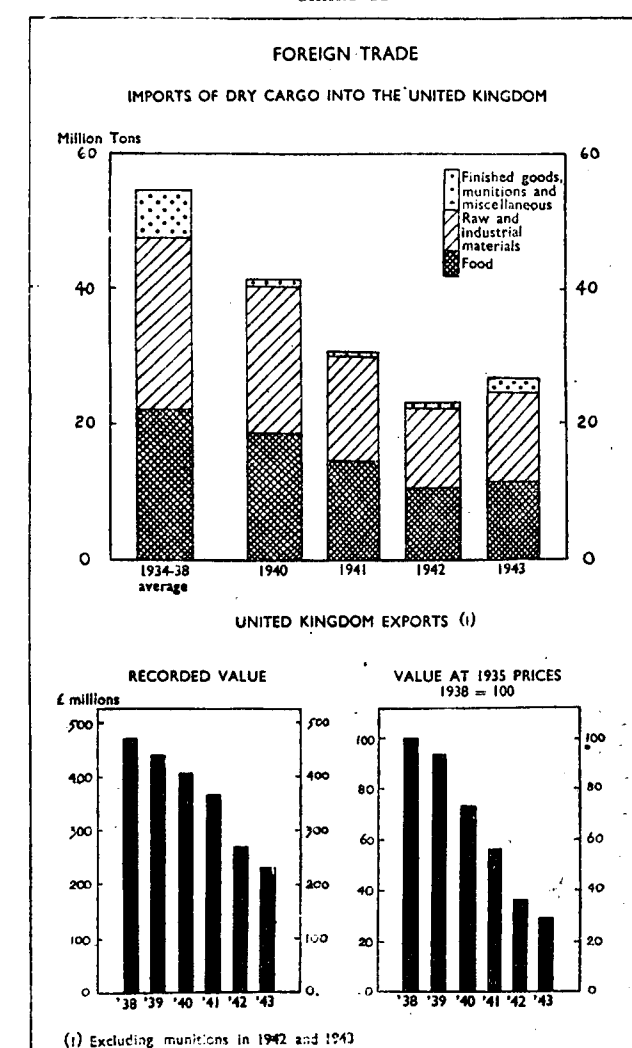
The following table shows the tonnage of new merchant ships of over 100 gross tons completed in the United Kingdom:—

1939	Sept. to Dec.	243	thousand gross tons.
1940	" " "	810	" " "
1941	" " "	1,158	" " "
1942	" " "	1,302	" " "
1943	" " "	1,204	" " "

Of the total available merchant fleet, less large numbers (at one time over 2½ million gross tons) under repair, many had to be allocated to the Navy, for the transport of troops and supplies and to Empire and Allied countries.

The remainder available was so small as to necessitate

CHART X



drastic cuts in United Kingdom imports. From a pre-war annual average of 55 million tons, imports (other than petrol and tanker-borne products) were reduced to 23 million tons in 1942 and 26 million tons in 1943, compared with 34 and 30 million tons in 1917 and 1918 respectively. Imports of food and raw materials were both cut by half, and imports of finished goods almost wholly confined to munitions. The substantial cuts in wheat and sugar imports and the even greater reduction in animal feeding-stuffs are fully shown in Table 19. Table 20 shows the drastic reductions in raw material imports, particularly of steel and timber, which have necessitated the great increases in home production. Before the war, out of a total of 26 million tons of raw

material imports, 17½ million tons were steel, steel-making materials and timber. In 1943, these items amounted to only 6½ million tons, in spite of a considerable increase in imports of finished and semi-finished steel.

After 1941, when Canadian Mutual Aid and United States Lend-Lease made direct payment for essential imports largely unnecessary, the United Kingdom was able drasti-

TABLE 19.—IMPORTS OF FOOD AND ANIMAL FEEDING-STUFFS TO THE UNITED KINGDOM
(Excluding imports from Eire)
(Thousand tons)

	1934-1938 Average	1940	1941	1942	1943	1944 Jan-June
Wheat and flour.....	5,451	6,331	6,099	3,864	3,975	1,747
Rice, other grains and pulses.....	1,524	1,095	514	164	258	60
Maize and maize meal.....	3,395	2,192	702	135	66	24
Other animal feeding-stuffs.....	1,719	1,058	325	74	12	12
Meat (including bacon).....	1,423	1,298	1,203	1,301	1,358	848
Canned meat.....	63	116	230	282	300	107
Oilseeds, oils and fats.....	1,783	1,974	1,948	1,905	2,154	1,001
Sugar.....	2,168	1,526	1,658	773	1,458	497
Dairy produce.....	889	606	665	789	655	289
Fruit and vegetables.....	2,604	1,484	462	457	327	368
Beverages and other foods.....	1,007	1,154	847	862	963	441
Total.....	22,026	18,834	14,654	10,606	11,525	5,394

TABLE 20.—IMPORTS OF RAW MATERIALS TO THE UNITED KINGDOM
(Excluding imports from Eire)
(Thousand tons)

	1935-1938 Average	1939	1940	1941	1942	1943
Iron ore*.....	5,619	5,240	4,549	2,283	1,922	1,895
Pig iron.....	341	354	676	971	356	361
Scrap.....	778	605	937	549	15	5
Steel ingots.....	17	24	488	562	480	499
Semi-finished steel.....	462	807	1,595	1,802	1,214	1,063
Finished steel.....	561	517	811	698	382	737
Hardwood.....	1,126	836	683	365	300	307
Softwood.....	5,848	4,255	2,353	1,253	841	1,329
Pitwood.....	2,688	1,607	1,090	189	31	72
Woodpulp.....	1,650	1,611	634	346	450	390
Newsprint.....	424	423	239	122	67	95
Other paper and board.....	730	706	440	72	79	48
Raw cotton.....	608	552	635	364	526	440
Sheep's and lambs' wool.....	272	314	449	147	184	119
Wool.....	182	142	200	95	108	104
Bauxite.....	224	302	112	87	48	244
Aluminium.....	29	58	66	138	136	212
Unwrought copper.....	262	307	474	451	441	494
Rubber (crude and synthetic).....	83†	65†	203	173	65	78
Tobacco.....	127	95	63	96	118	159

* Average ferrous contents 50 to 60 per cent. † Blooms, billets, slabs, sheet bars and tinplate bars. ‡ Retained imports.

TABLE 21.—EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM

	Value of Exports as Recorded	Quantity of Exports (Recorded Exports Re-valued at 1935 Prices)
	£ million	1938=100
1938.....	471	100
1939.....	440*	94*
1940.....	411*	73*
1941.....	365*	56*
1942.....	269	36
1943.....	232	29

* Including munitions, exports of which became important after 1941.

TABLE 22.—EXPORTS FROM THE UNITED KINGDOM

	Unit	1938	1939	1940	1941	1942	1943
Spirits.....	Mn proof gallons	9.1	10.5	12.4	9.5	7.1	5.5
Manufactured tobacco.....	Mn lbs.	33.6	34.7	27.7	26.5	16.6	17.9
Coal.....	Mn tons	35.9	36.9	19.6	5.1	3.6	3.4
Coke and manufactured fuel.....	Mn tons	2.3	3.1	1.4	0.6	0.4	0.4
Iron and steel manufactures.....	Th. tons	1,915	1,582	1,077	487	258	134
Machinery.....	Th. tons	459	366	250	186	157	136
Motor cars.....	Number	44,123	43,230	20,654	3,831	56	29
Commercial vehicles and chassis.....	Number	14,273	11,373	9,102	2,387	300†	1,103†
Pedal cycles.....	Thousands	576	615	497	345	107	112
Motor tyres.....	Thousands	1,225	1,103	900	661	123	211
Cotton yarn.....	Th. cwt.	1,098	1,015	596	258	167	171
Cotton piece goods.....	Mn. sq. yds.	1,386	1,393	976	783	485	374
Woolen and worsted piece goods.....	Mn. sq. yds.	96	98	86	91	77	46
Rayon piece goods.....	Mn. sq. yds.	63	75	85	91	116	76
Linen and hemp piece goods.....	Mn. sq. yds.	52	67	45	28	23	11
Pottery.....	Th. tons	186	176	156	141	98	80
Sodium compounds.....	Th. tons	357	450	479	441	471	414
Paints and pigments.....	Th. tons	176	74	71	71	41	34
Paper and board.....	Th. cwt.	613	566	347	218	129	121
Books, etc.....	Th. cwt.	613	566	347	218	129	121

* Excluding bunker coal. † Excluding exports of military vehicles.

cally to reduce production for export. Allowing for rising prices, exports were cut by 71 per cent from the 1938 level of £471 million. Quantities of different exports have been adapted, as shown in Table 22, to the exigencies of war, in order to economise in labour, particularly in male labour, and in the productive capacity of war industries making steel, cars, coal and machinery.

IV—Civilian Consumption

The rise in private incomes, shown in Table 23, due to reduced unemployment, higher earnings and longer working hours, is shown to have been largely offset by increased taxation. By the time deductions have been made for the increase in personal savings from 3½ to nearly 20 per cent of total income, for the rise in direct and indirect taxes and for higher prices, the total of incomes available for personal expenditure (Table 24) is shown to have fallen by 21 per cent since 1938. Moreover, this is a measure of quantity; it makes no allowance for the severe deterioration in quality of the goods purchasable with the remaining 79 per cent of 1938 expenditure.

Short supplies of food, particularly of meat, fats and sugar, have compelled rationed civilians to eat more bulky

TABLE 23.—PERSONAL INCOME, DIRECT TAXES AND SAVINGS

Calendar Years	Total Personal Income Before Tax (including Transfer Payments)	Income Tax and Other Direct Taxes Paid	Personal Savings
	£ million	£ million	Per cent. of Income
1938.....	4,779	472	9.9
1939.....	5,033	496	9.8
1940.....	5,760	611	10.6
1941.....	6,407	796	12.4
1942.....	7,097	903	12.7
1943.....	7,708	1,169	15.2

and starchy foods. Of all staple foodstuffs, only potatoes, vegetables and bread are in unrestricted supply. Fruit is very scarce and the consumption has fallen by over half. The nutritive value of the country's total food supplies has fallen slightly, but rationing and other measures have helped to reduce inequalities in pre-war food consumption, particularly of protective foods, such as milk. Individual rations in some cases have been smaller than the amounts consumed, as shown in Table 25, but the difference is accounted for by the food allocated to hotels, restaurants and canteens, and by food grown by people for their own consumption. Some part of the amounts shown, on the other hand, will have been consumed by British, US and Allied forces on leave.

TABLE 24.—PERSONAL EXPENDITURE ON CURRENT GOODS AND SERVICES

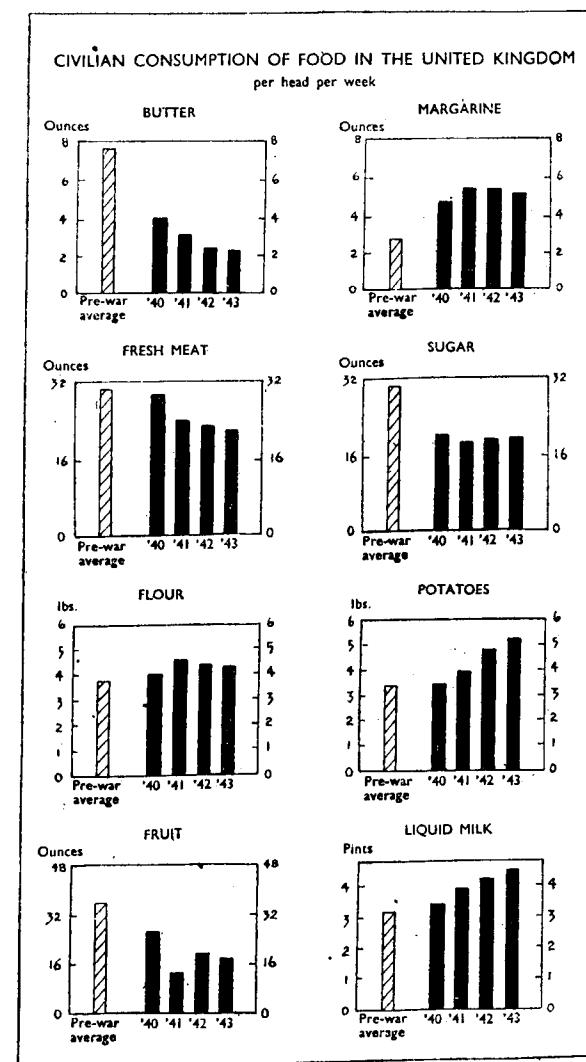
Calendar Years	Personal Expenditure on Current Goods and Services at Market Prices	Indirect Taxes Specifically on Consumption, Less Subsidies	Personal Expenditure on Current Goods and Services Excluding Indirect Taxes and Increased by Subsidies	Personal Expenditure on Consumption at Constant Prices, 1938=100
	£ million	£ million	£ million	100
1938.....	4,138	424	3,714	100
1939.....	4,244	469	3,775	100
1940.....	4,376	518	3,858	88
1941.....	4,624	637	3,987	82
1942.....	4,905	764	4,161	81
1943.....	5,049	885	4,166	79

Of other consumers' goods, expenditure has been most severely cut on durable goods. One-fifth as much furniture and household textiles were bought in 1943 as in 1935. Pre-war stocks of durable consumers' goods, including clothes and shoes, have been almost completely exhausted through shortage of new production. The figures in Table 27 show reductions in clothing expenditure, brought about chiefly by rationing, which has prevented the average man from buying (for example) more than one pair of shoes in thirteen months. No motor-cars, refrigerators, pianos, vacuum cleaners, tennis or golf balls have been produced since 1942, and only very few radios, bicycles, watches and fountain pens.

Civilians wishing to travel have found it increasingly difficult. Although the number of passenger-miles on British railways has gone up by 60 per cent—through more and

longer journeys, particularly by British and Allied forces—the number of passenger train-miles has been cut by 30 per cent. of the pre-war level. The result of the two movements is that the average train-load has increased by 125 per cent. With increased freight loads for essential war purposes, net ton-miles transported by British railways have risen by 40 per cent. Bus services have also had heavier loads to carry—between 30 and 50 per cent more passengers than in

CHART XI



1938. In spite of a reduction in total mileage of 40 per cent, the number of passenger-miles carried has increased by one-third. Since 1941, the small unconditional petrol ration for private cars has been cut out altogether and motor-spirit used for the 700,000 private cars still licensed for essential

TABLE 25.—CIVILIAN CONSUMPTION OF PRINCIPAL FOODSTUFFS
(Per head per week)

	Unit	1934-38 Average	1940	1941	1942	1943
Butter.....	ozs.	7.63	4.12	3.14	2.40	2.34
Margarine.....	ozs.	2.77	4.74	5.51	5.45	5.26
Cheese.....	ozs.	2.71	2.52	2.65	4.34	3.63
Shell eggs.....	number	3.26	2.85	2.38	1.70	1.45
Dried eggs.....	ozs.	0.02	0.03	0.03	0.58	0.80
Liquid milk.....	pints	3.25	3.45	3.94	4.22	4.32
Dried milk.....	ozs.	0.49	0.49	0.25	0.89	1.29
Fresh meat.....	ozs.	30.40	29.23	23.97	22.95	22.18
Bacon and ham.....	ozs.	8.40	6.34	5.88	6.00	5.78
Canned meat.....	ozs.	0.89	0.34	0.74	2.28	2.43
Fresh fish.....	ozs.	6.52	3.66	3.72	4.25	4.56
Canned fish.....	ozs.	1.11	1.60	1.05	0.86	0.95
Tea.....	ozs.	2.86	2.68	2.52	2.55	2.22
Sugar.....	ozs.	30.58	20.22	18.52	19.45	20.00
Flour.....	lbs.	3.75	4.01	4.56	4.37	4.43
Potatoes.....	lbs.	3.40	3.44	3.93	4.78	5.25
Fruit.....	ozs.	27.17	20.92	8.43	15.20	12.06
Other fruit and juices.....	ozs.	8.22	5.05	4.55	4.62	5.35

purposes (compared with the pre-war 2 million) is only one-eighth of pre-war consumption.

Housing-space for civilians is as crowded as travelling-space. Almost no new houses have been built in wartime. Out of 13 million houses in the United Kingdom, one-third have been affected by enemy action. Over 200,000 have been destroyed (by air attack) and 4½ million damaged, and many houses have been requisitioned for the Services. Repair work is restricted and overcrowding has been intensified by evacuation.

TABLE 26.—PERSONAL EXPENDITURE ON CERTAIN CLASSES OF CONSUMERS' GOODS AT 1938 PRICES
(1938=100)

Calendar Years	Clothing and Dress Materials	Boots and Shoes	Furniture and Furnishings*	Hardware†	Private Cars, Bicycles, etc.	Fuel and Light	Other Goods (Excluding Food, Drink and Tobacco)‡
Actual Expenditure in 1938 £ million	374	73	147	82	62	203	506
1938.....	100	100	100	100	100	100	100
1939.....	99	104	94	91	82	99	100
1940.....	82	93	69	74	24	93	81
1941.....	59	79	47	52	16	97	67
1942.....	58	77	32	35	10	98	54
1943.....	55	73	23	33	11	93	52

* Furniture, furnishings, household textiles, floor coverings, musical instruments (including wireless sets, gramophones and accessories).
† Pottery and glassware, ironmongers' goods, electrical goods, heating and cooking appliances and perambulators.

‡ Chemists' wares, stationery, books and newspapers, fancy goods, jewellery, etc., travel goods, toys and sports goods, petrol and oil, soap, polishes, candles and matches.

TABLE 27.—SUPPLIES OF ARTICLES FOR CIVILIAN USE IN THE UNITED KINGDOM

	1935	1943
Apparel:		
Boots and shoes (pairs):	Millions	Millions
Leather uppers—Men's.....	30	15
Women's.....	47	30
Children's.....	30	31
Rubber boots.....	3.5	0.5
Other types.....	51	14
Total boots and shoes.....	161	90
Stockings and socks (pairs):	390	240
Knitted undergarments.....	180	110
Household Goods:	Millions	Millions
Armchairs and settees.....	2.7	0.1
Woolen blankets.....	6.5	2.2
Wool carpets and rugs.....	34	1.5
Linoleum, felt base, floorcloth and substitutes } sq. yds. {	92	14
Vacuum cleaners.....	0.4	—
Household brushes and brooms.....	60	25
Table knives.....	24	4
Spoons and forks.....	56	6
Vehicles, Wireless Apparatus, etc.:	Thousands	Thousands
Motor cars.....	280	—
Motor cycles.....	47	2
Bicycles and tricycles.....	1,600	540
Perambulators, folders and push chairs.....	590	410
Pianos.....	50	—
Wireless receiving sets.....	1,900	50
Wireless valves for replacements.....	5,000	3,500
Gramophone records.....	20,000	11,000
Miscellaneous goods:	Millions	Millions
Trunks, suit-cases, attache cases, etc.....	8.5	—
Ladies' handbags.....	10	1
Watches.....	6.5	0.3
Fountain pens.....	9	2
Matches (boxes of 50).....	2,750	1,700
Sports goods:		
Football bladders.....	1.5	0.1
Tennis balls.....	8	—
Golf balls.....	7	—

TABLE 29.—FREIGHT TRAIN TRAFFIC ON MAIN-LINE RAILWAYS IN GREAT BRITAIN

	Loaded Train-Miles	Originating Tonnage (Million Tons)			
	(Millions)	Merchandise	Minerals	Coal, Coke and Patent Fuel	Total
1935-38 average .	120	45.0	51.4	171.8	268.2
1939 .	124	50.4	50.9	183.0	284.2
1940 .	133	56.6	57.6	175.0	289.2
1941 .	131	61.1	60.8	161.3	283.2
1942 .	135	70.2	60.5	160.7	291.4
1943 .	135	81.0	61.4	154.8	297.2

TABLE 28.—PASSENGER TRAFFIC ON MAIN-LINE RAILWAYS IN GREAT BRITAIN
(Millions)

	Loaded Train-Miles	Number of Journeys				
		Full Fare, Monthly Return, Excursion, Weekend, Tourist, etc.	Workmen	Season Ticket	Others	Total
1935-38 average . . .	268	546	222	363	46	1,177
1939	246	464	242	348	50	1,104
1940	190	338	253	272	68	931
1941	192	347	289	241	102	978
1942	193	424	325	269	144	1,161
1943	194	458	318	292	200	1,268

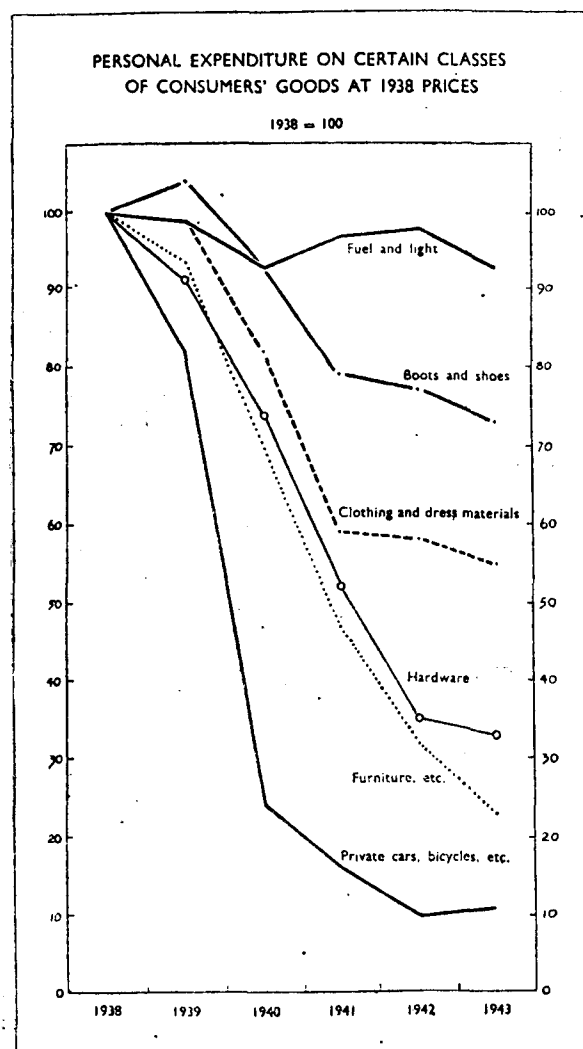
TABLE 30.—LOADED WAGON-MILES AND NET TON-MILES RUN BY MAIN-LINE RAILWAYS IN GREAT BRITAIN (Millions)

	Loaded Wagon-miles			Estimated Net Ton-miles		
	Merchandise	Minerals	Coal, Coke and Patent Fuel	Merchandise	Minerals	Coal, Coke and Patent Fuel
1938-39	1,888	334	873	5,192	3,182	8,295
1942	2,402	532	1,048	8,593	5,279	9,951
1943	2,537	534	981	9,659	5,355	9,343

TABLE 31.—HOUSES DESTROYED OR DAMAGED BY ENEMY ACTION IN THE UNITED KINGDOM (Thousands)

	Up to the end of May, 1944	June, 1944, to the end of Sept., 1944	Total
Destroyed or damaged beyond repair...	175	27	202
Damaged and rendered uninhabitable...	201	54	255
Damaged, but not rendered uninhabitable	3,034	1,039	4,073
Total destroyed or damaged	3,410	1,120	4,530

CHART XII



V—Finance

Central Government expenditure has increased, almost exclusively through war expenditure, from £1,013 million in 1938 to £5,782 million in 1943, including Mutual Aid supplied by Great Britain and paid for by the United Kingdom Government, but excluding Lend-Lease and Mutual Aid received from abroad.

Only a great increase in national income, from £4,604 millions in 1938 to £8,172 millions in 1943, has made it possible to finance government expenditure so largely out of current resources. The following table shows how the 1943 expenditure was provided:—

Taxation and Government revenue	50 per cent.
Savings (personal and business)	30½ „
„ (public)	3½ „
Disinvestment abroad	11 „
„ at home	3 „
War damage payments re-borrowed	2 „

To obtain not only more revenue, but an increased share of the national income, direct and indirect taxation have both been heavily increased. Income-tax yields have increased from £336 millions in 1938-9 to £1,183 millions in 1943-4, partly by an increase of the standard rate from 5s. 6d. (1938) to 10s. (1943), and partly by an extension of liability to income-tax from 4 to 13 million people. After deducting personal, marriage, children's and other allow-

TABLE 32.—CENTRAL GOVERNMENT EXPENDITURE, REVENUE AND BORROWING (£ million)

Calendar Years	Expenditure	Revenue	Deficit Covered by Borrowing
1938	1,013	883	130
1939	1,474	975	499
1940	3,340	1,258	2,082
1941	4,626	1,836	2,790
1942	5,110	2,344	2,766
1943	5,782	2,876	2,906

TABLE 37.—PRIVATE EXPENDITURE AND SAVINGS (£ million)

Calendar Years	Personal Expenditure on Current Goods and Services	Private Savings	Private Income After Direct Taxation
1938	4,138	351	4,489
1939	4,244	559	4,803
1940	4,376	1,210	5,586
1941	4,624	1,472	6,096
1942	4,925	1,614	6,539
1943	5,049	1,749	6,798

ances, the aggregate incomes of the £250-£500-a-year group paid income-tax of 3 per cent in 1938 and of 14½ per cent in 1942; those of the £500-£1,000-a-year group paid 11 per cent in 1938 and 28 per cent in 1942; and those of the £2,000 to £10,000 group paid 29 per cent and 52 per cent respectively.

With the proceeds of the Excess Profits Tax, increased from 60 per cent to 100 per cent in 1940, direct taxes yielded £1,781 million to the Government in 1943, compared with £494 million in 1938; a cumulated amount of £305 million is due to be repaid after the war.

Indirect taxation on personal consumption increased

TABLE 39.—SOURCES OF CENTRAL GOVERNMENT REVENUE (£ million)

Calendar Years	Income from Public Property, Trading, etc.	Direct Taxation	Indirect Taxation		Total Revenue
			Specifically on Personal Consumption	Other	
1938	18	494	290	81	883
1939	16	544	331	84	975
1940	24	729	427	78	1,258
1941	41	1,088	621	86	1,836
1942	76	1,383	783	102	2,344
1943	69	1,781	915	111	2,876

TABLE 40.—SOURCES OF GOVERNMENT BORROWINGS (£ million)

Calendar Years	Private Savings	Public Savings (Surpluses of Local Authorities and Extra-Budgetary Funds)	Compensation for War Damage and Losses	Private Net Disinvestment at Home	Net Disinvestment Abroad	Total Central Government Borrowings
1938	351	29	—	—305*	55	130
1939	559	72	—	—362*	230	499
1940	1,210	189	36	—119*	756*	2,082
1941	1,472	220	219	82	737	2,790
1942	1,614	223	154	140	635	2,766
1943	1,749	191	136	175	655	2,906

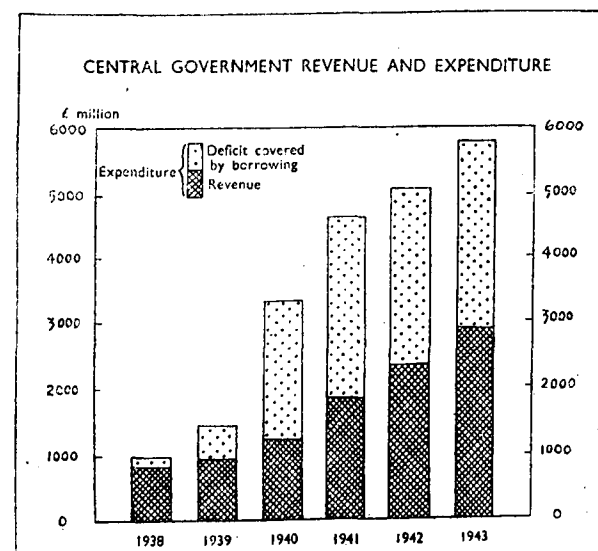
* In these years the figures represent private net investment at home.

revenue by £725 million between 1938 and 1943. Tobacco and alcohol, particularly, have been heavily taxed, and have yielded two-thirds of all revenue in a pre-war year. A

Purchase Tax ranging from 16½ per cent of wholesale value on some goods to 100 per cent of wholesale value on luxury goods has been in force since the outbreak of war. Total receipts from indirect taxation rose from £371 million in 1938 to £1,026 million in 1943. Against this must be set the cost—£190 million in 1943—of increased subsidies for food and other essential goods.

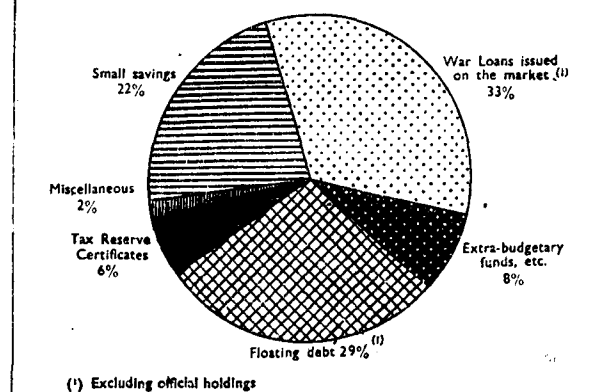
To supplement the total revenue of £2,876 million in 1943 the central government had to raise £2,906 in loans

CHART XIII



GOVERNMENT BORROWING

1 January 1939—31 December 1943



in the same year. Business and personal savings (which have increased ninefold since 1938) gave £1,749 million, and the extent to which additional methods of borrowing have been used throughout the war is shown in Table 40.

The effects of heavy taxation and large-scale loans to the Government have been serious. Private savings have, as a consequence, not been spent on improving and repairing capital resources. Industry has only installed new capital

TABLE 41.—FORMS OF GOVERNMENT BORROWINGS* (£ million)

Calendar Years	Small Savings	War Loans and Other Public Issues†	Floating Debt‡	Tax Reserve Certificates	Extra-Budgetary Funds etc.‡	Miscellaneous§	Total Borrowings
1938	4	53	179	—	254	—	130
1939	62	11	280	—	194	—	499
1940	466	553	517	—	554	—	2,082
1941	602	1,020	903	17	153	8	2,790
1942	600	1,037	476	453	38	162	2,766
1943	719	1,050	1,017	177	62	5	2,906

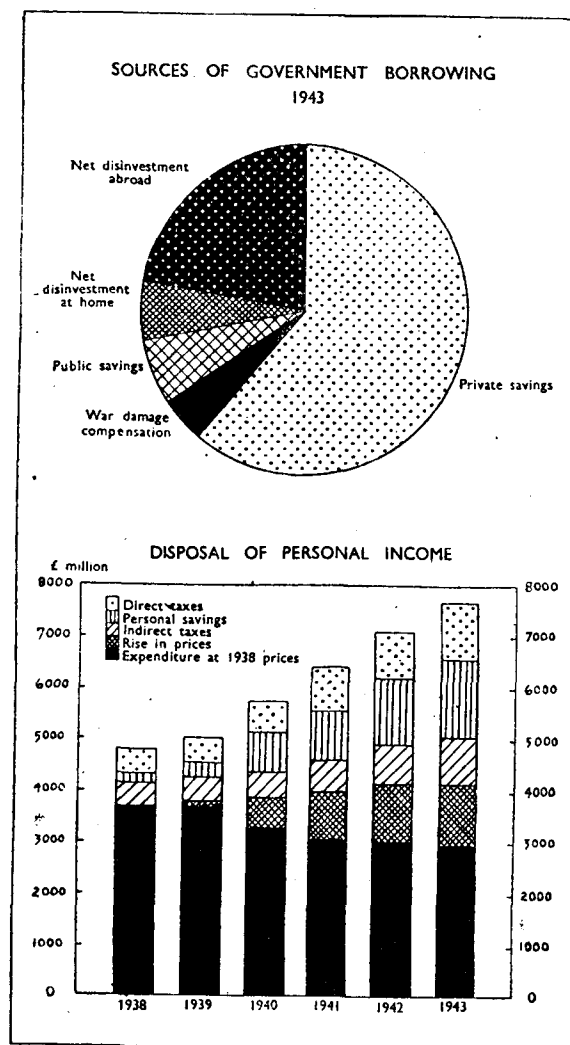
* Excluding borrowings to cover maturing debt and sinking funds.
† Excluding debt held by Government departments for extra-budgetary funds, etc.
‡ Increase in Government securities held by extra-budgetary funds including the Exchange Equalization Account, certain receipts in respect of war risks insurance and the War Damage Act and reduction in the Exchequer balance.
§ Including Reconstruction Finance Corporation loan and Canadian Government interest-free loan.

equipment and kept the old in repair where it has been vital to war production. In addition, there has been wide-

spread damage to personal and business property which has only partly been repaired and paid for.

To supplement allied Lease-Lend and Mutual Aid assistance, overseas assets have had to be sold to the value of £1,065 million, and a further debt incurred of over

CHART XIV



£2,300 million. Together with those assets destroyed in the Empire to deny their use to the enemy, Britain has been deprived of a source of income which has in the past made an important contribution to the cost of imports.

TABLE 42.—SALES OF OVERSEAS ASSETS AND INCREASE IN OVERSEAS LIABILITIES (£ million)

	Net Sale of Overseas Assets	Increase in Overseas Liabilities
September, 1939—December, 1941	955	765
January, 1942—June, 1944	110	1,535
Total	1,065	2,300

VI—Mutual Aid

THE present report (Cmd. 6570) is designed to supplement the first, which covered all Mutual Aid up to the end of June, 1943, by giving a review of the development of the system in the year to June, 1944. The system, under which goods and services flow freely where they are most required for the common war effort, has been a vital factor in the achievements of the United Nations in the field. In the past year it has reached an even higher scale than before. Besides increased contributions from the United States and Canada, the steady flow from Australia, New Zealand and India and the provision made by European governments for US and British invasion forces, the British Government has extended the scope and amount of free aid provided for its Allies in the United Kingdom and Empire. The total British contribution up to June, 1944, has been valued at

over £1,000 million, and has been necessarily made at the cost of imposing further sacrifices on British civilians since production has already been expanded to its furthest limit.

Aid to the United States passed in the year 1943-44 from the stage of preparation to that of maintenance. It was not till the autumn of 1943 that numbers of US troops in this country began substantially to increase. British ships in the past year brought 865,000 uniformed Americans to this country to join an ever-growing army, to whom, in the quarter preceding D-Day, Britain gave goods and services at the rate of £330 million a year compared with £182 million in the corresponding period of 1943. Capital construction for these forces cost £167,600,000 and involved the

A—MUTUAL AID TO ALL COUNTRIES

	Cumulative to June 30, 1944.
I. U.S.A.	604,730,000
II. U.S.S.R.	269,457,000
III. China	9,050,000
France	13,600,000*
Poland	120,000,000†
Greece	12,368,000
Czechoslovakia ..	18,629,000
Portugal	11,135,000
Turkey	20,681,000
	£1,079,648,000

* Up to June 30, 1943, only.
† Provisional

diversion of 100,000 men for building alone; 133 airfields, 89 million sq. ft. of open and covered storage, 100,000 hospital beds, 200 clubs and all furnishings and stores were part of this vast programme.

American forces were fed, at a cost of £8 million, trained and transported. Stores and personnel in the first half of 1944 required 650,000 wagons and 9,225 special trains. Besides this, the transfer of 19 ambulance trains and 16 mobile workshop and break-down trains placed a heavy burden on Britain's overworked railway system.

For the invasion, underground headquarters, maintenance and landing-craft bases, embarkation facilities and nearly 50 transport and hospital ships were made available to the United States. The two prefabricated harbours, one for US forces, were both designed and built in this country at a cost of about £25 million and a diversion of 20,000 men for the concrete caissons alone.

Besides goods and services given to American forces in Britain, the United Kingdom has made available other supplies elsewhere. Oil from American and British sources has been treated as a common pool, and British supplies have gone to India, West Africa, and the Middle East and elsewhere. Bulk foodstuffs and raw materials (mainly rubber) valued at £13½ million have been shipped largely from the Colonies to the United States.

Next to the United States, the USSR was the principal recipient of Mutual Aid from Britain. Particulars are given in Table A, and include supplies to Soviet armies, air force and navy.

Aid to China is limited by transport facilities rather than finance, and has been confined to arms, munitions and military equipment, apart from supplies and services for Chinese troops in Burma and the transport of supplies contributed by other Allies.

Mutual Aid has also been extended, retrospectively, to cover the supply, equipment and training of French, Polish, Czech and Greek forces since 1940, and further agreements have covered aid supplied to Dutch, Belgian and Norwegian

C—PRICES OF MUNITIONS, U.K. AND U.S.

	Unit	Price per Unit	
		U.K.	U.S.*
Anti-tank gun H.E. shell	each	£ 1 18 6	£ 2 2 0
Trench mortar bomb	"	0 14 6	1 0 0
Three-ton lorry	"	380 0 0	808 0 0
Parachute	"	33 11 0	41 0 0
Dinghy	"	26 8 0	32 0 0
Aircraft tyre	"	39 12 0	87 0 0
Wireless set	"	104 0 0	161 0 0
Cable	mile	5 17 0	8 13 0
Field clothing—jackets and trousers ..	each	1 13 0	2 8 6
Heavy wool jerseys	"	0 11 6	0 13 0

* Converted at official middle rate \$4.03 = £1.

forces. No figures are given in any table for supplies sent, without formal agreement, to patriot forces all over Europe. War materials have also been given in substantial quantities to Portugal and Turkey. The tables attached which estimate the value of British Mutual Aid are necessarily

B—RECIPROCAL AID TO THE U.S.A.

I.—Reciprocal Aid Afforded in the United Kingdom GOODS AND SERVICES

1. Total goods and services transferred up to June 30, 1943	113,000,000*
2. Goods transferred during year to June 30, 1944:—	
i. Tanks and vehicles	2,405,000
ii. Guns and ammunition	7,299,000
iii. Scientific and engineer's equipment	13,215,000
iv. Aircraft	10,765,000
v. Aeronautical equipment	8,031,000
vi. Barrack and camp equipment	6,497,000
vii. Clothing	6,353,000
viii. Food	7,718,000
ix. Transportation stores	2,537,000
x. Medical supplies and service	2,298,000
xi. Miscellaneous supplies	5,665,000
xii. Petroleum products†	58,882,000
Total supplies	£131,665,000
3. Services rendered during year to June 30, 1944:—	
i. Shipping services	54,717,000
ii. Internal transport services	18,891,000
iii. Building and works maintenance	10,314,000
iv. Miscellaneous services	15,045,000
Total services	£98,967,000
Total goods and services transferred during year to June 30, 1944	230,632,000
Cumulative total, goods and services, to June 30, 1944	£343,632,000

CAPITAL FACILITIES

	Cumulative to June 30, 1944
Barracks, hospitals, etc.	49,200,000
Airfields, etc.	105,600,000
Aircraft repair depots	5,500,000
Port installations, etc.	7,300,000
Cumulative total to June 30, 1944	£167,600,000

* Allowing for adjustments to figures in first Mutual Aid Report.
† Including oil bunkers to U.S. naval and merchant ships world-wide, and Lend-lease oil estimated at £24 million retransferred to U.S. forces in the United Kingdom. World-wide.

II.—Food and Raw Material Exported to the United States

	Year to June 30, 1944	
	Quantities	Value
(a) Raw Materials* :—	Tons	£
Asbestos	3,886	191,000
Chrome	20,343	76,000
Copper	18,000	130,000
Goatskins (thousand units) ..	3,529	386,000
Graphite	1,219	58,000
Hides (thousand units)	635	210,000
Pyrethrum	1,702	243,000
Rubber	38,366	5,946,000
Sisal	37,314	1,021,000
Other†	...	149,000
Total raw materials	...	8,410,000
(b) Bulk Foodstuffs :—		
Cocoa	55,849	1,833,000
Tea	10,206	2,075,000
Oils and fats	58,538	1,295,000
Total bulk foodstuffs	...	5,203,000
Total food and raw materials	...	£13,613,000

* Mainly from Colonies. † Items below £50,000.

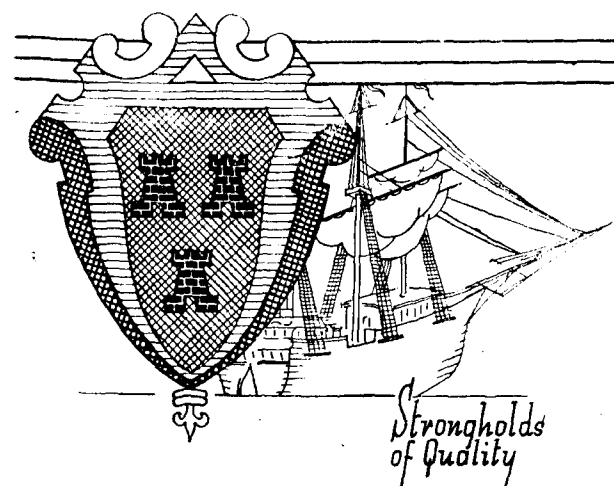
III.—Total Reciprocal Aid to the United States

	Goods and Services	Capital	Total
I. Reciprocal Aid in the U.K. (as above)	£ 343,632,000	£ 167,600,000	£ 511,232,000
II. Food and Raw Material Exported to the U.S. (as above)	13,613,000	...	13,613,000
III. Other Supplies Exported to or Transferred to the U.S.	25,135,000	...	25,135,000
IV. Reciprocal Aid Afforded in British Colonies and in Overseas Theatres of War*	47,539,000	7,211,000	54,750,000
Totals, cumulative to June 30, 1944	£299,919,000	£174,811,000	£604,730,000

* To March 31, 1944.

approximate and, in some cases, incomplete. Repair services, technical information and experience have not, and cannot, be priced and added to the general totals. No true comparison can be drawn of the comparative cost to Britain or other Allies of Mutual Aid supplied to the common pool. For one thing, Government accounting systems and price structures are widely different, and, though some indication is given in the tables, no valid conclusion can be drawn from this haphazard selection.

In conclusion, the extent of Mutual Aid supplied to all the Allies, totalling over £1,000 million, is no small achievement for a country totally mobilised for front-line warfare.



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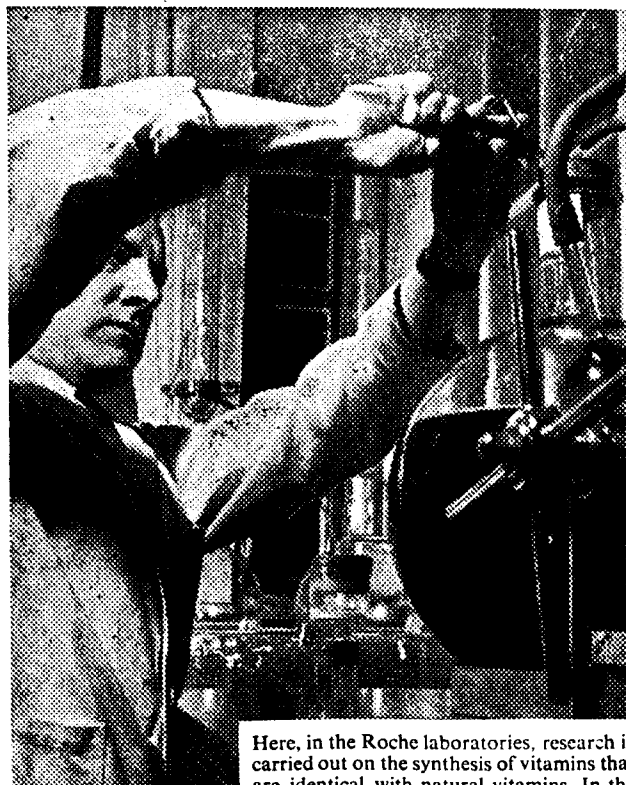
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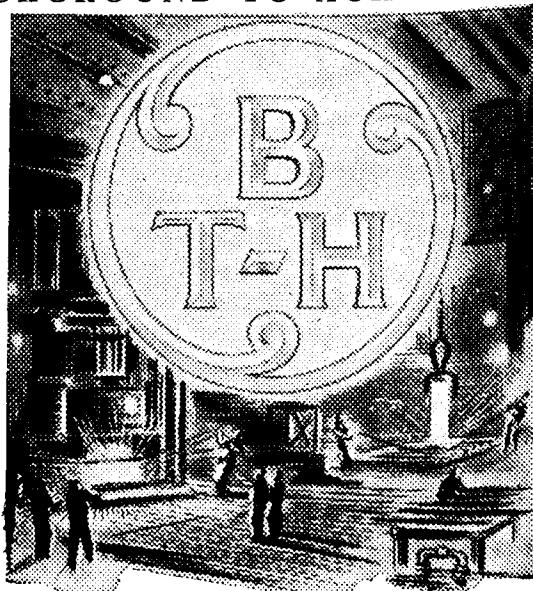


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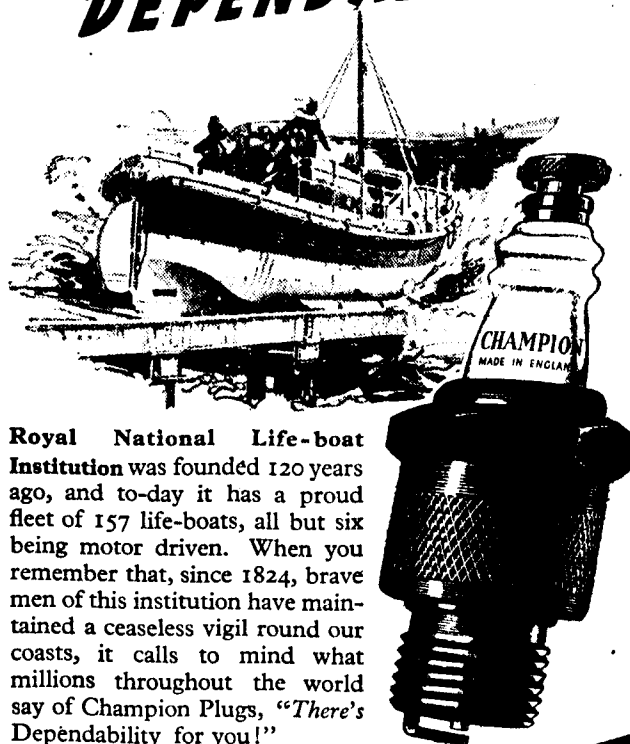
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THE BUSINESS WORLD

Charts and Markets—II

THE first half of this article, which appeared last week, reached the conclusion that chart-reading, by itself, is of comparatively little assistance in forecasting short-term fluctuations in market prices, since chance factors can so easily upset the deductions to be drawn from past experience. "Chartism" is, however, on rather firmer ground when it is a question of the longer-term or cyclical fluctuations. Even there, however, there are limitations. What the enthusiasts for chart methods seem often to overlook is the extent to which their case derives its strength from their ability to relate cyclical market fluctuations to the broader background of the national economy. They do not, where "dominant trends" are involved, have to judge the market by the market: they can go outside, and the further they go the better. Restriction of their inquiries to the market, and attempts to draw conclusions merely from phenomena like the duration of earlier bear phases or bull phases, or the levels of peak points reached years before, involves reliance on a field of observation which, to the scientific mind, seems dangerously narrow.

This criticism (which, incidentally, tends to throw doubt on a great deal of current "chartist" prognosis of an early and necessary down-turn in share prices) may be illustrated by the implications of Chart C, which shows the "dominant trend" of *The Financial News Ordinary Share Index* from the beginning of 1929 up to the present time. The picture is cyclical; fluctuations of a lower order have been largely removed, so that the eye can follow the main course of the index, from high to low and back again, with a minimum of distraction. The point at which the curve begins was in fact the peak of the 1928-29 market boom. Another peak, it will be seen, is reached at the end of 1936. There are low points in the middle of 1932 and of 1940. The present level of the index is slightly below a recent high point, which was nearly, but not quite, equal to that of 1936.

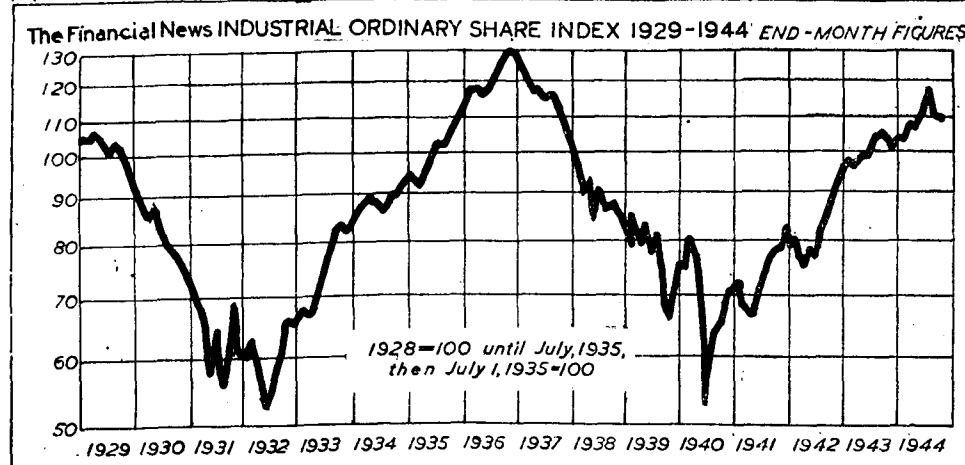
The "chartist" view that prices may shortly turn downwards rests mainly on two theses. The first is that the rising market of 1932-36 lasted 4½ years and that, as the rising trend of 1940-44 will, by the end of this year, have endured for a similar period, it will then be ripe for reversal. The second point made is that share prices, before their recent setback, were back nearly to the high point of the preceding cycle and, consequently, were loitering, so to speak, in a dangerous area. Both arguments, it must be declared, seem crude and unconvincing. The suggestion that the duration of the main phases of the market cycle is set unalterably in a Procrustean mould is readily disproved by past experience. The rising market of the 1920's (not shown in the chart) lasted, for example, for seven years. The second argument—that the peak prices of 1936 are an *Ultima Thule* for the market in 1944 or later—runs strangely, seeing that the 1936 crest was itself 24 per cent higher than its predecessor of early 1929.

In fact, attempts to maintain that history will invariably and exactly repeat itself are calculated only to bring undeserved discredit on the historical method in general. So long as a broad correspondence—and no more—is presumed between successive cycles, chart interpretation may serve something to reach the forward-looking investor. Possibly, a Full Employment policy, which aims at smoothing out post-war industrial fluctuations, will deprive "chartism"

of its main scientific buttress. But the trade cycle has been a regrettably hardy economic phenomenon in the past; and even during the war, with cyclical changes in industrial activity suspended for the duration, there has been, as Chart C clearly shows, quite a considerable market cycle. But an examination of the markets' records for anything up to 70 years reveals, conclusively, that arguments based on the supposed uniformity of different cycles must fail. Their duration and amplitude have varied widely; and, what is more, there has been a persistent tendency for peaks and troughs to be established at progressively higher levels.

This last point is crucial. It calls attention to a fundamental omission in "chart theory," as hitherto set forth by the majority of its exponents. And it suggests a satisfactory means of reconciling the views of those who, to-day, maintain that share prices may decline in the next year or

CHART C



two and those who maintain that prices must rise considerably in the next three, five or ten years.

The truth is that the so-called "dominant market trend," with which chart theorists concern themselves, is itself only an intermediate type of trend. If the course of share values be plotted on a chart for half a century or more, the cyclical trend reveals itself as a series of fluctuations on either side of a longer-term trend line which, in fact, has been rising for a great many years past. Some idea of what such a chart looks like can be obtained from Chart D, on which the thick continuous line has been drawn (to a logarithmic scale) from the figures of the London and Cambridge Industrial Share Index from 1870 to 1939. The many cyclical variations which have occurred in the course of these seventy years can be plainly seen.

Superimposed on the annual figures, on this chart, are a ten-year and a 25-year moving average. Although a ten-year average eliminates purely cyclical fluctuations, it will be noted that there has been a certain rhythm in the "medium-term" trend of share prices. The curve has a strongly rising tendency for much the greater part of the time, interrupted by stagnant periods in the 1880's and the first decade of the present century. The "ultimate trend" appears to be quite clearly brought out by the 25-year average, which rises continuously at the rate of approximately 2½ per cent per annum and has a slightly concave shape—i.e., it rises rather more quickly in the later than in the earlier years of the period it covers.

The trend of ordinary share prices, thus measured, can be shown to have a relatively high degree of correlation with the trend of the money value of the national income during the seventy years, if allowance is made for distracting factors like changes in the level of interest rates. That, indeed, is what first principles would lead one to expect;

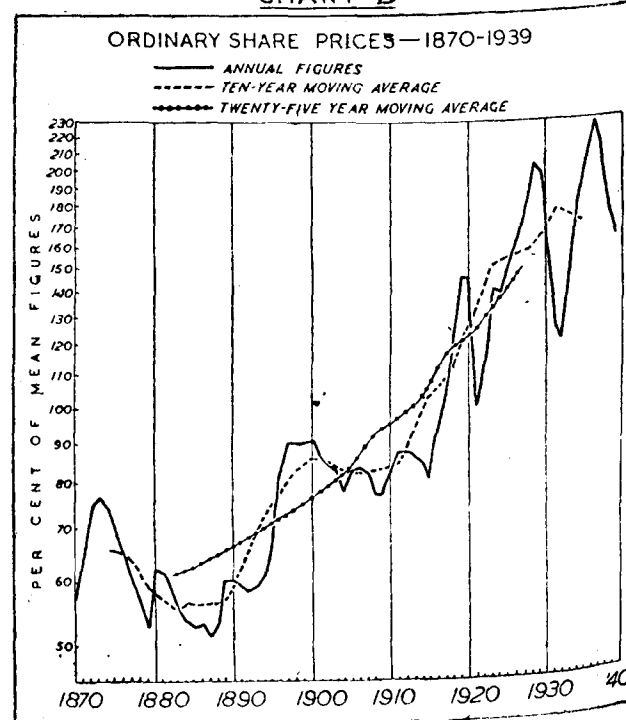
for ordinary share values represent the capitalisation of current equity profits at a number of years' purchase determined largely by prevailing interest rates.

Here, it may be suggested, lies the answer to the dilemma posed by the "chartists": fear that share prices may fall in the near future and the confidence of other commentators that equities will rise during the next few years, in response to a higher money national income. The "chartists" will be right if the cyclical trend of the market curve happens to fall, in anticipation of (or in response to) a drop in industrial profits during the period when industry will be coping with change-over difficulties in the transition from wartime to peacetime production. But the more optimistic prophets will be justified in their generation if that movement proves, as everyone believes it will prove, purely temporary. Once the national economy has passed the transitional stage, and the post-war period, properly so-called, has begun, then (for reasons set out at greater length in an article in *The Economist* of August 26, 1944, page 291), the readjustment of share values to an increased national income (in money terms), will have to be made.

When that adjustment occurs the upward long-term trend of share prices, which makes so impressive a showing on Chart D, will be found to have continued through the decade of the '40's. There may, of course, be far-reaching changes, after the war, in the relations between owners of the capital and the state, which may affect the amount of net income equity shareholders are allowed to retain and, consequently, may limit any future rise in share values. That is a question which only the future can decide. So far as it has any bearing on prospective market conditions, it suggests that it may not be imprudent to end this present series of articles with a *caveat*. The historic rise in ordinary

share prices was accomplished in a "free" economy, with an "open" capital market.

CHART D



Debts in America

(From Our New York Correspondent)

THE most striking development in the composition of debt in the United States during the war has been the increase in Federal obligations and the decline in all other major categories. The former comprised only 22.1 per cent of all public and private debt at the end of 1940, but had risen to 53.8 per cent by December, 1943. The explanation is threefold. Increased Government expenditures have increased business profits, consumer income and local government revenues, and they made debt retirement possible, and at the same time Government financing of the needs of industrial expansion has limited the need for additional private credit. Shortages of goods have restricted spending by business firms, by local governments and by consumers. Direct government controls have been important in contributing to the contraction of consumer credit as well. Long-term corporate debt, the second largest component of the debt structure, now represents only 15.5 per cent of the total, as against 23.8 per cent in 1941. Short-term corporate debt also declined after the initial spurt which occurred during the 1940-41 "defence" period. The following table summarises the significant figures:

	Millions of Dollars			
	1929	1938	1940	1943
Total New Corporate Issues	10,026.4	2,140.5	2,762.6	1,080.9
Total Bank Loans	41,861	21,261	23,751	22,241
Total Money (Currency and Deposits)* ..	54,713	58,955	70,761	122,812
Total Corporate :-				
(a) Current Assets	28,006	22,089	27,606	51,000
(b) Current Liabilities	12,138	8,257	10,967	27,000
(c) Working Capital	15,868	13,832	16,639	24,000
Total Net Corporate Long-Term Debt ..	47,280	44,850	44,000	42,629
Total Corporate Short-Term Debt	28,615	18,454	19,800	21,558
Total Government Debt (Net)†	29,412	48,300	52,931	161,799

* Includes time and US Government deposits.
† Federal, State and Local, eliminating duplication.

NOTE:—All figures end of year except first line, which is annual total.

Recent studies by the Securities and Exchange Commission, the Department of Commerce, the National City Bank, the National Bureau of Economic Research and the Federal Reserve System reach substantial agreement on the pattern of business finance during the war which underlies these changes, and more qualified agreement on its meaning for the transition and post-war periods. These analyses show that business as a whole has earned higher profits than in the pre-war years, even after higher taxes, and that it has retained a large portion of these increased earnings.

These have been used to expand plant and equipment, and the expansion has been financed about equally by government and internal business funds. (Increased allowances for depreciation have recently been in excess of declining private capital expenditure.) Business has had little recourse to the security markets since 1940-41. Retained earnings have also been employed to enlarge working capital. The National City Bank shows increases of 26 per cent and 38 per cent respectively for two groups of large non-durable goods and durable goods' manufacturing companies. Here, also, Government assistance has been given in the form of direct advances on supply contracts and allowance of billing as work progresses. This has resulted in a sharp rise in the ratio of sales of large manufacturing corporations to average inventory held and a concomitant falling off in commercial bank loans, in direct opposition to tendencies during the first World War.

Not only has working capital increased, but a high level of liquidity has developed in current assets, which consist to a large extent of cash and government securities. Furthermore, receivables and inventory represent largely claims due from the government; and though their liquidity depends on contract termination procedures, their values are probably not susceptible to the usual credit and market risks. To the extent that reserves for taxes are larger than necessary in view of probable post-war tax refunds, liquidity is probably even greater than the position shown on the balance sheets.

From these developments students have concluded that, in the aggregate, business can finance the transition to a pre-war level of peace-time output, and perhaps a considerable margin of expansion above that level without recourse to external sources. They hasten to add that for this to be true for each individual business would imply a pooling of resources which will not occur in practice. Many companies will require funds for rebuilding inventory, meeting pay-rolls and tax liabilities, financing consumer credit needs, and financing expansion. Important considerations affecting these requirements are the speed with which claims against the government are met, the costs of reconstruction and arrangements made for disposing of government-owned plants.

Beyond the immediate transition period, the question is whether the long-run changes in debt composition and

financing methods which were evident in the pre-war period will again reassert themselves. Investment and commercial bankers are not the only persons concerned: institutional investors looking for outlets for funds, savers seeking a better return on their money, economists interested in solving business cycle problems instead of depending on the Government to do it, and perhaps fearful that the country may actually be on the toboggan of "secular stagnation" as a result of impediments to investment, those desiring adequate credit for small business and new enterprise generally—all these have an interest in the matter.

Among the longer-run changes, the twenty-five years since 1920 have witnessed the almost uninterrupted decline of the commercial bank loan. This type of credit failed to rise even during the business expansion of the 1920's. Since corporate security issues did increase until the end of that decade, the reverse tendency in commercial credit has popularly been ascribed to the use of long-term credit to finance short-term needs, together with growing self-sufficiency of business enterprise. Another factor of importance probably was the more efficient use of manufacturing inventories, making possible an expansion of business on the same volume of inventory. The result has been a marked change in the nature of commercial banking. In 1921, 70 per cent of Federal Reserve member bank loans and investments were short-term, and commercial loans by themselves were 52 per cent of the total. In 1940 the corresponding proportions were 41 per cent and 18 per cent. To maintain earnings, the banks have had to discover new sources of revenue. They have instituted service charges in current accounts and have developed new services, such as collection of bills. They have established personal loan departments, have made term loans, life insurance policy loans, home mortgage loans. Recent efforts have been devoted to the establishment of regional credit pools the more adequately to provide this department store kind of financial accommodation in the highly competitive credit markets envisaged in the post-war world—a far cry, indeed, from the appropriate functions of a commercial banking system as outlined by Walter Bagehot.

The drop in short-term business credit was followed by a falling off in the demand for long-term credit in the 1930's. With the exception of 1936, no year since 1930 has seen a volume of corporate issues even one-third as large as the 1929 volume. Even in 1936 the level was less than half that of 1929, and only about one-fourth of the total were issued for new capital purposes. The rest were refunding.

*

Some analysts interpret these movements as cyclical phenomena, consistent with a period of long-continued depressed business activity. A study made by the National Bureau of Economic Research, covering the period 1920-1939, concludes:

Business Notes

Wilt-Edged Speculation.

The feature of the stock markets during November has been the further steady appreciation of fixed interest stocks which have improved a whole point to 99, according to the index of *The Financial News*, on the basis July 1, 1935 = 100. The movement has been led by buying of very long-dated gilt-edged stocks, and Old Consols now stand at 82, compared with the 94½ maximum touched in 1934. The rise in the other constituents of this index have, however, been almost equally rapid. There seems very little doubt that the rise is based on a belief that the authorities intend to effect a further reduction in the long-term rate of interest. This argument is particularly popular because it makes it possible to accept the higher current yield obtainable on long-term securities without making provision against a possible fall in capital values. The basis appears to be frankly speculative, for there is no evidence that the Treasury wishes to push matters to extremes, while there are distinct possibilities that there would be effective opposition to the drastic controls which such a policy, were finally adopted, would involve. Up to the middle of the month the rise was accompanied by a rally of larger proportions in the equity index, which touched 112.7, or our points below the best of the year and just over five

points above the intervening low of September 12th. Since then, however, there has been a recession, and the latest figure is 111.9. The rise in the first half of the month was associated with some increase in business, but this, too, has fallen off. There are two elements which may help to explain the sluggish demand for equities. Neither is new, but both have rather gained in weight. One is a considerable increase in interest in foreign investments, particularly those of European countries. This is a small factor at any time and is almost certainly of transient interest. The second is the growing evidence of declining Government demand, on the one hand, and of inability of industry to replace it by other activity. Plainly the investor has not yet any great confidence that any actual idleness will be of very modest dimensions and of short duration.

Over the two decades as a whole short-term borrowings of large corporations decreased relative to other sources, although during the expansion of 1933-37 they sustained a greater relative increase than any other source of funds.

To others, the decline in corporate issues indicates a secular trend resulting from automatic business saving in the form of retained earnings and depreciation reserves. The evidence submitted to the Temporary National Economic Committee by at least one witness indicated that the proportion of business investment financed internally was growing, and that the bulk of these savings were made by the larger corporations which, by reason of their size and established importance, could have had access to the capital markets.

Smaller enterprises probably have greater need for outside savings, but at best have only limited and costly access to capital markets. This obstruction in the regular flow of savings toward investment has been accentuated by the growing institutionalisation of individual savings. Trustee institutions (savings banks, life insurance companies, etc.) have been prevented both by legal restrictions and by practice from investing to any considerable extent in smaller and untried ventures. A corollary has been the natural preference of institutional lenders for debt over equity investments, which probably partly explains the decline of yields on bonds relative to those on stocks.

Some revival of private new financing from the low wartime level seems beyond doubt. And the higher business activity and commodity prices are, the greater the volume is likely to be. Some new funds will doubtless be needed by some businesses to adopt processes that have been developed during the war and to adjust themselves to peacetime conditions. Consumer credit will probably be required in large amounts to finance purchases of the wonderful new products of the post-war world and to satisfy demands deferred by the war, even though the liquid position of individuals is just as striking as that of business firms. Urban mortgage financing will be needed to the tune of, perhaps, \$5 billion per annum if the top estimates of post-war home construction are realised. Some expansion of state and local government credit also will be required to finance needed capital projects and delayed maintenance of roads and public works. And some growth in agricultural indebtedness seems likely. But the enormous volume of cash and liquidity will be a limiting factor.

And above all other factors, of course, the dominating characteristic of the capital markets will continue to be a Federal Government debt of over \$250 billion, together with the financial operations connected with that magnitude.

* * *

Texas Land Control

The annual report of the Texas Land and Mortgage Company is now presented, and a letter accompanying it reveals that voting control has been acquired by Mr Denys Lowson and some of his associates. Of 66,000 shares of £10, on which only 50s. per share is paid up, the new group hold 33,182, and 30,425 of these have been bought in the

last year or so. In the course of these purchases the price is said to have risen from 72s. 6d. to a maximum of £6 6s. 3d. It is now approximately 95s. After control had been acquired, attempts were made to secure the election of an independent chairman, but it appears from the company's statement that no arrangement was satisfactory to the new group which did not provide that Mr Lowson, or his nominee, should be in the chair with at least one other director recommended by his group. None of the nominees appeared to the present board to possess qualifications which they regarded as essential. Thus a deadlock occurred. It was in these circumstances that, as stated in *The Economist* of November 18th, the Lowson interests proposed for election five directors, including Mr Lowson. The notice convening the annual meeting includes resolutions to elect four of these and to increase the number of directors to seven, the present figure being, apparently, four. The existing directors announce, however, their intention to resign if the new nominees are elected. The present board consists of Mr G. A. Mitchell, his son of the same name and Mr J. G. Archibald, who was appointed temporary chairman on the death of Lord Meston, who had for eleven years been a director of the company. The board and their predecessors have paid dividends of more than 11½ per cent per annum gross averaged over the 61 years of the company's existence. Dividends were passed in the three years following 1933, but, since the resumption, over 9 per cent gross has been averaged. Balance-sheet figures, including written down valuations of securities, show an appreciation on the present paid-up capital of 211.5 per cent, while if market values at balance-sheet date, March 31, 1944, are taken, the figure is 276 per cent, giving the 50s. shares a gross break-up value of 188s. If the present board remain in office they hope to secure the consent of the debenture-holders to the cancellation of the uncalled liability.

Future Policy

It is commonly supposed that Mr Lowson's interests include a number of financial, investment and unit trusts, and the circular of the present directors of Texas Land states that they are understood to include also the control of five unit trust management companies. Companies and individuals associated with these management concerns already hold some of the Texas Land shares acquired, but before conclusions are drawn from this fact it is only fair to point out that Mr Lowson was under the necessity, if he wished to secure control, of finding at least 33 holders, since the maximum voting power in any one land is limited to that on 1,000 shares. In reply to a question from the present board whether it was intended that "the shares purchased should later be passed on to some unit trust or trusts," Mr Lowson replied:

It is legally impossible for a unit trust to hold shares of a company like Texas Land owing to the uncalled liability; and no trustee could consent—quite apart from the fact that no trustee would consent owing to the company's past record. The insinuation which you suggest is most improper.

Since they hold that the uncalled liability can be cancelled, the present board do not consider this reply fully satisfactory, and they express the view that it is undesirable that persons engaged in the management of unit trusts should become directors in companies in which the unit trusts they manage have important holdings. How far these points are relevant to the matter at issue can only be shown by the future policy of the group, but it is certainly the case that there is much to be said, as was pointed out by the Departmental Committee of the Board of Trade in 1936, against a divorce of beneficial interest from control. In the circumstances, the old board is proposing two resolutions, first, that

The investment business of the company should be conducted on conservative investment trust company principles. The company should not by itself, or jointly with others, attempt to acquire a controlling interest in any company, but should confine itself to moderate investments for its own account in quoted Stock Exchange securities, not more than 1 per cent of the company's funds being invested in any single investment, other than trustee securities;

and, secondly, that

A detailed list of the company's investments should be maintained at all times and be open to inspection by any shareholder.

If the Lowson group intend to run Texas Land on the principles of an investment trust—which has been the

practice for a long time past—they should have no difficulty in accepting these recommendations, or something very like them. It is, in fact, desirable that some such obligations should be placed upon all those who wish to benefit from the special relaxations which the law permits to this class of undertaking. Unfortunately, it has not been the practice of the present board to publish its investments, practice on this point varying from trust to trust, irrespective of the degree of success attained.

Surplus Stores

The main purpose of the ninth report from the Select Committee on National Expenditure (Session 1943-44) was to record the progress that has been made in the setting-up of the departmental organisation for the disposal of surplus consumer goods, machinery and equipment since the publication, last July, of the Government's White Paper (Cmd 6539)—this was discussed in *The Economist* of July 29th. On one aspect of the problem, that is the application of the principles that should govern disposals, comprehensive interdepartmental arrangements have been made for the co-ordination of disposal procedure. These arrangements are set out in a memorandum (printed as an appendix to the Select Committee's Report) from the Interdepartmental Committee on Disposal of Surpluses set up by the Board of Trade under the chairmanship of the Parliamentary Secretary; they cover consumer goods and most machinery and equipment, but exclude food, machine tools, munitions and all surplus buildings for which other arrangements have been, or will be, made. Three principles are to guide the formulation of disposal schemes in the home market:

(a) Stocks are to be released fast enough to get the goods into the hands of consumers when they are most needed, but they should not cause the market to be so flooded as to have an adverse effect on production plans;

(b) Care should be taken to ensure that the goods are sold to the ultimate consumer at prices reasonable in relation to the current prices of similar articles, and to prevent profiteering on the part of dealers handling the goods, or an unnecessary number of subsidiaries.

(c) Unless there is good reason to the contrary, goods should be distributed through traders or manufacturers who would normally handle or use such articles to ensure that both the traders or manufacturers and the ultimate consumers in different parts of the country get their fair share of the quantities available.

It is stated that these objects cannot be achieved in the immediate post-war period if the goods are sold by unrestricted competitive tender; this method is to be used only where the goods for disposal are of doubtful importance or small in volume. The aims of policy as set out in the Memorandum are unexceptionable; everything depends on how they are carried out. Distribution through "normal" channels is not necessarily a guarantee against abuse.

Remittances to France

A beginning has been made this week towards the restoration of normal financial relations between Great Britain and France. Though France is still, technically "enemy territory" and French assets vested with the Custodian for Enemy Property, some loosening of obstacles in the way of mutual remittances has been announced. In the first place, France will no longer be regarded as enemy territory in respect of the export of sterling bank notes and every traveller to that country will, therefore, be allowed to take £10 in notes with him. Banks authorised to deal in French francs now have authority to sell francs against approved Forms E at the rates of 199 francs for the pound for telegraphic transfers and drafts, and 199 francs for Bank of France notes. The Bank of England will normally be prepared to approve applications for francs for travelling expenses incurred "on approved business and official journeys," and for the maintenance of relatives and dependants subject to a maximum of £50 per month per person or £150 per month per family. Remittances will also be authorised for the upkeep of property in France on a care and maintenance basis. These first beginnings of financial relations between private persons in the two countries should soon be followed by more sweeping measures which are no doubt being discussed during the Chancellor of the Exchequer's visit to Paris. These measures should be preceded by a complete removal of the Trading with the Enemy regulations as applying to

France and they should envisage some exchange stabilisation and clearing machinery similar to that incorporated in the monetary agreement between the United Kingdom and Belgium.

Greece and the Sovereign

The Bank of Greece has made an interesting change in its gold sales policy. It has raised the price of gold sovereigns from 2,400 to 2,750 drachmas and is keeping the price flexible, adjusting it to the parities of the prevailing gold prices in Alexandria and other Middle Eastern countries. The need for changing the parities became manifest soon after the Bank began to intervene in the market by selling gold, for active arbitrage with Egypt, Syria and Iraq immediately developed. At the prices at which the Bank sold gold soon after the liberation of Athens, much of the metal made available to the market immediately left the country. It should be stressed that the Bank of Greece has not been selling gold on demand, and that its intervention in the gold market does not, in effect, make the new drachma a currency convertible into gold. The official gold sales were intended to prevent an excessive rise in the price of the metal, which might have been construed as disparaging to the new currency. The sales, though "secret," have always been well advertised in Athens, and before each series of such operations by the "hidden hand," long queues of would-be purchasers formed up outside the offices of the Bank. It is estimated that some £8 millions of gold sovereigns are in circulation or hoards in Greece. The new drachma currency which was put into circulation against the deposit of old notes is still insufficient even for the present depleted currency needs of the country. Owing to the virtual collapse of the value of the old notes, the initial issue of new notes amounted to the equivalent of £235,000 only. Before the war the normal currency circulation in Greece was equivalent to slightly over £20 millions, so that a substantial expansion in the note circulation is to be expected. The danger is that this expansion may take place solely as a result of covering the Government's budget deficit. That way lies disaster for the new currency, and no metallic backing will avail against that danger.

State-Owned Coalmines in Holland

The Dutch coal-mining area in the province of Limburg is now freed from German occupation; but it still remains part of the operational zone of the western front. It is estimated that even under normal conditions several months will be needed to restore the mines to full working order. Shortly before the war the annual output of the Dutch coalmines had reached 14.3 million tons, against some 4 million tons in 1920 and less than 2 million tons in 1913. Although there has always been a considerable import and export of coal, the record output covers in volume roughly the total demand for coal in Holland. The interesting fact about the Dutch coal-mining industry is that, in 1937, 59 per cent of the total output was raised by four state-owned mines. The remaining 41 per cent were mined in eight privately owned mines. This and a number of other interesting facts about the coal-mining industry in Holland have been disclosed by the Fabian Society in its "Research Series Number 84," with a preface by Mr Jim Griffiths, Labour MP. The facts and the figures are arranged in such a manner that a case is made out for the nationalisation of the mines in Great Britain. The problem is, therefore, whether the high output per man shift—1,770 tons in 1937 against 1,196 in the United Kingdom—is a result of state ownership. If instead of a comparison of the average output per man-shift in Holland and other countries Dutch output figures had been compared with the output in the Ruhr area it would have become clear that during the inter-war period there had been the same increase in output per manshift in Holland and in the Ruhr area—before Hitler came to power. In fact in 1932, the last year with reliable German figures of output per manshift in the Ruhr area, where roughly one fifth of the coalmines were state-owned, had reached 1,627 tons, against the 1,500 tons in Holland.

Unfortunately international comparisons of different coal-mining industries are extremely difficult. What is shown the Dutch coal-mining industry is that it began working on a large scale after the last war. Private industry based on the same standard achieved equal results. Pithead baths,

housing and social insurance, the training of miners and particularly of overseers and mining engineers were largely influenced by German practice. A close study would show that general conditions in the state and privately owned coalmines in Holland as well as in Germany before the advent of Hitler were not very different. It is by no means nationalisation which achieved results in Holland similar to those in Germany but the facts of concentration and the more extensive use of machinery in getting and transporting coal. In Holland the state provided the financial and other means for this concentration; in Germany it was largely the private industry which received considerable state subsidies in various forms. By implication the case made out by the pamphlet is rather that in free economies under equal geological, technical and social conditions, private and state-owned coalmines are equal in efficiency, in working conditions and social conditions for the workers.

New Issue Control

Two Regulations were issued last week-end both of which tend to tighten the Treasury control over new issues. The first removes the exemption which has hitherto operated in favour of issues of £10,000 and under, except in so far as special permission can be obtained. The object of this change is to prevent the raising of larger sums than £10,000 by the expedient of forming a number of companies with that amount of capital all under one control. No change of principle appears to be involved, and the new position is, thus, rather less objectionable than the old. The second is in some measure a consolidation of previous circulars to local authorities on the subject of borrowing by non-negotiable mortgages, with which it is principally concerned. Permission must still be obtained to raise additional accommodation by this or other means, but re-borrowing may be effected by these mortgages provided the minimum life is seven years. The main purpose of the circular appears to be to impress upon local authorities that, except where shorter dates are obligatory, there should be every effort to borrow by mortgages for longer periods than the minimum. No doubt the Treasury is right

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in saying that the existing levels of interest rates favours such a practice, and it may safely be assumed that the local authorities will do what they can. But every extension in the life of these mortgages—even when they incorporate clauses under which the lender is entitled to premature repayment in an emergency—increases the disadvantage of there being no market for them. The fact that the Treasury finds it necessary to urge its point at a time when all marketable fixed interest securities are rising—a fact of which the finance officers of local authorities can scarcely fail to be cognisant—itself suggests that there is a preference among lenders for shorter dates. Experience shows that investors are prepared to pay a high price for a good market and for insurance against temporary capital depreciation.

Motor Export Impediments

The report of the Associated Equipment Company indicates that shortage of labour and unwillingness to work overtime—apparently as a result of the introduction of PAYE—have reduced production. The report is chiefly notable for a statement by its chairman, Mr. C. W. Reeve. This concerns the all-important question of British exports of motor vehicles, on this occasion commercial vehicles. He states that application was made to the Ministry of War Transport for permission to alter certain main dimensions of goods and passenger carrying vehicles with a view to facilitating export. The new dimensions had been approved by both operators and manufacturers and only official sanction was wanting. One would have supposed that such a suggestion would be given immediate and sympathetic consideration. But, Mr Reeves states,

a decision was, however, withheld, in spite of repeated reminders, until November 20th, and the decision then given seems wholly to ignore the export requirements.

If this is a fair statement of the position, it is difficult to condemn too strongly the action of the responsible authorities. It may well be the case that to increase the dimensions of vehicles for domestic use involves changes in regulations, but the prime need of this country is an increased willingness to adapt itself to modern conditions in which it can no more practise isolation in the economic and technical fields than it can in the political or military. Even the most well-established practice should be critically examined if it conflicts with the interests of either domestic or overseas consumers. In this particular case, there can be no doubt that many people in this country would welcome rather wider vehicles in passenger services, and, if the operators are prepared to work them, only the most compelling reasons would suffice as grounds for rejection of a plea for greater liberty in design.

Rubber and Tin

In spite of the expansion in the output of synthetic rubber in the United States, natural rubber is still needed in substantial quantities. Extra-Pacific supplies are barely enough to go round; hence, the Combined Raw Materials Board, for the third time this year, has issued a reminder that strict economy in its use is essential. Stocks have fallen to the lowest level of the war; production in Ceylon—now the chief source of supplies—has been hampered by unfavourable weather and supplies from other countries are not up to expectations. This does not mean that the shortage is a critical one; but it emphasises the fact that in many of its uses natural rubber still holds the field, irrespective of price. After the war natural rubber will again be in heavy demand; plans have been prepared for the speedy resumption of shipments from Far-Eastern producing countries as soon as these are liberated from Japanese occupation.

In tin, the shortage is less acute; it has been possible to meet essential needs within the limits of extra-Pacific supplies. The proportion of the world's total tin supplies formerly drawn from the areas in Japanese control is smaller than that of rubber—that is, about two-thirds, against nine-tenths. As in rubber, efforts have been made to expand supplies from countries still accessible to the Allies, but the results have been somewhat disappointing. In spite of substantial financial inducements, shipments from Bolivia—the chief producing country still accessible to the Allies—fell from 42,884 metric tons in 1941 to 38,901 tons in 1942; a slight expansion in 1943—to 40,959 tons—has been followed by a renewed decline this year. It has been found that limiting factors, such as the shortage of labour, of transport and the capacity of the developed mines, could not be overcome as rapidly as expected. The production drive in Africa, after its initial success, has not been maintained. In Nigeria, the sharp rise in production in 1942 is reported to have been followed by a setback. Production in the Belgian Congo is not expected to exceed 18,000 tons in 1944, against 20,000 tons in 1943 and 12,400 tons in 1940. As in natural rubber, the speediest method of expanding supplies after the war is to hold ready equipment and stores for shipment to Far-Eastern producing countries as soon as they are liberated. The necessary preparations are on foot; moreover, the reorganisation of British-owned mines in the Far East. In contrast to the preparations for an expansion in the output of rubber and tin, the copper producing industry may soon have to prepare for curtailment. According to a cabled report, the Governor of Northern Rhodesia, Sir E. J. Waddington, informed the Chamber of Mines that the present contract between the Ministry of Supply and copper producers would not be renewed after February 1, 1945.

"Emmies" Expansion

The full accounts of Electric and Musical Industries for the year ended June 30th last show a further expansion in earnings to what would appear to be a new record, although consolidated figures do not go back far enough for this to be asserted with confidence. The shareholders reap no direct benefit from this, as is shown by the three-year comparison given on page 753, since higher tax provision absorbed the bulk of the increase. Tax is, however, provided on all profits to date, including estimated EPT liability. The earnings have been secured on business 96 per cent of which is on Government account, and, presumably, at very low profit margins. As will be seen, net liquid assets exceed £4½ million at June 30th, and, even if the prospective tax liability is deducted, the net figure is still £3,000,000; net fixed assets stand below £1,000,000, but all intangibles and all sums sunk in overseas subsidiaries are written down to £4. Profits have been earned during the year in India, Australia and New Zealand, and the company has recently learned that its factories in France and Belgium have not suffered from military action. As to the general condition of the factories and their contents no information is available, but it is evident that they must have a very substantial value. The group has many other overseas interests of which particulars are still lacking. War-time research in the field on which the group specialises will have valuable peacetime applications, and the group seems well placed to take advantage of post-war develop-

ments. But, apart from the question of the specificity of existing plant, the future of the group will depend in no small measure on how far it succeeds in catering for a large and popular demand. In the past, it has seemed, in some lines at least, to prefer high profits on a restricted output of goods, admittedly, of superior workmanship. There is no intention to advocate the second rate, but in the post-war context expansion of output should be the keynote of policy.

Planning Furniture Production

Industries and firms are beginning to turn their attention to reconversion, and, within the framework of continued controls, wish to plan their production programmes in advance. Before they can begin, there are many points which need to be cleared up, and the answers can only come from the Government. General principles have now been sketched, and the details to be applied to individual industries need to be filled in. An example of the range of questions the answers to which are becoming urgently required is provided by the *Third Interim Report* of the Furniture Industry Post-War Reconstruction Committee. This industry is one whose output for civilian consumption has been cut as much as any, and only the fringe of wartime demand has been covered. The White Paper on the British War Effort (Cmd. 6564) shows that expenditure in 1943 on furniture and furnishings at 1938 prices was £33.8 millions, or 23 per cent that of 1938. The extent of demand after the war will be such that the sooner production can begin the better, and even the speediest reconversion could not abolish the need for controlled distribution. For this reason, every step possible should be taken to minimise delay. The furniture industry makes a plea, in the strongest terms, for information about the quantity and kind of raw materials it can expect to receive in the "interim" period. Without such information no plans can be made. The industry's dependence on imported timber places it completely at the mercy of Government decisions. The report suggests that the Timber Control should be reconstructed so as to allow consumers of timber to make their views known in the planning of imports. The industry also needs to know what machinery will be available, and suggests that this information may be in the possession of the Machine Tool Control. The type of machinery needed will depend on whether plywood or hardboard is to be the predominating raw material. It may be well that, in the case of the furniture trade, the Board of Trade's Furniture Production Committee, now sitting under the chairmanship of Mr. Charles Tennyson, will provide at least preliminary answers to many of the industry's questions. But it is clear that there is need for much hard thinking and for speedy and detailed decisions from the Government, for the benefit of the furniture industry as well as of others.

Shorter Notes

The announcement by the directors of Tankers that they are paying a further 5½ years' arrears of dividend on the 8 per cent cumulative participating preference capital brings the payment up to date to September last. It also means that 84 per cent in all will shortly have been distributed on this class of capital since May of this year. Virtually the whole of the shares are held by United Molasses, which took them over at a 20 per cent premium at the end of 1941. Some idea of the importance of the sum may be gathered from the fact that, on a modest estimate of the actual holding, it represents some 30 per cent on the ordinary capital of the parent company. It will be interesting to see what use is made of this very large return, a substantial part of which must be regarded as a capital, rather than a revenue, receipt.

The shortage of cotton yarn in Lancashire has become increasingly acute. This has been due partly to the suspension of overtime working in the mills at the end of October and partly owing to a higher rate of absenteeism through sickness. It is estimated that output is about 8 per cent lower than two months ago. The shortage of yarn inevitably affects supplies of cotton textiles for the United Nations; and an attempt is now being made to restart idle mills in France. At the end of last week Sir Frank Platt, the Cotton Controller, with some members of his staff, went to France to assist in organising production; it is reported that the United States is prepared to export raw cotton to France for manufacture into clothing for the American forces in Europe.

Another member of the Australian Government has this week given interesting indications of the forthcoming banking legislation. He is Mr Arthur Calwell, Minister of Information, who in the course of a defence of the Government's decision to nationalise the internal air lines said:

The Government is determined to put its policy into effect not only in respect of airlines but also of banking. We have the mandate, the power and the numbers to do it. The Labour Party was never more united and more determined and never more certain of the support of the overwhelming majority of the Australian people. Labour is resolved that vested interests shall not rule and ruin Australia after the war. The people will not be cheated by bank directors of the fruits of their sacrifices in this war. Our banking policy is designed to make sure that there will be no depression after the war.

There is no mincing of words or veiling of intentions in this statement. It is not surprising that the shares of the Australian trading banks have been an extremely weak market since this Ministerial statement was made.

In a memorandum submitted to the Ministry of War Transport—this was discussed in *The Economist* of November 18th, page 674—representatives of the shipping and shipbuilding industries recommended the creation of a joint body for the licensing of shipbuilding orders in the period immediately following the war as a means of ensuring the adjustment of new orders to building capacity and an equitable distribution of new ships among shipowners. On Wednesday it was announced that the First Lord of the Admiralty and the Minister of War Transport have appointed a committee to advise the Ministers on priorities in the construction of various types of vessels and on the allocation of building facilities between British, Allied and neutral shipowners.

Company Result

Electric and Musical Industries. Gramophone and Radio.

	Years to June 30,†		
	1942	1943	1944
<i>Consolidated Figures:—</i>			
Trading profit and revenue‡	637,486	926,802	1,139,311
Tax paid and accrued	76,000	283,278	572,013
Tax provided for next year	360,000	417,222	323,254
Directors' fees	6,229	4,978	5,893
Staff pensions	41,697	46,967	56,127
Preference dividend (net)	13,800	13,800	13,800
<i>Ordinary Shares:</i>			
Earnings	139,760	160,557	168,224
Paid	87,086	116,115	130,629
Earnings %	9.6	11.0	10.3
Paid %	6	8	8
Carry forward	247,504	295,396½	332,991
Net fixed assets	967,938	905,425	934,230
Net inter-company items	248,508	68,436	60,436
Net liquid assets*	2,811,665	3,960,693	4,564,555
Gross liquid assets	4,793,376	6,069,853	6,927,393
Tax reserve certificates	325,000	786,100	1,212,725
Taxation reserve	417,732	967,283	1,563,358

§ Including £3,450 reserved in 1942 and written back. * Before deducting tax reserve. † The date of parent company's accounts was changed in 1943, but that of operating companies remained June 30. ‡ After depreciation and obsolescence.

The 10s. stock units of the parent stand at 36s. 3d. and yield £2 4s. 2d. per cent.

THE CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of Members of The Consolidated Gold Fields of South Africa, Limited, will be held at THE CHARTERED INSURANCE INSTITUTE, 20, Aldermanbury, London, E.C. 2, on Thursday, the 7th day of December, 1944, at 12 noon, for the purposes following, namely:—

To receive and consider the Statement of Accounts and Balance-sheet and the Reports of the Directors and Auditors thereon for the year ended 30th June, 1944; to confirm the dividends paid on the first and Second Preference Shares; to sanction the declaration of a dividend on the Ordinary Shares; to elect Directors and Auditors, to transact the other ordinary business of the Company, and as special business to consider, and, if thought fit, pass a Resolution approving the alteration of the Articles of Association of New Consolidated Gold Fields, Limited, by the addition of an Article extending the existing authority of its Directors to grant pensions or other allowances so as to include the Directors, such Article to be in the form set out in the Report of the Directors of that Company dated 24th November, 1944.

Holders of Share Warrants to Bearer wishing to attend or vote at this Meeting must deposit their Warrants with the Company at the Registered Office in London, 49, Moorgate, E.C. 2, not later than 2nd December, 1944, together with a declaration on the form obtainable at that Office.

Dated this 29th day of November, 1944.

By Order of the Board,
R. CARR TAYLOR, Secretary.

Registered Office: 49, Moorgate, London, E.C. 2.
Emergency Office: Motcombe House, Motcombe, near Shaftesbury, Dorset.

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

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

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

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

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

West End Branch:

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

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

ROYAL BANK OF SCOTLAND

ANNUAL GENERAL COURT OF PROPRIETORS

SATISFACTORY RESULTS—INCREASED PROFITS

DUKE OF BUCCLEUCH'S ADDRESS

The annual general Court of Proprietors of the Royal Bank of Scotland was held at Edinburgh on the 29th ultimo, His Grace the Duke of Buccleuch and Queensberry, P.C., G.C.V.O., Governor of the bank, presiding.

His Grace said,—I assume it is your pleasure that the annual report and balance sheet, with auditors' report, which have previously been circulated, shall be taken as read.

Before dealing with the ordinary business of the meeting I have to refer to the loss sustained by the bank by the death of the Rt. Hon. the Earl of Strathmore and Kinghorne, K.G., K.T., G.C.V.O., who was appointed an extraordinary director of the bank in 1904 and had filled the office of deputy-governor since 1917. His Lordship displayed a warm interest in the affairs of the bank, and we acknowledge with gratitude his long association with us. The death has also occurred of Mr William D. Graham Menzies, one of our extraordinary directors. Mr Graham Menzies had been an extraordinary director since 1917, and in his passing we regret the loss of another loyal and trusted colleague.

In May of this year Sir William Whyte retired from the post of general manager of the bank, a position he had filled with outstanding distinction since 1933. He was appointed an ordinary director in January, 1944, and we are glad indeed to have the continuing advantage of his skilled knowledge and experience at our command. Our new general manager is Mr John McArthur Thomson. Mr Thomson, who has spent most of his career in the Royal Bank of Scotland, was for some years with our associate bank, Williams Deacon's Bank, Limited. As general manager of that institution he discharged the responsible duties of his position with distinction, and we welcome the return of one so ably equipped to maintain the traditions and high standards of the office he now holds.

BALANCE SHEET

Turning to our balance sheet, deposits and other credit balances at £104,004,568 are a record, and are specially noteworthy for the fact that we have now passed the one hundred million mark. I can but add how much we wish that this fresh record had been achieved under happier circumstances. Our note circulation at £8,978,587 exceeds last year's total by over £1,350,000, and I would once more appeal to the public not to retain in their possession any more bank notes than are necessary for their normal requirements. The need for saving is still as great as ever, and I can think of no better way of caring for surplus cash than by lending it to the Government through the already well-known channels which exist for the purpose. The total of acceptances and indorsements and other obligations is around last year's figure and does not call for comment.

On the assets side you will observe that our position is again very liquid. Quick assets total £27,655,874, and these, with Treasury deposit receipts £12,500,000, represent almost 35 per cent. of our liabilities to the public. British Government securities at £45,258,835 are up on last year's total by nearly £2,000,000. These figures, in conjunction with an increase of £500,000 in Treasury deposit receipts,

evidence substantial support to Government needs.

All our investments are valued at or under market prices ruling on the date of our balance, and short and medium-dated loans form a high proportion of our Government investments. Our bill portfolio shows a modest decline of £85,395. The support of customers engaged in vital war work is still of paramount importance, and we are pleased to report an increase of £919,350 under advances on cash credit and current accounts.

PROFITS

After providing for all taxation, profits show an increase of £7,658 which, I feel, must be considered satisfactory in view of the weight of taxation and increases in charges of management.

APPROPRIATIONS

The directors are pleased to be in a position to recommend that a dividend for the half-year on the capital stock at the rate of 17 per cent. per annum be declared; that £30,000 be carried to property maintenance reserve account; that £60,000 be contributed to the staff pension fund, and that the balance of £89,368 be carried to our inner reserves against contingencies.

BUSINESS OF THE BANK

The business of the bank continues to progress along sound lines. Our associated banks, Glyn, Mills and Company and Williams Deacon's Bank, also continue to prosper, and I would again commend to the attention of our numerous customers the direct services we are in a position to offer to them through our association with these two institutions.

POST-WAR PROBLEMS

The wonderful achievements of Allied Arms during this year, with their assurance of complete and final victory at no far distant date, have directed special attention to the problems of the peace, and I feel that, in the interests of all, we must be prepared to face some measure of control for some time to come. When the production of goods for civilian consumption has, by force of war needs, been restricted to the barest minimum and when, despite heavy taxation, potential spending power has gone on accumulating over the same period, it might well prove disastrous if this spending power were unleashed before production has been given adequate opportunity to make up the leeway.

FINANCE FOR INDUSTRY

In so far as finance is required to set the wheels of industry in motion, I do not doubt—in fact I feel sure—that the banks of this country will play an effective part, and that legitimate and reasoned demands for accommodation will be fairly met where character and credit-worthiness are established. But finance is not everything: in itself it is but a form of fuel which, if the drive from other directions is lacking, is bound to burn itself out. For a prosperous Britain after the war there must be a maximum of productive effort, and this

applies to employer and employee alike. Each in his own sphere will have to display the highest standard of efficiency, and the highest standard of efficiency is possible only when the individual employer and employee are permitted to work under conditions which afford the best possible encouragement to both of them.

EXPORT TRADE

In the years immediately following the end of the war, and owing mainly to the great need for an increase in the supply of goods for civilian consumption, a state of something like full employment should be achieved by the orderly dispersal of demobilised men and women into industry. Taking a short-term view, therefore, the industrial outlook for this country in the immediate post-war years should not present many difficulties which cannot be overcome. But the short-term view—necessary as it may be on occasions—is only permissible as a matter of expediency. We have not only to visualise the prospect of a return to a highly competitive world, but to prepare for it and, when we do so, we must think of ourselves largely in relation to our efficiency as an exporting nation. Figures issued recently by the Government show how substantially we have had to sacrifice our exports to war needs. That was inevitable and, with the tasks ahead of us, there is little to be gained by looking backwards. For a time, our international trade may well be influenced by Government regulations affecting both exporter and importer. But, for a start, we may well accept as fundamental the fact that nothing but our best—our best is still a standard which others will find it hard to excel—will enable us to export on a scale which will make it possible for the country to enjoy a high standard of living. Buyers abroad will not purchase our goods when others are offering equally attractive wares on more attractive terms.

AGRICULTURE

Agriculture has played a magnificent part in serving the country's needs in wartime and, if that has been achieved with some advantage to itself, the industry deserves well—and it is to be hoped will continue to receive well—for all it has done. Changes must no doubt be faced in agriculture as in other industries, and we can be concerned in this old and basic industry of our country, the future policy will provide for all those engaged in agriculture the fair reward which their services deserve.

SCOTTISH AFFAIRS

There are few industries in Scotland not linked up in one way or another with wartime needs, and so I can again only speak in general terms of Scottish affairs. It is common knowledge that the heavy industries have prospered during the war years and that the lighter industries allied thereto have likewise done well. But what of the future? If there were a falling off in shipbuilding how would Scotland fare? Every effort must be made to attract new light industries. We know that the Secretary of State for Scotland and the Scottish Council on Industry are actively interested in these matters. Industrialists with receptive minds must also be ready.

APPROVAL OF ACCOUNTS—DIVIDEND

I now beg to propose that the report, containing a statement of the accounts and balance sheet, be approved, and that out of the profits of the year a dividend at the rate of 17 per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved and the Governor, extraordinary directors and the retiring ordinary directors were re-elected and the auditors were re-appointed for the ensuing year.

LAKE VIEW AND STAR, LIMITED

MR G. GOLDTHORP HAY'S STATEMENT

The thirty-fourth ordinary general meeting of Lake View and Star, Limited, was held, on the 27th ultimo, in London.

Mr G. Goldthorp Hay (chairman and managing director) presided.

The following is an extract from the chairman's statement, circulated with the report and accounts for the year ended June 30, 1944:

The operating profit amounted to £311,819, as compared with £389,378, the reduction being due to the lower tonnage treated, namely, 315,175 tons, against 321,509 tons, and to a fall in the grade of ore, namely, 5.27 dwt., against 5.95 dwt. In comparing these figures, shareholders are reminded that the higher grade of ore treated in the previous year was due to the inclusion of rich patches of specimen ore encountered in the Eastern Group.

An interim dividend of 12½ per cent., less tax, was paid in June last, and the directors recommend the payment of a final dividend of 25 per cent., less tax, making a total distribution of 37½ per cent., which is the same rate as the previous year. These dividends absorb £105,000 net. £15,000 has been transferred to general reserve, leaving a balance of £30,637 to be carried forward.

ORE RESERVES

Ore reserves estimated at 4,097,500 tons averaging 5.01 dwts., show a reduction of 5,100 tons from the preceding year, while the value remains the same. The difference in tonnage is accounted for by a reduction in broken ore of 39,700 tons and an increase in positive ore of 24,600 tons. Positive and broken ore at 3,779,500 tons with an average value of 4.9 dwt. represent 92.2 per cent. of the total reserve. This satisfactory result is mainly due to concentration of development in the most promising sections and to further discoveries of new ore in working stopes that need little or no development. It might be mentioned that 76.7 per cent. of the reserve is in the mines of the Western Group and 23.3 per cent. in Lake View and Associated, but during the year, in order to concentrate operations in areas most easily worked, 56 per cent. of the tonnage mined came from the Eastern Group, where the Lake View Mine produced nearly 40,000 tons more than in the preceding year, over 4,000 tons of 26.9 dwt. ore being won from the Perseverance Lode last branch stope.

At Chaffers Plant 315,175 tons averaging 5.27 dwt. were treated for an extraction of 10.78 per cent., and 794,935 tons of residues averaging 0.86 dwt. were also treated at the retreatment plant.

The report and accounts were adopted.

WILLIAM DOXFORD AND SONS, LIMITED

MR E. P. ANDREAE'S STATEMENT

The annual general meeting of William Doxford and Sons, Limited, will be held at the company's offices, Sunderland, on the 6th. instant.

The following is the statement of Mr E. P. Andreae (the chairman) which was published with the report and accounts:

The net profit for the year after providing for taxation and deferred repairs is £73,323, as compared with £164,005 for the previous year.

The general reserve has been increased £50,000, and a further £30,000 has been added to reserve for contingencies.

As shareholders were informed in a circular dated October 10th of this year,

completion of the accounts was unfortunately delayed. Your directors therefore decided to declare a second interim dividend of 10 per cent., less tax, on the ordinary shares, to be payable on the customary date, namely, November 1, 1944. In consequence, no final dividend will be recommended to the annual general meeting.

I again take the opportunity of paying tribute to all the officials, staffs and work-people of the company for their loyal and unremitting efforts throughout the year.

WALTER SPENCER AND COMPANY, LIMITED

OUTPUT MAINTAINED

DIVIDEND OF 12½ PER CENT.

The eighth annual general meeting of Walter Spencer and Co., Limited, was held, on the 29th ultimo, at the Royal Victoria Hotel, Sheffield.

Mr John R. Winskill, the chairman and managing director, presided.

The following is the chairman's statement circulated with the report and accounts for the year ended September 30, 1944:

The output during the year was more than maintained, and the gross profit was almost identical with that of the previous year, with the exception that your directors have deemed it advisable to make provision for rebate to the Government on the sales of certain products during the whole of this year and nine months of the previous year; the reduction shown in the balance from trading account is approximately equivalent to the amount of that provision. The negotiations are not yet concluded, but in the opinion of the directors the provision is ample.

During the year the taxation liabilities on the accounts to September 30, 1943, have been agreed, and the reserve for taxation includes the balance of liability to that date and provision for liability for income-tax and excess profits tax to September 30, 1944. No credit has been taken in the accounts for the post-war credit in respect of excess profits tax.

ALLOCATION OF PROFIT

Your directors recommend the payment of a final dividend of 7½ per cent., less income-tax at 10s. in the £, making (with the interim dividend of 5 per cent. paid, less tax at 10s. in the £) a gross dividend of 12½ per cent., less tax at 10s. in the £. After providing £3,750 for the final dividend and £5,000 to be added to reserve (making that account £35,000) and writing off £471, the cost during the year of war damage insurance of plant and buildings, there remains to be carried forward £24,497, subject to the further liability to income-tax on profits earned to September 30, 1944, and due for payment after that date.

Serious consideration is being given to the necessity of providing for post-war conditions, and your directors are satisfied that the company is in a position to meet any problems that may arise; there is evidence that as soon as the Government give the word to "Go ahead" there will be little to fear.

Mr E. Ransom Harrison, FSAA, chairman of the Rover Company, has been invited to join the board, and I am pleased to say that he has accepted; his appointment will come before you for confirmation at the annual meeting.

Your directors are again pleased to place on record their sincere appreciation of the services and loyal co-operation rendered by the staff and employees during the year, and they also, on their own behalf and on behalf of the shareholders, extend best wishes to all employees serving with His Majesty's forces.

The report and accounts were adopted.

AGAR, CROSS AND COMPANY, LIMITED

RESUMPTION OF DIVIDENDS

MR S. C. SHEPPARD ON THE OUTLOOK

The thirty-eighth ordinary general meeting of Agar, Cross and Company, Limited, was held, on the 28th ultimo, at the Institute of Chartered Accountants, Moorgate Place, London, E.C.

Mr S. C. Sheppard (the chairman) presided.

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

The report and accounts for the year ending June 30, 1944, are clearly set out and call for little explanation. Your attention is drawn to the improved financial position of your company. £138,600, the balance of the 5½ per cent. five-year unsecured notes, has been paid off and a satisfactory cash balance built up for such times as replenishments of imported stocks are possible. There are no trade bills under discount nor advances from banks.

THE YEAR'S PROFITS

The net profits for the year, after allowing for all known charges and Argentine taxation, are slightly less than those of the preceding year. You will note that, in addition to a substantial provision for Argentine income-tax and social law requirements, this year's profits have to bear the estimated charge of £77,000 for UK income-tax and National Defence contribution, the carry forward of previous years' income-tax losses now being exhausted.

No Excess Profits Tax standard has been agreed with the authorities, since profits to date do not come up to the estimate of this standard.

Bearing in mind the difficulties with which we have to contend, your board consider the results satisfactory, and at long last they are able to recommend the distribution of a dividend on the ordinary stock.

During the past year I am able to report a further improvement in the sales figure, but no doubt a portion of this must be attributed to higher prices. Shipments of goods from both here and North America are increasingly difficult and scarcer than ever, but no efforts are being spared in making every preparation for the coming day when restrictions will be relaxed.

Considerable progress is being made in Argentina in local industrialisation, and it is reported that during the past calendar year the net value of local industrial production exceeded the net value of farming production. How much of this is due to war conditions remains to be seen, but it is not easy to visualise Argentina's future internal economy being other than predominantly agricultural and pastoral, nevertheless, as I mentioned to you last year, we are always adjusting our many trading connections to meet changing conditions.

THE OUTLOOK

As to the future, I must confess that it is harder than ever to forecast. Argentina is financially very strong, her exchange is stable, local industries are thriving and cattle and cereal prices leave a good margin. Therefore, were it not for the increasing difficulties in importing new machinery and plant of all kinds, I would unhesitatingly look for a steady improvement in your company's fortunes, but difficulties stand in the way and the future is obscure. I can only hope that the existing troubles may fade away, for we are ready, both financially and otherwise, to take full advantage of all opportunities as they arise. Once again I would like to tender the thanks of the board to your staff in all departments, and to wish success to those members who are serving with H.M. Forces.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Nov. 23, 1943	Nov. 9, 1944	Nov. 16, 1944	Nov. 23, 1944
12 U.S.F.R. BANKS	26	9	16	23
RESOURCES				
Gold certifs. on hand and	1943	1944	1944	1944
due from Treasury	19,784	18,016	17,980	17,963
Total reserves	20,225	18,799	18,782	18,768
Total cash reserves	310	235	242	240
Total U.S. Govt. secs.	10,364	17,957	17,941	18,411
Total loans and secs.	10,423	18,367	18,306	18,891
Total resources	32,439	38,966	39,643	39,764
LIABILITIES				
F.R. notes in circ.	16,131	21,015	21,104	21,255
Excess mr. bank res.	1,040	900	1,100	1,100
Mr. bank res. dep.	12,402	14,159	14,557	14,719
Govt. deposits	479	314	119	251
Total deposits	14,620	16,113	16,165	16,537
Total liabilities	32,439	38,966	39,643	39,764
Reserve ratio	65.8%	50.6%	50.4%	49.7%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,081	20,726	20,694	20,693
Treasury & bank currency	4,101	4,115	4,114	4,117
LIABILITIES				
Money in circulation	19,726	24,674	24,717	24,881
Treasury cash and dep.	2,774	2,627	2,457	2,590

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Oct. 25, 1943	Oct. 2, 1944	Oct. 16, 1944	Oct. 23, 1944
ASSETS				
Gold and English ster.	40.23	50.54	50.54	50.54
Other coin, bullion, etc.	10.86	18.20	18.61	18.93
Call money, London	50.18	124.21	121.25	123.23
Secrts. and Treas. bills	223.66	262.03	242.02	233.53
Discounts and advances	19.10	21.02	18.89	19.14
LIABILITIES				
Notes issued	155.26	198.49	198.99	199.49
Deposits, etc.	168.34	225.40	200.09	193.35

CENTRAL BANK OF TURKEY
Million Turkish pounds

	Sept. 21, 1943	Aug. 19, 1944	Aug. 26, 1944	Sept. 23, 1944
ASSETS				
Gold	201.7	275.9	275.9	276.3
Clearing and other exch.	69.6	67.7	67.6	62.5
Treasury bonds	131.9	128.5	128.5	128.5
Commercial bills	430.3	563.1	558.6	564.8
Securities	62.0	51.0	51.5	51.2
Advances	255.3	245.8	247.0	255.3
LIABILITIES				
Notes in circulation	746.5	953.6	952.3	966.2
Deposits	222.2	209.8	202.7	204.9
Clearing and other exch.	35.9	29.6	28.2	27.6

SOUTH AFRICAN RESERVE BANK
Million £'s

	Oct. 22, 1943	Oct. 6, 1944	Oct. 13, 1944	Oct. 20, 1944
ASSETS				
Gold coin and bullion	80.45	96.10	96.61	96.60
Bills discounted	12.24	16.98	17.13	19.04
Invest. and other assets	87.57	92.38	82.52	82.80
LIABILITIES				
Notes in circulation	45.86	55.14	53.75	53.45
Deposits: Government	8.64	3.17	3.55	4.72
Bankers'	116.06	144.81	144.10	143.31
Others	5.66	5.30	6.63	6.92
Reserve ratio	45.7%	46.2%	46.4%	46.4%

BANK OF CANADA
Million Can. \$'s

	Oct. 20, 1943	Oct. 4, 1944	Oct. 11, 1944	Oct. 18, 1944
ASSETS				
Reserve: Gold	46.2	48.64	48.64	56.17
Other	1189.7	1458.65	1458.27	1462.30
Securities	831.8	990.07	997.06	1002.78
LIABILITIES				
Note circulation	64.0	24.23	35.89	31.48
Deposits: Dom. Govt.	308.5	456.67	452.86	429.23
Chartered banks				

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

THE ECONOMIST

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(Continued from page 756)

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Nov. 23...	5,732	4,291	112.1	136.6	3.09	3.71
" 24...	5,615	3,911	112.1	136.7	3.08	3.71
" 27...	6,982	7,119	112.0	136.7	3.08	3.72
" 28...	5,724	4,496	111.9	136.8	3.07	3.72
" 29...	5,996	4,024	111.9	137.0	3.06	3.72

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944		Nov. 8, 1944	Nov. 15, 1944	Nov. 22, 1944
	Low Mar. 15	High July 12			
37 Industrials	95.1 (a)	108.4	105.4	103.6	104.6
32 Rails	88.9 (a)	106.8	104.9	103.8	105.4
40 Utilities	85.0	93.5 (c)	92.5	91.4	91.7
419 Stocks	93.6 (a)	105.7	103.4	101.8	102.7
Av. yield %†	4.84 (b)	4.43	4.62	4.79	4.73

† Common Stocks. (a) Feb. 9. (b) May 3. (c) October 18.

STANDARD STATISTICS INDICES
DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Nov. 16...	125.0	847,000	Nov. 20...	125.3	692,000
" 17...	124.9	706,000	" 21...	126.1	864,000
" 18...	125.1	362,000*	" 22...	126.2	767,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8.) *Two-hour session.

Capital Issues

Week ending December 2, 1944	Nominal Capital	Conversions	New Money
To Shareholders only	6,250	...	106,000
By Stock Exchange Introduction	400,000	...	413,125

Particulars of Government issues appear on page 757.

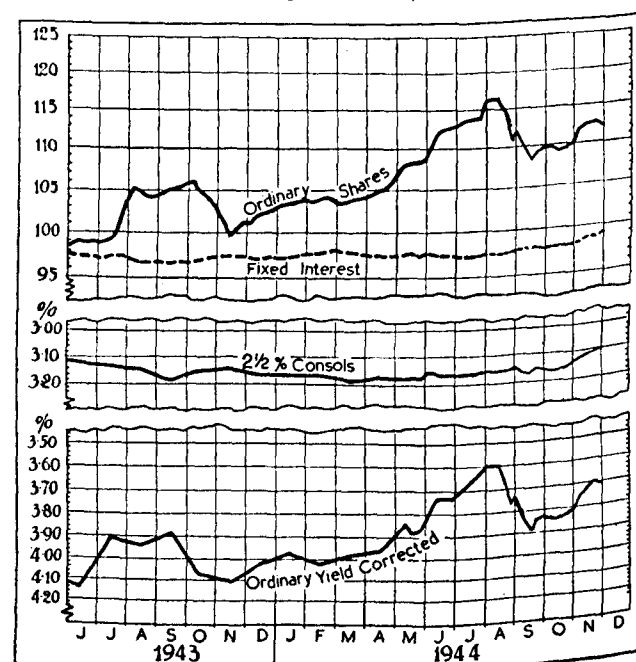
Year†	Including Conversions	Excluding Conversions
1944	1,413,318,180	1,394,656,730
1943	1,544,435,071	1,519,684,782

Year†	Destination*			Nature of Borrowing*		
	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944	1,391,644,815	2,756,981	254,934	1,386,648,480	3,081,414	4,926,836
1943	1,516,377,678	2,685,427	638,677	1,507,900,717	2,127,701	9,656,364

* Conversions excluded. † Includes Government issues to Nov. 22, 1944, only. Above figures include all new capital in which permission to deal has been granted.

FIXED INTEREST AND EQUITY PRICES.
CONSOL 2½% AND EQUITY

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols (Logarithmic Scale)



INDUSTRY AND TRADE

Jute Mill Conditions.—An informal technical committee, consisting of representatives of employers, employees and factory inspectors, has been appointed, with the consent of the Minister of Labour, to consider practical methods of improving conditions of work in the jute industry. Its terms of reference cover methods of implementing certain requirements of the Factory Acts, 1937. Atmospheric conditions, cleanliness, exhaust ventilation, fencing and spacing of machinery, and the establishment of medical and welfare services, will be considered. The committee, under the chairmanship of Mr F. W. Hunt, has begun its meetings.

The "Economist" Sensitive Index.—There was no change in the index during the week ended November 22nd. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

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

	Mar. 31, 1937*	Aug. 30, 1939	Nov. 23, 1943	Nov. 8, 1944	Nov. 22, 1944
Cereals and Meat	93.0	66.9	107.6	106.8	106.6
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	54	91.7	103.5	103.7
Minerals	113.2	95.4	135.9	145.5	145.5
Miscellaneous	87.0	77.6	127.2	128.9	128.9
Complete Index	87.2	70.3	113.5	117.9	117.9
1913=100	119.9	90.8	156.9	162.9	162.9

* Highest level reached during 1932-37 recovery.

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Lessons of Five Years; The Greek Disaster; A Plan for Broadcasting; Those Billions.

AMERICAN SURVEY - - - 805

Economic Contradictions; American Foreign Policy; New Brooms; Reconversion for Cotton; Taxing for Full Employment.

THE BUSINESS WORLD

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Year-End Prospects; The Banks' Investments; British Celanese; Coal Output; More Municipal Conversions; Export Planning; Chinese Inflation; Copper Discussions; Texas Land Meeting; Argentine Railway Results; Cotton Merchants' Defence; Rebuilding the P and O Fleet; Motorways; Co-operative Wholesale Amalgamation; Company Results.

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Castles in the Air

A LIMITED working edition of Professor Abercrombie's outline plan for Greater London has been released this week to the press and to the local authorities in the area. Copies will be made available to the public as soon as the maps and diagrams can be printed. The plan forms the second half of a vast and comprehensive blueprint for the London area, the first half being the plan for the County of London—the inner area—drawn up by Professor Abercrombie and Mr Forshaw. The present plan covers all of Middlesex, Surrey and Hertfordshire, large parts of Kent and Essex, and smaller parts of Bedfordshire, Buckinghamshire and Berkshire. Put together, the two plans cover an area extending between twenty and thirty-five miles outwards from Charing Cross and containing a pre-war population of 10½ millions, 4 millions in London County and 6½ millions in the rest of the area. This is indeed planning on the largest scale—but no larger than is needed, for London's tentacles stretch even farther than do these two plans.

It is fortunate that the London County plan and the Greater London plan had the same guiding genius, or they stand or fall together. The recipe now offered to London is actually much the same as the Aber-

crombie recipe proposed for other blitzed and congested cities, such as Merseyside and Plymouth. But this time there can be much less doubt whether the recipe is the right one—and much more doubt whether it can be effectively applied. London's problem has been summed up simply: it is too big. Of this there can be no shadow of doubt. It is shockingly overcrowded over a wide area, it falls short of the most elementary standards of open space, its average worker spends an eighth or more of his waking life in travelling, its transport congestion is the despair of the authorities and a serious cause of industrial inefficiency. With size has come sprawl—a continuous jumble of factories and flats, docks and tenements, offices and houses, frequently so placed as to offer the maximum inconvenience to firms and workers alike.

The London plans offer a clear-cut remedy. In the first place, London should be forbidden to grow any farther and as much as possible of its overcrowded population and congested industry should be sent elsewhere. In the second place, its "green belt" should be enlarged, both to round off and stop urban spread and to provide an adequate recreation ground for its vast population. In the third place, its "decanted" population and industry

should be resettled in suitable existing towns and in specially created new satellite towns beyond the widened "green belt."

The important issue is, of course, not the desirability of such a policy of decentralisation but the scale on which it can be attempted. The London County plan tentatively suggested a general maximum density of 136 persons to the acre, involving an exodus of 618,000 of the county's population. Those critics, such as *The Economist*, who thought this target too low, must welcome the wider ambitions of the Greater London plan. This defines four concentric rings outside the County of London, the "inner urban," "suburban," "green belt," and "outer country"; and it proposes not only that there should be no more building in the first two rings but that a total of 415,000 people should be decentralised from certain areas within them. This means that roughly a million people altogether, from the County and from the first two rings round it, would have to be resettled farther out. It is suggested that a quarter of them should go to existing towns and nearly 400,000 to eight entirely new satellite towns, both types of "reception area" being mainly in the "outer country" ring; that a further quarter of a million should go right off the map beyond the plan's orbit; while 125,000 would be accounted for by existing immediate housing schemes.

It is recognised that population movements of this scale would be completely impossible without a parallel and co-ordinated decentralisation of industry; and great care has been taken to select the new sites with full reference to their industrial suitability. That brand-new towns should be the main reception areas for decentralisation is the plan's boldest feature. But experience indicates that it will be harder and slower work to attract both industry and workers there rather than to existing centres.

The main proposals of the Greater London plan are summarised in full on page 798.

It would be tempting to praise the undoubted excellence of the London plans; to stress the necessity of implementing at once their main principles; to point out that there is nothing impossible or even, compared with many wartime tasks, very difficult about doing this, and that the gain in efficiency and happiness would vastly outweigh the effort involved; and then to sit back and await results. But the hard fact is that results will not follow. The blueprints for London and other great cities have been greeted with great and unanimous applause from press, public and politicians alike. But it is a case of all praise and no action, of all cackle and no horses. The truth is that at the moment regional plans are no nearer realisation than castles in the air.

There are three reasons for this, which, put together, create a major dilemma for the planners. In the first place, there are still no powers to implement regional plans of this character, nor are any likely to be created in the near future; secondly, if and when there are adequate powers, the present planning machinery—and the present plans—will have to be largely superseded; and thirdly it is by no means certain that the community would accept in practice the limitations on individual freedom of decision which large-scale regional planning would entail.

That there are no proper powers for regional planning was made clear by this year's debates on the Town and Country Planning Bill. The essence of regional planning lies in the orderly placing of housing and industry. Since public authorities can now exercise control, if they choose, over housing location, the linchpin of the whole policy lies in an effective control of industrial location. Such control was foreshadowed in the White Paper on full employment. But it is highly doubtful whether industrial control, when it comes, will extend so far as the positive direction of factories to particular sites, and in any case it is to be exercised by the Board of Trade with the primary aim of avoiding unemployment.

In the meantime, the regional plans require that some very small authorities should undertake vast housing programmes, while many large authorities should abandon

all building in their areas. Clearly nothing of the sort is going to happen. On the contrary, it is far more likely, for instance, that existing vacant frontages in the London area, which are intended by the plans to provide for local population adjustment, will be among the first sites chosen for general rehousing. Moreover, these somewhat pessimistic conclusions relate to the exercise of control over the location of new houses and factories, and difficult though this may be, it is clearly infinitely easier than the re-location of existing buildings. The prospect that adequate powers will be given to local authorities for re-location, or that they would be exercised if granted, is obviously even more remote. Yet, with population growth at an end, re-planning without re-location will move very slowly indeed.

Nor is it simply a matter of legal powers; the financial aspect of comprehensive planning must also be considered. The cost of replanning their areas in a bold and spacious way will be prohibitive to most local authorities without the introduction of some effective method of collecting "betterment" to offset the ruinous "compensation" they will have to pay. Even if betterment is effectively diverted to the public coffers, it will tend to come in long after the compensation has to be paid. Moreover, both compensation and betterment relate only to the land and do not touch the cost of what is done with the land after it is acquired. It is most unlikely that the Coalition Government will enact an effective solution of the land problem even if it attempts the task. But, beyond this, regional planning would weigh very differently on the various local authorities in the area, giving to some and taking from others an inordinate amount of population and rateable value. This is inevitable if the interests of the region as a whole are to be served, but local interests cannot or will not see this. Regional planning requires regional government; but local government reform, theoretically one of the easiest, is in practice the most intractable of legislative problems. The Government's suggested remedy of a new boundary commission is merely laughable when applied to the London area, in which the need is to move people over distances which span ten or more local government areas; and it is hardly less laughable in the case of Sunderland or Southampton.

It would be stupidly fatalistic to abandon any attempt at regional planning merely because the necessary powers are hard to get. On the contrary, such powers should be constantly and eagerly pressed for. But the King's Speech has shown that there is no hope of new planning legislation in the present session—perhaps not in the next year. In any case, the thorny nature of the issues involved precludes any quick solutions. It is rapidly becoming clear that the main chance has already been lost. Houses will have to be erected at once when the war is over, and as they cannot be put where they ought to go, they will go where they can.

The second planning difficulty—that when, and if, the legal power and the financial ability to plan come into the hands of authorities willing to use them, the existing machinery and plans will be found inadequate—is much less obvious. The point to remember is that the regional plans that have been prepared for London and other great cities are not "town plans" at all but highly complex economic schemes—of the type that, in a totalitarian economy, would be worked out by a large, varied and highly skilled team of economists. Fully implemented, they would greatly affect the efficiency of industry and the welfare of innumerable individuals; and they would require a very high degree of co-ordination between senior Government departments.

It is no disrespect to the Ministry of Town and Country Planning to say that its very junior status and its rather one-sided staff do not fit it at present for such a task of co-ordination. Similarly, Professor Abercrombie's plans for London and other cities will never, and surely are not intended to be, carried out in exact detail. For example, the siting and size of the proposed new satellite towns around London with a population of about 50,000 each is a highly technical question, calling for

close attention from a team of skilled industrial advisers. The Board of Trade and industry itself would rightly demand to have a direct say in the location of the satellites. Professor Abercrombie, with the best will in the world, has not the staff or the facilities to give a final judgment on such vital and intricate issues.

The third obstacle in the way of regional planning—the possible unwillingness of the community to accept its implications—can be put briefly. Planning of this type involves not only close control over the freedom of movement of industry and the individual, but in some cases their compulsory uprooting. Such powers may be willingly accepted by firms and workers as necessary in the long run to their efficiency and welfare. But the issue is by no means certain. To paint the Government as obstinately refusing to oblige a public which is eager to be planned would be a gross distortion of the picture.

It is true that the public wants much stronger planning powers than the almost negligible ones which exist at present. But it is highly doubtful whether it would welcome in practice the full implementation of the present regional plans or similar detailed schemes. The immediate aim should therefore be to bring together plans and practice—to increase the means of action and reduce the plans. The Government should be incessantly prodded to create adequate legal powers; but the advocates of regional planning should not forget that only the free will of the community can sanction their full use and the very heavy expenditure which this would entail. The public will need persuading as well as the Government.

Meanwhile the planners could do great service both to the public and to themselves by approximating their plans more closely to existing realities and to the present

state of public opinion. A new and modified plan for London or elsewhere, which has some chance of being acted upon immediately, would be worth a pile of "super-plans" discarded because they aimed too high. This is not to say that the present regional plans are worthless. Far from it, they are extremely valuable. They represent a vast amount of detailed and laborious work, conscientiously carried out. They have fired and stimulated the public imagination, giving to the inhabitants of Plymouth and Liverpool an idea of what their towns can look like, if only they will it and work for it. This perhaps is their greatest achievement. But it is clear that they should be regarded as pointers to the ideal rather than as programmes for practical action.

Yet much can be done at once to implement the general aim which lies behind all the various regional plans—that of decongestion and its corollary, decentralisation. The present absolute powers over housing of the Ministries of Health and Works could be used to encourage voluntary dispersal to suitable sites. Voluntary evacuation from congested areas by firms and workers can be officially encouraged and helped. All these and other forces could be set into motion by a definitive lead from the Government. Such voluntary action is all the more necessary when it is realised that effective and complete regional planning is impossible without powers and funds which seem at present to be beyond "the great beyond."

It is a depressing task to greet with cold water a courageous and imaginative plan for the greatest, and one of the most sorely tried, cities in the world. The Londoner, of all persons, deserves a fine city, as Britain deserves a fine capital. But it would be a poor service to the cause of regional planning to echo the applause without pointing to the lion in the way. Only by a cold assessment of the realities can the best possible results be achieved.

The Western Front

IN August, when the Allied armies were sweeping across France and Belgium and liberating territory at a mile a minute, it was not only ordinary men and women who said "It will be all over by Christmas." Chiefs of staff committed themselves to the same view. Later, after the setback at Arnhem, the estimates were modified to "the Rhine by Christmas." But Christmas has nearly come and the Allied line, in the crucial sector, still stands well to the west of the river. Only in Alsace have the Allied armies been able to recapture the *élan* of the earlier battles. On the borderlands of the German Rhineland the fight is a bitter yard-by-yard advance through a densely populated countryside.

This fact helps in part to explain the effectiveness of the Germans' stubborn defence, but the central fact in their resistance is the Nazis' success in overcoming the grave political crisis of the summer. It is perhaps even true to say that the efficiency of the German military machine has profited by the Generals' conspiracy, which appears to have put an end to Hitler's disastrous strategic intrusions and made it possible for some of the ablest Generals to be brought back into an almost unchallenged position. The structure of the *Volksgrenadier* divisions, where very young men are fighting side by side with old and seasoned soldiers, the mobilisation of the *Volkssturm* and the drafting of all available civilian labour to defence digging—all these point to a unity of purpose between Himmler and the Generals which Army and Party had increasingly lacked in the preceding years.

The material situation is, however, growing more desperate week by week. The only assets to set against dwindling resources are much shorter lines of communication and a far more compact front to hold. It is just possible that with the comb-out of last summer, the call-up of every spare civilian and the year's new conscript classes, the Germans can still put into the field as many men—though not so well equipped—as at the time of the attack on Russia, in spite of very great losses in killed, wounded and prisoners. But this has been made possible

only by throwing all resources into the war and leaving no margin for civilian life. However, the example of Russia has shown how long life can still be supported under these conditions. The harvests have supplied sufficient rations, there is still enough coal, iron ore, oil and light metals to keep the wheels of war industry and the war machine turning. If the present front can be held, neither a political nor an economic collapse is very likely to break the German front.

The present front is, however, crucial. It defends the two powerhouses of the German effort—the Rhine-Ruhr complex and Silesia. If either were lost, a serious full-scale military defence would become impossible in a very short time. This fact is reflected in German strategy. Every yard on the way to Cologne is stubbornly defended, whereas, in Alsace, a general withdrawal has been carried through.

Quick victory depends upon an Allied break-through in west and east to sever Germany's economic heart and brain from its titan body. The other two fronts—the British front in Italy and the Russian front in Central Europe—are subsidiary, for neither will bring the Allies to the heart of the industrial Reich. So far, on the two crucial fronts, the Germans have achieved a measure of stabilisation. In the west they have had the help of unspeakable weather. Air superiority cannot be fully deployed over the battlefield and the shattering of Germany's communications and oil reserves from the air is intermittent. The Germans have also earned a high dividend on their investment of men and arms in the Channel ports. The enormous divergence between the productive capacity of Germany and the Allies has been growing day by day more unfavourable to the Germans, but the lack of ports and bad communications in western Europe have prevented the Allied Commanders from making their steadily increasing physical superiority register in the field.

It may be, too, that the actual organisation of the military command has had a retarding effect. Ever since Field Marshal Montgomery left the post of overall mili-

tary commander, under General Eisenhower, of the ground forces in western Europe, no one leading soldier has had immediate oversight over the whole western front, on which five or six armies are now engaged. It is impossible for the layman to dogmatise on such matters, but it is perhaps relevant to ask whether the pattern of the latest battles—a frontal attack on each segment of the front—is not in part dictated by the separation of each army command. All the really decisive break-throughs in the war so far have been achieved by the synchronised development of a feint at one point of the front followed by a full thrust elsewhere.

Victory both in the east and in the west is not in doubt. The Allies' overwhelming superiority in physical power is sufficient to drive the enemy back, if necessary yard by yard, however stubborn his defence. But the prospect of fighting such a war across the densely inhabited lands of Germany is an appalling one. It may well be that, as at Caen, the present dogged phase of the fighting is a prelude to new and sweeping advances, and obviously

every strategical and physical resource is being strained to that end. Yet it may still be asked, even though the question has been posed so often since the war began, whether the total absence of political warfare from the campaign is not assisting the uneasy stabilisation the Germans have managed to achieve?

Even today, when German territory is already in Allied hands, the average German has still not the faintest conception of what will be his fate at the Allies' hands after his country's defeat. Worse still, those who might be in a position to repeat the Generals' conspiracy have no idea whether on the one hand the coalition of Russia and the West may not after all break down in time to allow for "negotiated peace" or on the other whether a dictated peace would be any better or worse than Himmler's Terror without End. Those who still press for a clear statement of the terms for Germany have by now been belaboured into despondency. Yet in the present military situation can any factor be neglected which might contribute by a day to a shortening of the war?

Old Man of the Sea

IT is easy to understand why there was no reference to the coal industry in the King's Speech this year. No other subject has throughout the war been so productive of controversy or compromise, or has aroused so many party political passions. At the present stage of strained party relations no Government, uncertain about its length of life, would risk burning its fingers handling coal. But the omission, even if natural, is regrettable. It means that this coming winter, when the demand for coal will be greater than ever, production will be at its lowest. Output, as will be seen from the latest production figures shown on page 822, is declining at an alarming rate, and there seems to be no hope of arresting the decline. No doubt it will be possible to muddle through, as the nation has muddled through five winters of war. But if ever rapid decision and firm action were needed to set the coal industry on its feet and ensure the stability of the country's most important industry, it is now.

In a recent speech Mr Herbert Morrison described the coal industry under its present ownership as backward and inefficient, "an old man of the sea" which the Labour Sindbad must cast off as rapidly as possible. This week, the Labour conference is discussing how to do this. Its plan for nationalising the fuel and power industries, however, concerned mainly with the technique of administration, does not prove that nationalisation would in fact result in greater efficiency, and it is doubtful whether the Labour party as a whole realises the technical implications of its programme. It may be that Mr Robert Foot's plan, expected before the end of the month, will get nearer the mark. But just as most miners tend to be bemused by the words "nationalisation" and "control," so the owners, on their side, are so nostalgic for their pre-1939 "freedom of action" that they tend to pin their hopes on the removal of Government control or on a sudden improvement of human nature among the miners. Caught between two fires, the Government's position is far from enviable. But both owners and miners are right to press for a decision, since the industry will be starved of capital so long as uncertainty lasts. The general public, wishing "a plague on both your houses", is getting impatient in its desire to see peace and production in the coalfields.

There will be no wish to prejudice the owners' plan. For all that anybody knows, it may provide the heavenly solution. The Mining Association certainly shows, in choosing an outsider as chairman, their desire to start with a clean slate, while Mr Foot's sincerity in wishing for better industrial relations is not in question—though the owners' proposals for attaching disciplinary conditions to the payment of the minimum wage threatened to have the very opposite effect. The decision, announced on Wednesday, to postpone this scheme and instead to set up a joint owner-miner committee to investigate the causes of falling

output, may be taken as a welcome sign that both sides are ready to bury the hatchet in the immediate national interest. But the test of this committee, as with the innumerable committees set up to examine the coal problem, will be its effects in terms of output. Good will and cooperation, though important ingredients, cannot solve the coal industry's problems, which must be tackled in a severely practical manner.

To say that a fresh approach is the only hope has itself become the stalest of clichés. Yet there has never been any doubt about what the fresh approach should be. It should be technical; it should concentrate on so rearranging the industry, regardless of ownerships, that the maximum possible productivity with present equipment is secured and the best possible basis is provided for the further application of technology and capital. The criteria should be neither financial nor political but physical; how can output per manshift be most rapidly increased? The immediate goal should be to raise output from its present level of one ton per manshift (of all wage earners) to the 1938 level of 1.12 tons. And the further objective should be to increase output per manshift at least to 2 tons. This productivity criterion is not a complete programme for the industry. The miners' standards of life and welfare could be further improved, and the distribution of coal after it leaves the pithead is notoriously inefficient. But output per manshift is by far the most important consideration. It is much more important than the controversy whether the industry should be publicly or privately owned, the answer to which will emerge as a by-product of the technical argument.

There is equally little doubt about the chief means of achieving a higher productivity. They are two in number: first, such a redistribution of the available labour force between the pits that labour is applied where it will be most effective; and second, a much more rapid application of modern mechanical and scientific technique within each pit. The first implies large-scale consolidation. The second requires large-scale injection of capital. It has been obvious for at least a decade that the industry, as at present constituted, will not carry out the first and cannot provide the second. That is the practical and technical justification for agreeing with Mr Morrison that "root and branch" reforms are necessary.

It does not in the least follow that nationalisation, as usually understood, would produce the result. Indeed, in so far as it meant an indefinite continuance of Government control, with the Miners' Union sitting on the controller's doorstep and with the lodges objecting to every measure to increase productivity, whether it be the closing of an

uneconomic pit or the installation of labour-saving machinery, nationalisation would make matters worse. The nearer the industry can get to being run by its mining technicians, without interference from boards of directors or union lodges or bureaucrats in London, the healthier will it be.

The proper use of technical skill should, indeed, be the central idea of any reorganisation scheme. The most promising method of procedure would be to concentrate the mines in a number of regional groups, each group being as large as can be run by one group of technical managers. In some cases that would mean the whole of one of the present districts, in other cases there would be several productive units to each district. In the whole country there might be between two and three score. Each of these should not merely (as the fashionable phrase goes) "be regarded as a unit," it should be a unit, in one ownership and under one management, with no inhibitions about concentrating production on the most economic pits. But such a policy involves social as well as technical considerations, so it is important that the redundancy programme should be planned over a sufficiently wide area to ensure that the closing down of pits did not leave a trail of derelict villages and idle workers. In most cases, the miners could be conveyed to and from their work, but if necessary there should be an ordered transfer of mining populations. An overwhelming advantage of such centralised planning should be the spreading of technical ability.

The spreading of technical ability would open the way to the second stage of the programme—the application to the whole industry of the most modern and effective methods of production now in use in this or other countries. This means, in the main, mechanisation. The 1943 figures show that 69 per cent of the output is cut and 66 per cent conveyed by machinery, but mechanisation is very unevenly spread between the districts. There is room especially for increased mechanisation of underground transport systems and for modernisation of preparation processes. The American mission are said to have been struck by the needless numbers of men employed on haulage underground, who could be released for the coal-face if more processes were mechanised.

The mechanisation of the industry makes it more than ever important to ensure that the miners are properly trained in the efficient and safe utilisation of the machines. The Ministry of Fuel is proceeding on the right lines with its juvenile training scheme and its school for mechanised mines at Sheffield. The present accident rate is disturbing, so is the incidence of industrial disease. Mechanisation not only permits a higher standard of living for the miners; it also requires it. Pit canteens should obviously be retained and the pithead baths programme, interrupted by the war, resumed until 100 per cent of the men, instead of 65 per cent as at present, are covered. The housing problem in mining areas should be tackled and efforts

made to break down the isolation of the miners by improving amenities. Pit production committees could be made more effective and scientific methods of labour management—which have always met with opposition before—introduced in all collieries. Such measures would assist in removing the old conception of a pit as a place where parents refuse to send their sons, which, more than anything else, has been responsible for the present decline of mining manpower.

This, with all the dogmatism of brevity, is the outline of a programme for the mines. In theory, it could be carried through without insisting on public ownership. Indeed, in practice, if any such productive unit can be constituted under private ownership, and with an assurance of sufficient extra private capital to attain the necessary technical standards, it is difficult to see what principle of public policy would prohibit it. But such cases, if there were any at all, would be likely to be very rare. The mine-owners have been given abundant opportunities to carry through private amalgamations, at a time when consolidation on a far smaller scale than anything here envisaged would have been acceptable, and none of these opportunities have been taken. Moreover, even if such large consolidations were undertaken under private initiative, it is doubtful whether private capital would be forthcoming in large enough amounts to finance further development. The figure of £300 million has been estimated as the cost of new capital investment to modernise the industry.

For these two reasons, it is almost certain that the programme would have to be carried out by the Government. Nevertheless, care should be taken to protect its technical character and to avoid any form of political "control." The best procedure would be to constitute each producing unit as a company, in which the vendor enterprises could be given shares as the purchase price of their undertakings. The Government should then provide as much further capital as was required by purchase of additional shares, and if these were not enough by themselves to give control, the voting power could be adjusted accordingly. A separate board of full-time directors, chosen for technical or commercial skill, should be appointed to each company. The allocation of shares among the existing owners would, of course, be a complicated business, in which both output and present profitability would have to be considered; but it would be no more complicated than any other compensation problem.

All this, however, is subject to one big condition: the co-operation of the miners to make a publicly owned industry a success. Their present mood seems to be one of frustrated obstinacy. Concessions and appeals for coal for the war front have failed to

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move them. Nationalisation would not mean the sudden solution of their grievances—on the contrary, if it was effective, it would involve a lot of things they do not like. Will the miners realise this? There are two hopeful factors. One is that when the war is over the better type of miner, now in the Forces, may return to the industry and the more recalcitrant elements may leave. Another is the formation of a single miners' union, which may be able to exert a more unified and purposive influence than the old Federation. The union's leaders will have

to show statesmanship and responsibility; they will have to look forward and not back. And they should face up to the fact that, unless output is improved, the present wage structure is in danger of foundering. No one would call £5 a week a high minimum rate, but even this wage level cannot be maintained unless it is related to higher productivity. If the miners fail to realise these truths and to co-operate in full production, the effort of nationalisation would be wasted, and any Government which attempted it would be discredited.

The Greater London Plan

The following are the main proposals of the Greater London Plan:

Population.—The Plan divides the area into four concentric rings:

- (1) The Inner Urban Ring, comprising the fully built-up areas adjoining the County of London.
- (2) The Suburban Ring, comprising a wider area beyond (1), which is again largely built-up but at a much less density.
- (3) The Green Belt Ring, with a width of about five miles, containing much acquired open space.
- (4) The Outer Country Ring, much the largest part of the Plan's area, containing many distinct towns situated amidst agricultural land.

Roughly, (1) and (2), together with London County, can be taken as constituting London proper, e.g., the almost continuous town which stretches for about 12 miles in all directions from Charing Cross.

It is proposed that there shall be no more building in Rings (1) and (2) except for urgently needed LCC and Croydon housing schemes that are already planned, and the building-up of existing frontages. Generally speaking, new building will also be prohibited in the Green Belt Ring (with similar exceptions).

Maximum residential densities of 100 and 75 persons per acre for the Inner Urban Ring and 50 per acre for the Suburban Ring are to be enforced. This will require the decentralisation of 415,000 people from certain areas in Rings (1) and (2), the largest "decanting" being 93,800 from West Ham. Those areas in Rings (1) and (2) which contain less than the maximum densities allowed will not, however, be allowed to build up to them.

Including the 618,000 which fall to be decentralised from the County of London under the County Plan, a total of 1,033,000 altogether have to be decentralised from "London proper." They will be accommodated as follows:

- (a) 125,000 under existing LCC and Croydon housing schemes.
- (b) 261,000 to existing towns, mainly in the Outer Country Ring.
- (c) 383,000 to new satellite towns, all in or beyond the Outer Country Ring.
- (d) 164,000 to existing towns within a 50-mile radius of London, beyond the Plan's orbit.
- (e) 100,000 to "beyond the London influence."

There are also in existence vacant frontages, equipped with essential services, which could accommodate 386,000 persons. These provide a margin for population adjustments and a freer choice of homes.

Alternative figures for decentralisation have been worked out on the assumption that the LCC reduces its residential density to 100 instead of 136 persons per acre.

Industry.—The decentralisation of 1,033,000 people from London proper is estimated to involve the parallel decentralisation of 1,720 factories, employing directly 258,000 people. No detailed analysis is made of which factories should move out, and they should go, although general recommendations are made as to the industrial contraction or expansion of each area.

No new industry should be allowed in the Inner Urban and Suburban Rings, except in the neighbourhood of (a) Barking-Dagenham, (b) Mitcham-Croydon, (c) Erith (to a limited extent), and (d) the Cray valley (conditionally).

Decentralised factories will go to the new satellite towns and to specially selected existing towns in the Outer Country Ring. Generally speaking, industry will be banned from other existing towns, rural villages, the open countryside, and the Green Belt Ring.

The closest collaboration should be aimed at between industry and all transport authorities, in order to increase their mutual efficiency and to reduce the journey to work.

As far as possible industry and population should be decanted from the same areas. Special provisions must be made for the time-lag of industry behind population.

Satellites.—Ten sites are suggested for the eight new satellite towns which are to accommodate 383,000 of the decentralised population, and a large proportion of decentralised industry. Three are in Essex at Chipping Ongar, Harlow, and Margaretting; 3 in Hertfordshire at Stevenage, near Redbourn, and at Stapleford; 2 in Surrey at Crowthurst and near Holmwood; 1 in Kent, near Meopham; and 1 in Berkshire at White Waltham. All the sites lie roughly between twenty and thirty miles from Charing Cross.

Suitable sites in the region for these entirely new towns have been hard to find. Only two of those selected lie west of London, those near Redbourn and at White Waltham. Five are grouped to the north-east of London.

Good transport for industry is an essential qualification for a satellite town. The three sites to the south of London are not fully suitable for heavy industry, since this requires good communications to the North and Midlands.

The population of most satellites would be between 50 and 60 thousand.

Agriculture.—The agricultural character of the Outer Country Ring will be jealously guarded and building confined to definite centres. Near the urban fringe pockets of agricultural land should be delimited and protected.

The practice of building on good agricultural land when suitable alternative land is available will be stopped. The avoidance of unco-ordinated sprawl will, by itself, be a great gain to agriculture. There should as well be strict control over sand and gravel excavations.

Communications.—(1) Roads. Ten express arterial highways will link up with the ten main radials of the County of London Plan. Five ring roads (two in the LCC area) will include an express arterial ring road running at a radius of 12 miles from the centre of London.

(2) Railways. No drastic additions will be needed, as decentralisation will reduce the volume of daily travelling. Several new branch lines to the north-west of London will link up the proposed new satellites with existing centres.

Most of the railway system in the Greater London region should be electrified. The suggested terminals for main-line electrification are Didcot, Princes Risborough, Aylesbury, Watford, Luton, Hitchin, Bishop's Stortford, Chelmsford and Basingstoke.

(3) Airways. A ring of airports round London will include one trans-ocean airport at Heathrow, near Heston.

Open Spaces.—London's main "green belt" will be widened considerably and extensive new acquisitions of open space made in London proper. The deficiency in the Inner Urban and parts of the Suburban Rings is 4,243 acres on the basis of 7 acres for 1,000 persons.

Individual Areas.—The plan includes brief studies of the population, industry, topography and shopping facilities of all the local government areas in the region, and recommendations as to each area's future.

Administration.—There are 131 separate planning authorities in the region. Comprehensive planning is an impossibility on this administrative basis. Professor Abercrombie puts forward, as one possible solution, the formation of a special Planning Board which would administer a "master plan" for the whole London region, compiled from the existing City, County and Greater London plans. The Board would have power to buy and develop land. Day-to-day administration of local planning would be done by joint committees of local authorities.

NOTES OF THE WEEK

The Debate on Greece

In a debate which none but he enjoyed, Mr Churchill did nothing to allay the doubts and fears raised by present British policy in Greece. His general appreciation of democracy was unexceptionable but irrelevant, for the point at issue was not whether private armies were bad but whether the British Government was not being led by its fear of Bolshevism to favour the unconstitutional forces of the Right against those of the Left. Mr Churchill did not once mention the vexed point of the Mountain and Sacred brigades and the request for their disbanding. For the men of EAM, whom a year ago he was prepared to arm in their fight against the Germans, he had only terms of vilification—ruffians, bandits from the mountains. Above all, he stated quite openly that he sent British forces into Greece to counter an expected Communist revolution.

I pointed out that . . . it was very likely that the EAM and the Communist extremists would attempt to seize the city and crush all other forms of Greek expression but their own.

If this was the psychological atmosphere in which Mr Leeper and General Scobie went to work, it is difficult to see how any pretence of impartiality could have been preserved. Worst of all, Mr Churchill offered the House of Commons no solution for the Greek disaster but civil war to the bitter end. Happily for British prestige and interests in the Balkans, Mr Eden was able to throw the mind of the Members forward from sterile one-sided accusation to the essential problem of securing an immediate truce.

Towards a Greek Settlement?

Shortly after the Commons debate it was announced that Field Marshal Alexander and Mr Harold Macmillan would go to Athens. They arrived on December 11th, and although the Field Marshal spent only one day in Greece, Mr Macmillan is presumably to remain. The EAM reaction to this visit was the sending of an emissary, Mr Porphyrogenis, to inquire if there were no possibility of agreement. Two British terms were laid down—the evacuation of Attica by ELAS and the handing over of all ELAS arms in Athens and the Piræus. If these two conditions were fulfilled, Field Marshal Alexander would undertake to

initiate the necessary steps to put an end to the present turmoil in Greece and restore to all Greeks, whatever their opinions, peace and full enjoyment of their democratic liberties, the first step to which must be the disbandment of all private armies.

It is obvious that the two terms are a pre-condition of understanding. But as a guarantee of a genuine settlement, the promise given by Field Marshal Alexander is probably too vague and unsatisfactory to persuade EAM to do precisely what they are fighting to avoid—disband their armies without a corresponding disbandment of the suspect Mountain and Sacred brigades. If a real truce is sought, it is surely necessary to offer inducements as well as terms. The nature of such inducements is not easy to define without more knowledge of the local situation, but examples can be taken from the similar experience of other countries. In France, the diversion of the keenest elements in the *maquis* from the struggle at home to the struggle against the invader greatly eased political tension. In Greece, the fears of EAM could perhaps be dissipated if it were announced that, in return for their disarming, the Mountain and Sacred brigades would return to Italy to fight the Germans and that recruiting centres and training camps would be established at once under impartial leadership for any volunteers from left wing ELAS and right wing EDES and from the civilian population who wished to train for the final struggle against the Germans.

Precision on these military terms is not, however, sufficient. After the events of the last ten days there inevitably arises a question of confidence. It will be difficult to re-convince all factions among the Greeks that the British are impartial or that any new Greek administration is genuinely representative. The British officials concerned, particularly the Ambassador and the local commanding officer, should not only be impartial but must

also be accepted as such. On these grounds it is certainly necessary to remove Mr Leeper and possibly General Scobie, although naturally he carries no personal responsibility for the disasters at Athens. Similarly, the British Government can only prejudice the chances of settlement if it persists in supporting a Prime Minister who cannot achieve a popular coalition. Mr Papandreou may be able to do so. If he cannot, he should give way so that other leaders can make the attempt. Finally, in the matter of elections, it is essential that Field Marshal Alexander's pledge should be translated into concrete terms. These should include not only the offer of British trusteeship, but a promise to accept any other international or neutral oversight the Greeks may desire, to purge at once the still largely unpurged police and to initiate—as in Bulgaria—electoral registrations immediately as a guarantee of sincerity. All this demands from the British imagination, sympathy, courage and a willingness to abandon policies that have obviously failed. This was unhappily not the mood of Mr Churchill in last week's debate. Unless a new spirit prevails, the outcome can only be a disaster both for the Greek and the British people. This is not a problem that can be solved by unconditional surrender.

Labour's Dilemma

The Labour party conference has gone according to plan—according to the plan, that is, of its National Executive Committee. The decision that Labour should remain in the Government until the end of the war with Germany, or until the dissolution of the present Parliament, was not seriously challenged. Nor was the decision to go to the country on an independent Socialist platform. Indeed, proposals for electoral agreements with other left-wing and

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progressive parties were turned down without any discussion. So long as Labour continues in the Coalition, it must accept responsibility for Coalition policies. How to reverse those policies without breaking-up the Coalition was the dilemma which faced the Conference most acutely when it came to debate an emergency resolution on the Greek situation. This resolution, prepared by the Executive, called upon the Government to take steps to bring about an armistice, and to secure the resumption of negotiations between the parties, with a view to establishing a provisional national government, and thereafter, as soon as practicable, to hold a free and fair General Election. Nobody could disagree with these objectives, and the resolution was adopted by an overwhelming majority, but its terms were not strong enough for the delegates, whose tempers were running very high on this issue. It was far less strong than resolutions submitted by the railwaymen's and transport workers' unions, which condemned the British Government's action in Greece; but owing to conference procedure, no further resolutions could be called and no amendments could be moved to the official motion. As speakers for the Executive pointed out, if the Labour party condemned the action of a Government in which its representatives were included, and for which, as Mr Bevin said, he took his full share of responsibility, the position of Labour Ministers would have become untenable, and the earlier decisions to continue the Coalition would have been reversed. The debate on this resolution was, in some ways, a re-enactment of the situation in which Labour MPs found themselves last Friday. It was also a demonstration, if such a demonstration was needed, of the consternation in the Labour movement at events in Greece, and of its fears that even if the Greek affair reached a satisfactory settlement, similar misfortunes might attend British policy elsewhere, and bring a share of discredit upon Labour Ministers.

Preparing for the Election

The Labour party, thus committed to continue in the Coalition, is at the same time to proceed with its electoral preparations and propaganda. The economic and social programme on which the party will go to the country is being debated too late for comment this week. But there are grave doubts about whether Labour is equipped to face the challenge at the polls. Mr Harold Laski, who presided in the absence of Miss Ellen Wilkinson, urged constituencies to adopt younger candidates, and appealed to the party not to cling to narrow sectarian principles. He used fine words, but it cannot honestly be said that this year's Conference, presumably the last before the General Election, has provided signs that Labour is prepared for the fray, or has given confidence in the qualities of its leadership. Mr Attlee delivered an admirable lecture on collective security, but did not speak in the vital debates on coalition or Greece; it was left to Mr Arthur Greenwood to open both discussions, which he did without much enthusiasm; while Mr Bevin, who holds no official position in the party, was brought in as a big gun to quell unruliness. There was a general impression that the platform was out of tune with the floor, and at times afraid of it. From this point of view the most interesting feature of the proceedings was the election to the Executive of Mr Aneurin Bevan, who should certainly inject some stimulant into the milk and water of Transport House. Satisfactory, too, was the return of Mr Herbert Morrison, who has in recent months done more to crystallise Labour's case than any other of its spokesmen. But two swallows do not make a summer, and without really effective leadership, and so long as it cold-shoulders all potential allies, Labour can hardly expect to appeal to the millions of non-political voters, who will, after all, determine the issue at the next General Election.

The Franco-Russian Treaty

General de Gaulle crowned his visit to Moscow by signing a Treaty of Alliance with Russia. The news has been enthusiastically received in Paris, and in this country, too, the alliance has been given a warm welcome. It marks another step on the road of restoring the system of European security, which, faulty at best, was torn to pieces by the Nazis between 1933 and 1939. German victory has always depended upon the separation of East and West, and to-day, in the last desperate stages of the battle, the Nazis still pin their hopes on a rift between Russia and its Western allies. The Franco-Russian Pact is another span in

the bridge which must be built to bind together Eastern and Western Europe. As such, it is an effective answer now to the Nazis' political warfare of "Divide and defeat," and later it can be a valuable reinsurance of European peace. This latter function depends, however, upon the manner in which it is combined with existing security agreements and other wider arrangements still to be made. The coalition that has defeated Hitler has not been a Russo-French coalition, but a fighting alliance between Russia and all the West European democracies and between all these states and the English-speaking democracies of other continents. Anything short of this coalition will not be a reliable foundation for peace. In the first place, therefore, the Russo-French Pact needs to be brought into relation with the Anglo-Russian Treaty, and, as a second step, the nations of Western Europe should themselves gather into a closer association to make certain that the Western pillar of the European bridge stands on the surest possible ground. This bridge, in its turn, needs to be fitted into the wider security arrangements outlined at Dumbarton Oaks. It is significant that sections of the American press are already criticising the new alliance as a manifestation of the balance of power. The interests of Russia, France and Britain alike demand that the new alliance system growing up in Europe should be accepted on the other side of the Atlantic as a reinforcement of any general security plan and not as its negation. The converse is equally true—that regional security pacts should be accepted in America as a welcome strengthening of a universal system which must necessarily be weaker in some of its limbs than in others.

Housing Repairs

Last Friday's debate on housing did much to clear the undergrowth from a tangled subject. Mr Sandys and Mr Willink both gave encouraging proofs of quickened progress in repair work over the last three months. Both acknowledged the gravity of their task, and both made some definite promises for the future. The increased concentration of building labour in London, revealed by the Minister of Works, is something to the credit of the past administration. From 21,000 in June, 1944, it jumped to 59,000 at the beginning of September, and to 126,000 by the beginning of December. The repairs programme has also been got under way; 200,000 of the Government's winter target of 719,000 houses to be restored to "a tolerable standard of comfort" were completed at the beginning of this month, and over 12,000 premises have been requisitioned for housing since September 22nd. So far so good, but not good enough. Problems of repair, other than of seriously damaged and uninhabitable houses, require only the organised direction of men and materials, in which art the Government should by now be well practised. Even so, this first stage in the London campaign is serious enough. In 53 districts 10 per cent of the inhabited houses have leaking roofs; of the position in the remaining 42 districts, Mr Sandys said nothing, and the percentage may well be higher. Over 500,000 houses are still to be repaired, and the promise of completion by April 1, 1945, was received in the House with some scepticism.

Permanent and Temporary Houses

It is the second stage of re-housing—that of providing new houses—that will prove the greatest test of Mr Sandys's ability as GOC Building. Lord Woolton has sounded a warning note in the Lords this week by saying that no possible effort can produce houses for everybody by the end of the German war. That fact has become increasingly obvious in recent months, but it should not be allowed to excuse the non-fulfilment of the scheduled programme. Mr Sandys's announcement, so abruptly made, that Portal "pressed-steel" houses cannot even be started until after the defeat of Germany is not in itself of great importance. Other materials are available, and existing designs and specifications can, where necessary, be speedily adapted to them. Certainly, the shortage of steel in wartime, which Lord Portal himself foresaw, might defer production, cannot be made into a beating-stick for a scapegoat. What is postponing the housing programme is not the failure of Lord Portal, but the success of Marshal von Rundstedt. It was Lord Portal himself who safeguarded the production of temporary homes by giving the go-ahead to the Uniseco, Tarran and the rest, and the Government would be well

advised to discourage any witch-hunting arising from Mr Sandys's announcement. The Portal house has from the start been the target of criticism from a formidable combination of interests—those who want to build houses out of materials other than steel combining with those who want to make other things out of the steel they would require. Some of these interests, prematurely proclaiming that the Portal house is dead, are now turning their fire on the proposal to import 10,000 second-hand timber huts or bungalows from the United States, which are condemned on grounds ranging from the shortage of shipping space to the fire hazard. This criticism, it is not surprising to learn, comes from the people who want to build brick houses. It is difficult to be patient with such facetiousness. What if the Portal house is sub-standard? What if wood is an inflammable material? Shelter for homeless people can be provided in these ways more quickly than in any other ways—and that, in a crisis, is the important thing.

On the wider aspects of the problem, the disquiet expressed in the House was well grounded. The target for temporary building is 200,000, and under half have so far been allocated to local authorities. London is to have 27,000, but only 7,000 to 8,000 sites have so far been found for them, let alone prepared. Even if the 20,000 remaining sites can be found in time, the allocation will still provide only one-tenth the number of London houses destroyed and seriously damaged by the enemy. In the face of this situation, the latest move of the Government seems to be robbing Peter to pay Paul. Prefabrication methods are to be used to build permanent (or convertible-to-permanent) houses "to replace the tail-end of the temporary bungalow programme." Where these are to go Mr Sandys has not disclosed, but to build houses to some of the Northolt designs in the immediate future—in the haphazard way that is permissible with the temporary types—is to court the worst possible nightmares of unplanned "development." Second to the 60 per cent saving in building labour, the advantage of temporary housing (from the Government point of view, at least) is that it puts off the evil hour of co-ordinated planning of location. But if some of the "temporary" houses—those built to relieve the immediate pressure—are to be built to last, the imperative need for decisions on land control and national and regional planning becomes not less, but more, emphatic.

First Steps in Holland

Dr Gerbrandy, the Dutch Prime Minister, has returned from Holland after an inspection of political and economic conditions in liberated territory. Want and dislocation of all normal means of life dominate the picture. Food supplies are actually lower than under the German occupation, for the fighting has disrupted all communications. Bridges are down, railways bombed, dykes broken and flooding completes the ruin wrought by war. Since the opening of Antwerp, however, the situation has started to improve. A central Transport Bureau has been set up to deal with the chief cause of starvation—the lack of transport—and SHAEF and the local Dutch authorities are making the distribution of supplies their first priority. Compared with the search for food and fuel, political problems occupy only a secondary position. A state of siege has been declared and a Dutch military authority responsible to the War Minister and, in second instance, to the entire Dutch Government, has taken over local administration under the general directions of SHAEF. Under the Dutch Constitution, all burgomasters are appointed by Royal Decree and there has been little difficulty in appointing local officials. In most cases, the former burgomasters who were dismissed by the Nazis have been reinstated. The only real index of political feeling is the flood of newspapers—35 in liberated territory, most of them clandestine papers now appearing in their first light of day. It is impossible to draw general conclusions about the rest of Holland from the experience of the liberated areas. They are solidly Catholic and include no big towns where the Communists and possibly the Socialists have grown in strength under the occupation. Yet it is believed that the overwhelming desire apparent in the press for unity and for an end to a regime of splinter parties—53 before the war—may well be found to be general. It may presage a sharp cleavage between the resisters who, especially the young ones, are looking for new political forms and insti-

tutions, and the older politicians who wish on the whole to return to an unchanged 1939. It seems that Dr Gerbrandy is aware of this problem and has taken note of the lessons from other liberated territory. Recruiting centres have already been open to train resisters and volunteers for the Pacific war and for local garrison duties. And Dr Gerbrandy has announced that when Holland is entirely free, he will give in his resignation to make place for a leader of the resistance movement.

The BMA Decides

The third and fourth days of the annual representative meeting of the British Medical Association were mainly devoted to discussions of the administration of a national health service. The meeting showed itself opposed to virtually the whole of the administrative structure proposed in the White Paper: it resolved that the profession should not be controlled by the local authorities—the words “as at present constituted” being omitted from the final form of the resolution; that the central administrative body should be predominantly medical in composition and that the Minister should be required to take its advice on medical questions; that the Central Medical Board, which in the White Paper proposals would be the employing body for general practitioners working in the public service, should be entirely medical in composition and should have no powers to restrict or direct doctors wishing to take up a public practice; and that, until local government areas and functions are reformed, regional councils for hospital and medical areas should be established, which would be representative of the local authorities and the medical profession. But equally important is the fact that the BMA is willing to negotiate with the Minister of Health and has appointed its share of the negotiating committee. It may well be that when the negotiations are resumed some of the uncompromising resolutions passed at the meeting will be allowed to slide into the background. But it seems perfectly clear that the BMA is emphatically and finally opposed to local authority control and that, judged by the questionnaire, the profession as a whole supports it on this point. Since, therefore, a national health service, financed by public funds, must be publicly controlled through a Minister responsible to Parliament, the only possible basis of negotiation on the administrative questions seems to be complete nationalisation of all the health services. Provided there were no clinical control and provided private practice might continue, this would meet the doctors' most rooted objections. More important, it would enable the services to be properly co-ordinated, whereas under the White Paper proposals they would be in many respects more uncoordinated than ever; in particular, it would enable areas large enough for a hospital service to be established. Finally, as *The Economist* has urged before, it would provide a solution to local government financial problems. Mr Willink said recently that the Government did not propose to weaken local government by transferring to the state its more important functions. He may have to reconsider the statement.

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Future Savings

The National Savings Movement has been awarded its colours—a flag with a laurel wreath surmounted by a crown on a white field—to be hoisted on all appropriate occasions. Last week Sir John Anderson made a strong appeal to the nation to maintain its savings effort after the war. During the war the public has saved well, partly through prudence and patriotism, but largely because of the difficulty of finding satisfactory alternative employment for its money. After the war much of the capital expenditure required for schemes of reconstruction and social development will have to be met by the local authorities out of loans made available by the Government. And to finance these and other operations in a sound and orderly manner the Government must be able to command the largest possible volume of savings. How much saving can be induced by appeals to patriotism once the exigent conditions of war are removed? The answer depends finally on the people's estimate of the genuineness and practicability of the reconstruction programme. A Government that could capture the public imagination would capture its pocket fairly easily. If the approach is to be more pedestrian the best incentive to saving would be the certainty of complete redemption in terms of real value. There is another point. The war has drawn an effective line between the period when national savings were drawn largely from the rentier class and the future when they must come increasingly from the wage-earners. To-day 16s. 6d. out of every pound of personal income (after tax) goes to those with incomes of less than £500 a year. This change in the distribution of the national income will upset the savings habits of the community. Certainly the incentive of higher yield will not prove so effective as in the past, for the small saver is much less interested in the return on his investment than its capital value. The whole subject of savings demands the most careful attention. Flag-waving is not enough.

Burma's Future

The debate in the Commons on the future status of Burma revealed the anxiety of all parties that the Burmans should look upon the advancing British forces as liberators, and should not feel that they were simply exchanging one conqueror for another. There was a division of opinion, however, on the method the British Government should adopt to underline their acceptance of a completely free and self-governing future for Burma. Some members urged that Dominion status should be promised unequivocally from the morrow of liberation. Mr Amery demurred from this, and proposed that the transition to Dominion status could only be made after a period of reconstruction. Provided always that the Government is sincere in wishing Burma—and India—to achieve Dominion status speedily—and there is every reason to accept its sincerity—Mr Amery's point is sound. Burma will be for some time to come a battlefield. The devastation is enormous, and the people are in serious distress after the rice requisitions and the forced labour imposed by the Japanese. All these things have been done under a nominally independent Burmese Government. The Japanese declared Burma "independent" in 1943, but continued to use the Ba Maw Government as a complete puppet. It may well be that the politics of independence will at first be less interesting than the economics of reconstruction. This should be the first task for the British, and by their way of setting about it they can amply prove whether they seriously intend independence. In preparation for a constituent assembly, the British Governor should be assisted by a Council of Burmese to whom as much authority as possible should be transferred. In economic reconstruction, stress will need to be put on bringing Burmese into the economic controls of the country. The biggest single matter is the Indian problem. Some estimates are that nearly 60 per cent of Burma's capital is Indian owned, and in many cases the industries and ricefields of Burma have been subject to a galling remote control from Madras and elsewhere. There will be no economic future for Burma unless this balance is redressed. It is equally true that there will be no communal peace—and no full self-government—until the two national communities can meet on equal terms.

Jugoslav Agreement

After joint consultations in Belgrade, Marshal Tito and Dr Subasitch have reached agreement upon the com-

position of the provisional Government which is to be set up to establish the local administration in liberated Yugoslavia and to prepare for a Constituent Assembly. The chief point in this Government's composition is that it is to represent "all peoples and all the federal units of Yugoslavia." The agreement is a hopeful sign that Yugoslavia may be spared the misfortunes of Greece, but until the actual composition of the Government is announced and there is more factual information about the state of affairs inside Yugoslavia, it is impossible to say whether the Provisional Government will have the backing and authority it needs to bring together the different nationalities who at no time have co-existed very happily inside the Yugoslav state. The Germans are leaving behind them the usual legacy of feud and hatred and, no doubt, the usual gangs of *agents provocateurs*. It is also unhappily true that, although Marshal Tito has decreed an amnesty for all Chetniks who served under Mihailovitch, the fighting between guerillas and Chetniks still goes on. Their struggle reflects the greatest political obstacle to peaceful transition. It is by no means certain that the mass of Serbs accept the federal plans of the Liberation Committee. A federal scheme uniting Slovenia, Croatia and Greater Serbia would perhaps be acceptable. But the present federal schemes break up Greater Serbia by granting autonomy to Serbian Macedonia, to Moslem Bosnia and to Montenegro as well. In such a coalition the Serbs would feel outnumbered and outclassed. Anxiety on the smooth progress of these schemes would be less if Marshal Tito had rallied some Serb statesmen of real standing to his side.

Employees in Politics

The directors of the Royal Insurance Company have issued a notice to their staff encouraging them to take an active part in "county, municipal or other public service in local affairs" and promising sympathetic considerations for any application for re-arrangement of work to make such participation possible. This is a praiseworthy initiative on the company's part. The overwhelming majority of citizens today are wage-earning or salary-earning employees and if the conduct of public affairs has to be left entirely to the rich, the retired and the self-employed, they will inevitably suffer in consequence—indeed, they have already suffered. Nor should it be regarded wholly as altruistic public service on the employer's part to encourage his employees to perform their civic duties, since in many cases their usefulness will be enhanced by the experience they will gain. The trend of recent years, however, has been in the opposite direction and there must now be many millions of people who are debarred, by trade practice or even by formal contract, from taking an active share in their common concerns. Perhaps the Royal Insurance Company's action is a sign of a changing tide. It applies only to local politics, and wider questions might well be raised by an extension of the principle to national politics. In many cases, Parliamentary candidatures—and still more membership—would be wholly incompatible with private business duties, and in all cases there would be inconvenience. But against this must be set the plain fact that Parliament can never be fully representative until members of all sections of the people sit in it. It would be well worth paying the price of some inconvenience to secure a wider representation of the public in both local and national bodies.

Germany's Oil Reserves

After overrunning the oilfields of Galicia and Roumania, the Russian armies now stand before the town of Nagy-Kanizsa, on the outskirts of Hungary's principal oilfields. Germany has already lost 67 per cent of its crude oil resources, and the loss of Hungary would bring the figure up to 74 per cent. Over two-thirds of its remaining reserves are at Zistersdorf, only 31 miles from Vienna. Meanwhile the Allied bombing forces in the west have for months past made Germany's synthetic oil plants their chief target. Will the result be that at long last, after so many false hopes and false predictions on the Allied side, the Germans will really run out of oil? The estimates must, of course, be tentative, but the answer is almost certainly that now, as in earlier years, the Germans may be gravely inconvenienced, but are not defeated by the Allied offensive on oil. With Austria and Germany intact the Germans will still be pro-

ducing about 2,300,000 tons of crude oil, compared with 609,000 tons in 1938. The increase has been due to a vast development in the centralised exploring and drilling of new resources. If the figures for synthetic oil are added, the German total for 1944 perhaps reaches 6,000,000 tons, although bombing may in fact have reduced the output even below this figure. Some stocks have been destroyed by bombing, but it would be wrong to conclude that the Germans are carrying no stocks. Meanwhile in 1943 and 1944 more and more vehicles have been transferred to generator gas, and more horse-drawn transport has been introduced for military purposes. The series of great retreats has also relieved some of the strain. It would therefore be unsafe to assume that the minimum amount of fuel and lubricating oil necessary to keep the tanks moving and the planes flying and the submarines diving will not be forthcoming for another six months. Germany's tremendous losses of natural oil have undoubtedly brought it nearer to the edge of collapse. But past experience shows that the Allies always underestimate how much room there is still left for balancing on that edge.

Liability for Injury

On September 3, 1939, Parliament passed the Personal Injuries (Emergency Provisions) Act, to provide a special scheme of pensions for war injuries. The Act has just received its first fundamental challenge in the courts. The basic plan of the Act was to deprive an individual of all his peace-time rights to claim damages if he received injury or was killed by a war injury and to give him instead the right to a Governmental pension. But the pension was not payable in all cases in which an individual could have claimed damages before the Act was passed. For example, a man whose wife is killed by the negligence of someone else can claim damages for her loss, but, if her death was due to a war injury, he can only claim a pension if he was in fact wholly or partly dependent upon her. That was the position in the case of *Billings v. Reed*. In that case the plaintiff's wife was killed by an aircraft in circumstances which, but for this Act, would clearly have entitled the husband to recover damages. Since he was not entitled to a pension, he sued for damages, was successful in the High Court, but lost in the Court of Appeal. Leave to appeal to the House of Lords was given, so in all probability the last has not yet been heard of this point. The social implications of this issue are considerable. Hitherto the decision whether a man received compensation if he was hurt depended solely on whether the injured person or the person who injured him were negligent. The social consequences of leaving him and his dependants without money and without any capacity to earn did not come into the picture at all. If he and his family starved, there was always charity or the poorhouse. The new doctrine is less legal and more social; in the new view it is not so important that an injured man should receive a lump sum of damages if the other party has been negligent and nothing if he has not, but it is important that the family group shall not suddenly be deprived of a section of their income because an accident has befallen one of their number. Naturally, in a period of transition, there are still many gaps and inconsistencies, but the gradual emergence of this new principle from the Workmen's Compensation Act in 1897 to the Social Security plans of 1944, is a fascinating study in itself.

Free Education

Only three months remain before the Education Act—a large part of it, at least—comes into force. From April 1, 1944, the payment of fees is abolished in all primary and secondary schools maintained by public funds. Fees may be charged only for special tuition, of the kind usually given outside school hours, in such subjects as dancing and instrumental music. In future, education fees will continue to be charged for evening-class tuition, but will be remitted in necessitous cases. The Minister recommends that all first-year evening-school students should receive tuition free if their progress and attendance are satisfactory. For students released by their employers to attend part-time day courses at technical colleges, tuition fees will continue to be settled by arrangement between the authority and the employers. After April 1st all new secondary school entrants will be "scholarship" students. One result of this will be that

many would-be fee-paying students will have to—or will wish to—find accommodation outside the secondary schools. Private schools should experience a temporary boom—a curious result of an Act whose main purpose was to develop the systems of public education. It is most unfortunate that the provisions of the Act must be applied piecemeal. The original conception made an impressive pattern; the pieces now being fixed in position may produce a patchwork that will take a lot of unpicking.

The Cost of Dying

There is, in this country, no activity so unnecessarily costly as dying. Much wasteful and redundant expenditure on burial insurance will be ended through the death grant proposed by the White Paper on social security. But this cash benefit, which is reasonably high, may prove inadequate to meet the present high cost of funerals. The problem is intertwined with strong social customs. Family pride, which dreads a "pauper's funeral" even in the respectable form now provided by Public Assistance authorities, is a cause of lavish and thoughtless expenditure on inefficient services. In no other transaction is the consumer so often indifferent to making a good bargain. To prevent exploitation of his carelessness or ignorance, there needs to be a statutory maximum for undertakers' charges, as well as full publicity for all the many items of cost involved. Burial fees to clergy and cemetery charges, which at present follow no common principle, ought to be standardised. Medical certificates necessary at death or cremation should be issued more cheaply. The trade also requires technical reorganisation, which should include the elimination of the present costly variety of coffins and perhaps the pooling of hearses, cars, and labour among smaller firms. Local authorities, who have made small use of their permissive powers to date, should be encouraged to set a good example in cheap and efficient burial or cremation. As a first step, they should be made responsible for all cemeteries and crematoria, which in some districts are still run by private companies, whose costs are increased by the method of attracting undertakers

MILK CHOCOLATE & the Nation's Milk Supply

THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

Before the war this industry was using 40 million gallons of milk a year. Cadburys took more than half of this vast quantity. It came from the counties of Hereford, Gloucester, Salop, Stafford, Flint and Denbigh where Cadburys have consistently encouraged dairy farming over a number of years. In these areas they have established four Milk Factories which have greatly assisted in developing milk production. Today these four factories alone collect and distribute sufficient fresh milk for well over a million people.

Cadbury means Quality

with a commission. In addition, they should be allowed to provide funerals at approved charges. The first need is clearly for some official regulation of fees and practices. Its administration would probably require the appointment of funeral inspectors by the local authorities, who are best suited to take the lead in this reform.

Shorter Notes

A first sum of £700,000 is to be made available to Jamaica to help repair the damage caused by a hurricane. A free grant of £196,000 will be distributed among banana growers for replanting, and the balance will be an interest-free loan to be made to growers of bananas and other crops for replanting, new planting and other rehabilitation purposes. The total expenditure arising from the damage is estimated at £1,325,000.

Mr Herbert Morrison announced in the House of Commons last week that a committee, to be appointed jointly by himself, the Minister of Health and the Minister of Education, will be set up to inquire into existing methods

of providing for children deprived of a normal home life. Its terms of reference are wide, and should enable it to range farther than the mere administration of the institutions to which orphans and neglected children are sent.

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,980	3,474
Sept.-Dec., 1940.....	22,282	28,522	50,804
Total, 1941.....	20,863	21,839	42,702
Total, 1942.....	3,221	4,149	7,370
Total, 1943.....	2,357	3,462	5,819
Jan.-May, 1944.....	1,561	2,916	4,473
June-Aug., 1944.....	5,479	15,934	21,417
September.....	170	360	530
October.....	172	416	588
November.....	716	1,511	2,227
Totals to date.....	58,315	81,089	139,404

Those killed in air-raids during November included 269 men, 345 women and 102 children under 16.

Letters to the Editor

Lessons of Five Years

TO THE EDITOR OF THE ECONOMIST

SIR,—May I submit that the "sample figures" you give in your article on "Lessons of Five Years," to show that output of war equipment in 1942 had reached only between 60 and 71 per cent of the maximum, are extremely misleading. The list of six items you give could easily be matched by an equally impressive and more surprising list of items in which the maximum was reached in that year. They include tanks, field, medium and heavy artillery equipments, heavy anti-aircraft equipments, gun and mortar ammunition and most types of naval vessels. Does this not suggest that the further increase in the output of the items you mention was in a large measure made possible by a reduction of the output of other things which by that time had proved to be less urgently needed?—Yours faithfully,

Cambridge

F. A. HAYEK

[There was no intention, in our article, of underrating the performance of the earlier years in some lines, and it was stated that "there are other items where the comparison is more favourable." The six items for which figures were given were chosen with some care as being items for which there was very urgent demand from the earliest months; they were certainly not held back (as Professor Hayek implies) by higher priority for other things. Indeed, two of the six, aircraft and aero-engines, had a super-priority for most of the time. But it is refreshing to find Professor Hayek coming to the defence of state planning.—EDITOR.]

The Greek Disaster

TO THE EDITOR OF THE ECONOMIST

SIR,—It is most unfortunate that in your otherwise moderate and well-balanced article on Greece you should refer to the "Mountain Brigade" and the "Sacred Squadron" as "two divisions." Military terms must be used with some sense of their meaning even by political commentators. The Mountain Brigade, of which the Sacred Squadron forms part, is, as its name implies, one-third of one division, and this fact invalidates the whole argument.

There must be others besides myself who opened their eyes rather widely at the suggestion that a unit of the regular Greek Army which has fought in the desert and in Italy and which has been purged only of mutineers should be treated as if it were nothing but a collection of partisans. But whatever the position, the retention by the Government of one brigade under arms in a newly-liberated country hardly merits the attention which you seem to attach to it. The Brigade was not even concentrated in one place, but dispersed partly outside the mainland of Greece.—Yours, etc.,

House of Commons

QUINTIN HOGG

A Plan for Broadcasting

TO THE EDITOR OF THE ECONOMIST

SIR,—Your Plan for Broadcasting has the right foundation with its advocacy that this country should adopt the best of both systems, sponsored and unsponsored. Both systems have their faults and their advantages, and it is in our favour that, at this stage of broadcasting, we are able to profit from everyone's experience and make a fresh beginning after the BBC Charter expires.

I agree with you that there should be three networks in competition, but my view is that there should be only one system run on BBC lines, mainly cultural and educational, but with the other two networks run by commercial interests.

The listening public will always divide itself into two audiences, the majority who turn to radio for entertainment and the minority who want uplift or mental stimulation. First-class entertainment is costly to buy, and a single commercial network, with an annual programme expenditure of between £5,000,000 and £10,000,000, would swamp the two opposition networks with only the £1,000,000 a year

budget the BBC expends on talent for its Home and General Forces programmes.

The power of radio lies in its command over millions of listeners at a time, and it would be virtually a monopoly for a single commercial network to be in a position to dictate to the masses their standard of entertainment and to control their hours of leisure. Far better to have two competing commercial stations with annual licences from the Government battling for the favour of listeners' attention, in their turn competing culturally, both in their advertising programmes and in their sustaining programmes, with the unsponsored BBC-type network.

Your article calls for bold experiment, but surely the situation is more urgent than that. Plans are now being finalised for a radio onslaught on Britain the moment war is over. From the West, by short-wave and long-wave, we shall have American-sponsored programmes (the BBC has been generous enough to build up British audiences for, Fred Allen, Jack Benny, Bob Hope and Charlie McCarthy, all ready for when their sponsors besiege this market). From the East we can expect British-sponsored radio from Continental stations.

Radio is too potent a force for the Government to allow out of its control. Instead of losing our home audience to overseas stations we must give listeners what they will demand, a wider choice of broadcasting and a higher standard of entertainment.

The lesson I have learned as a programme producer in

AMERICAN SURVEY

Economic Contradictions

(From Our New York Correspondent)

NEW YORK, November 9th.

THE United States has held an election, but has not made a choice either of foreign policy or of domestic economic policy—the inseparable sides of the coin of welfare. Indeed the country did not even have the possibility of making a choice in the election. The time of decision is not yet come—even though the delay is probably loading it with greater difficulty.

For a long time the United States has showed the schizophrenic characteristic: it has espoused policies which point in opposite directions and carried them out with equal vigour. Each party showed the symptoms markedly in the campaign just ended, and so the election could do no more—nor less—than demonstrate the highly developed state of the condition. The country as a whole, and each party separately, favours both internationalism and nationalism, both full employment and numerous massive obstacles to the production. If there was a difference between the Republicans and the Democrats, it was that the Democrats endorse in policy—as well as in action—all views with greater vigour. The Democrats won a greater following, since more people heard what they wanted to hear, because whatever they wanted to hear was said more emphatically. The Democrats had the additional advantage that whatever was said could be given verisimilitude by pointing to one—and usually more—statutes or other actions in the past twelve years.

Three examples may illustrate the point.

First, both parties favoured high and rising wages, even higher than the present basic straight time rates, which have mounted by about one-quarter since January, 1941, on top of an unprecedented increase from 1935 to 1940. With this endorsement by both parties, reinforced by the account receivable that Mr Sidney Hillman's Political Action Committee can present to the new Administration, the "Little Steel" formula, which has hitherto restrained the rise in wage rates, will presumably soon be altered by a decision for a further general mark-up in base rates. Neither party, nor major speaker, paid any attention to the process by which higher real rates are made possible, which is, of course, by rising productivity. Though it is difficult to measure even with the American penchant for statistics, the appearance from official studies is that productivity has not risen during the past four years by anything like the increase in straight time rates of wages, even in most of those lines

three years of commercial radio plus three years at the BBC is, first, win your audience. The BBC has too rarely tried to bridge that gap between what you want to give the public and what the public wants to hear. Unless another British source of radio fulfils this need, the power of radio will be switched out of Government control.—Yours faithfully,

Gerrards Cross.

HOWARD THOMAS

Those Billions

TO THE EDITOR OF THE ECONOMIST

SIR,—This country is not the only one that uses million, billion, trillion, etc., to denote powers 1, 2, 3, etc., of one million. Russia uses the same system, which is perfectly logical.

The other two big powers, the USA and France, use million, billion, trillion, etc., to denote powers 2, 3, 4, etc., of one thousand. Not so logical. In this last system milliard is synonymous with billion, and in French is of more general usage.

Another case of our French friends not being as logical as they are reputed to be is their use of the cumbersome "soixante-dix, quatre-vingt, quatre-vingt-dix," when they have at their disposal the good old logical words "septante, octante, nonante." These latter are still normally used by the French-speaking Swiss, and Belgians always use septante and nonante.—Yours faithfully,

Wimbledon, SW19

E. A. HALET

most subject to technological improvement—and many are subject to it, if at all, only in minor degree. (The chief exceptions to this statement concern certain war goods which have been on the move from handicraft output to mass production.) It has been possible to pay the higher wages in these years only because the volume of production has skyrocketed while profit margins have declined and capital costs probably are not adequately reflected by accounting methods. Sizeable profits result while the economy operates above capacity levels, but a decline even to capacity may, and many think will, produce a drastically changed picture as the smaller profit margins become visible and as they are further reduced by the rise in overhead costs per unit which usually occurs when volume drops.

The Interstate Commerce Commission, the Association of American Railroads, and officials of various individual railroads have recently published calculations suggesting grave financial danger to the railways from present costs when the abnormal war bloat disappears from the volume of traffic, even though the decline should stop at levels of high employment. Calculations of similar import have been made for the steel industry and certain manufacturing companies, and do not even need to be made for the host of small concerns which bulk so large in the economy, such as laundries, repair shops, independent stores, real estate enterprises, and so forth. Rising prices may, in time, provide a solution for this situation and so may rising productivity, but at least for a period smaller capital investment by business enterprises and smaller markets for some goods—such as housing—may result. This would make more difficult the attainment of full employment, increase the burden on the budget, enhance demands for spreading the work (which would further increase costs), almost inescapably increase demands for the protection of markets from foreign competition, and perhaps bring demands for subsidised exports. And this may come at a time when the appearance, odour and action of many of the inhabitants of the external world will not be so pleasing to many here as during the present comradeship. The reaction of domestic economics on foreign policy may be profound.

Secondly, both parties favoured the maintenance of high prices for agricultural products, implying the present prices—or still better—for whatever quantities the farmers want

to produce. Present prices are about double the pre-war levels, and the prospects for their maintenance by market demand, when the extreme demands of the armed forces, Lend-Lease and relief—and of storage for these purposes—are over, are not dazzling, even if the national economy continues to operate at capacity production. This has led both parties to support the enactment of measures authorising the Government to support most commodities of any consequence for at least two years after the war by buying up any surpluses. The Government is also empowered to sell its holdings abroad at less than cost or at prices below the domestic level. The great political influence of American agriculture has been preponderantly cast on the protectionist side, and it could hardly be expected to become less so if production were exceeding consumption, if the Government were rapidly accumulating stocks, and if dumping at Government loss were in progress. Nor would such conduct in America be apt to hasten the reduction of barriers to trade elsewhere. Once again, domestic policies have implications which run counter to the avowed foreign policy of the country.

Thirdly, both parties favoured the maintenance of the present level and pattern of interest rates, which are the lowest in the world, and demonstrably inadequate to induce the public to buy more than about two-thirds of the deficit, even with the present limited alternative opportunities for the investment of funds. As a consequence, purchases of Government bonds by the banks have been large. The volume of purchasing power has been greatly increased; and it will be still further enlarged by the deficit still to be financed (including heavy war-termination expenditures), by the redistribution of a considerable volume of Government securities temporarily held by corporations and individuals who intend to convert them into funds for other uses when materials, labour and products become available, and by the direct borrowing that will take place for the same purposes. The existence of this volume of purchasing power causes many people to demand the maintenance of controls for a considerable period, and if controls are to be maintained they would necessarily cover the international movement of funds—a necessity likewise imposed by the strain on the reserves of the commercial and Federal Reserve banks caused by the enormous expansion, actual and prospective, in currency and in bank deposits. The internal controls would hardly be conducive to the maintenance of output at maximum levels in an economy where the chief risk in the immediate post-war years will be a shortage of demand, not (as in Britain) a shortage of supply, since every private decision to take a step resulting in output and employment would have to await one or more Government decisions. Nor would external controls be apt to be conducive to a maximum volume of international intercourse even if the institutions proposed at Bretton Woods are established.

If the greatest single contribution that America can make to international reconstruction and to the reattainment of tranquillity is to be a good customer, then these obstacles to full output are obstacles to good international relations. High imports only accompany high production.

Not only were none of these conflicts between full employment and high sectional incomes, between full-fledged international collaboration and narrowing nationalism, decided by the election, but they were not even mentioned. Nor were numerous other conflicts of similar portent which make of the future a confusing web of uncertainty—such as the settlement of Lend-Lease obligations, the disposition of the Johnson Act (which prohibits loans to countries in default on their debts from the last war), the use of the huge new merchant navy, currency policy, the management of public debt, and others. The car in which this country is to ride in the future faces both ways; like the huge electric locomotives which shuttle between Washington and New York, it is equipped with forward drives for either direction, and it has an extraordinary number of brakes, which appear to be in excellent operating condition, on all wheels.

The failure to reach decisions on the basic issues—or perhaps it would be more accurate to say, on the issues which determine basic policy—while not unusual in the democratic electoral process, means that policy will have to be made *ad hoc*. Perhaps policy is never made in any other way, but specific decisions taken haphazard on specific issues of such momentous nature in a rapidly changing environment during the next few turbulent years can produce alternative—or even simultaneous—uses of the accelerative mechanisms and the brakes on both ends of

the car. Consistency may be a virtue of small minds, but the lack of it is apt to prove uncomfortable to riders and bystanders alike.

American Notes

American Foreign Policy

The Senate shows no disposition to abandon its constitutional right to advise the President on foreign affairs. Its reluctance to approve the six new appointments to the Department of State until it learns more of the significance of the new personalities and policies of the department has drawn from Mr Stettinius a formal five-point statement of the aims of American foreign policy. These include effective support for a speedy conclusion of the war, and the prevention of renewed aggression by Germany and Japan; the creation of a United Nations organisation to maintain the peace by force if necessary; a great expansion of American foreign trade to assure full employment and rising standards of living in the United States and elsewhere; and encouragement of free and democratic institutions everywhere, "in accordance with local customs and desires." There is more involved in the Senate inquiry than a mere insistence on Senatorial privilege; it is significant that the vote to postpone ratification of the new appointments cut not only across party lines, but across the Conservative-Liberal groupings that exist in both parties. In part, there is genuine bewilderment about the meaning of the somewhat oddly assorted appointments themselves, which one commentator has neatly summarised as a "bevy of tycoons surrounding a poet." Some of the Senate resistance arises from a suspicion that "Wall Street is taking over the State Department." The old allergy to the names of Morgan and Rockefeller is not dead; but the range of the questions on the first day of the inquiry shows that no single point of view is at work. Mr Clayton is under fire for his "big business" background, which told against him with Congress earlier this year when he was Surplus Property Administrator; but in his present candour it is not certain whether his supposed tenderness for cartels—which he strongly denied—or his present support of a liberal trade policy, will prove his greater handicap. Mr Archibald MacLeish, a bird of quite a different feather, is criticised for Left-wing activities, particularly his sympathies for Republican Spain, and for the obscurity of his verse. Mr Grew underwent rigorous questioning, not only about his own views on the Mikado, but on the sale of petrol and scrap iron to Japan before Pearl Harbour. This Mr Grew defended as sheer common sense, while denying that he was committed either to the retention or to the elimination of the Mikado. In later hearings, there probably will be a demand for further information on the rumoured absorption by the State Department of such agencies as the Foreign Economic Administration, and some of the functions of the Department of Commerce. Mr Stettinius' fourth point makes it clear that whatever reorganisation is contemplated is designed with the primary end of using exports to relieve unemployment at home. While approving the end, the Senate will want to know more about means; and in particular what concessions the department proposes to make to other countries, and what steps it favours to expand productiveness and trade throughout the world.

New Brooms

Foreign policy makes strange bed-fellows. The Hearst-owned *New York Mirror* this week omitted its customary Winchell column, in which the Broadway columnist made an emotional appeal to the British people to forsake the path of reaction; and in its place printed an enthusiastic endorsement of British policy in Greece. The liberal press, which one day was deploring the victory of reaction in the new State Department appointments, found itself the next enthusiastically welcoming Mr Stettinius' statement dissociating the United States from British policy in Italy and Greece. The former head of the United States Steel Corporation found no warmer support anywhere than in the pages of the *Daily Worker*. The brusqueness of Mr Stettinius' maiden performance is, apparently, to be excused on the ingenious assumption that new brooms, as well as sweeping clean, inevitably raise a fair amount of diplomatic dust through sheer inexperience. Mr Hull, whose public tact was equalled only by his private pugnacity,

would have been guilty of no such untidiness. It is generally assumed in Washington, however, that though the voice was that of Mr Stettinius, the hand was that of the President, or at least that of Mr Harry Hopkins, who is credited with a determining voice in the reorganisation of the Department. The problems of the liberated countries evidently afforded a welcome opportunity to demonstrate the devotion of the new regime in the Department to the principles of the Atlantic Charter; and to leave no doubt that American foreign policy will be both liberal and popular.

The issue was well suited to the design, for to the professional liberals the interpretation of British foreign policy in Europe presents itself either in terms of an instinctive love of reaction natural in a monarchy or as yet another twist of "power politics." The fact that support for British policy in Greece is found chiefly among conservatives harried by the Communist menace, adds verisimilitude to a sketch in black and white. There may be more involved than a desire to underline a New Deal in foreign affairs. It probably was hoped that the snub to London would be felt in Moscow; and Mr Roosevelt cannot have been surprised by the welcome for an American foreign policy so demonstrably free of British influence. There has been an attempt by the State Department to pour oil on troubled waters, but the renewed insistence that the development of democratic institutions in other countries must be in accord with the customs and desires of the peoples concerned shows that there has been only a muting, rather than a modification of the original stand. Almost all the public comment has deplored the evidence, provided by the incident, of a failure to reach a prepared understanding in political strategy. A very few commentators have noted that the announcement of a "Hands Off" policy is, in effect, a new form of isolation. With the chaotic conditions in a liberated Europe a mere affirmation of the virtues of self-determination is not enough. As the *New York Times* points out, by itself, this may merely favour the best-armed faction, and it is to be hoped that Mr Stettinius will not be content with a statement of general principles so reminiscent of the less practical side of Wilsonian idealism.

Reconversion for Cotton

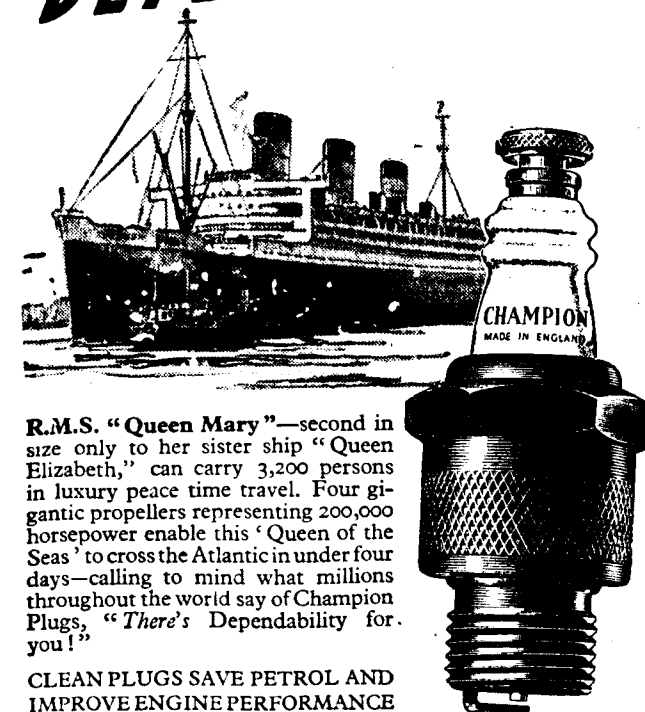
Mr Dean Acheson has pointed out that the export subsidies for wheat and cotton are hardly in keeping with the trade policies instituted by Mr Hull; and Mr Wickard, the Secretary of Agriculture, proposed this week a domestic attack upon the cotton surpluses which press so heavily upon American foreign economic policy. Granting that some relief might be found by assisting low income groups to buy cotton goods, and in the discovery of new industrial uses for cotton, Mr Wickard nevertheless urged that the true solution for the South lay, rather, in diversification, either through industrialisation or in new crops, possibly forestry. It was the great merit of Mr Wickard's testimony that he proposed a practical method for convincing Southern farmers of the need of abandoning cotton for more fruitful enterprises. In his plan, the domestic price for cotton would be "hitched to the world price," with the incomes of cotton growers made up by government payments. These payments, however, would continue only for a fixed number of years and be on a descending scale, with the hope that, at the end of five years, a considerable shift of resources (from cotton to other products) would have been stimulated. Mr Wickard conceded that the outlay might be heavy, but he argued that in the end it would put the South upon a more solid economic foundation, would make possible the retention of a permanent self-sustaining farm population, and would do away with large annual subsidies. With only the most productive lands left in cotton, American growers would be able to compete in world markets without government aid. It is a hopeful sign that the Department of Agriculture has produced a realistic alternative to the policy of rewarding cotton growers, through government subsidy, for producing larger and more unmanageable surpluses. Senator Bankhead's comments are not available.

Taxing for Full Employment

The demand for tax reduction after the war is in full swing, combined with suggestions from a number of busi-

ness sources for the reform of the whole tax system. The most remarkable feature of these plans is their unanimous insistence on the part which a reformed system of taxation can play in guaranteeing full employment and a high level of production. The recipe is simple. Mr Beardsley Ruml, author of the present pay-as-you-go plan, puts the doctrine in its most extreme form by advocating the complete abolition of the federal income-tax on corporations and the substitution of the federal personal income-tax as the Government's main source of revenue. Two other plans, known as the Twin Cities Plan and the scheme of the Committee for Economic Development, are content to urge merely the reduction of the corporation income-tax, with the elimination of the excess profits tax and the capital stock tax. The argument goes that corporation taxes, in their present form, discourage investment and consequently employment; that they result in double taxation for large numbers of people who are receivers of corporate income; and that their effect is to distort business policies on such matters as expenditure, capital transactions and pricing. Mr Ruml has taken pains in his scheme to urge steps to prevent the use of the corporate form of organisation to avoid payment of individual taxes; and all of the plans assume that elimination or reduction in corporate taxation can be combined with reduction in the rates on individual incomes, particularly in the upper and middle brackets. The Twin Cities plan, however, provides for a 5 per cent retail sales tax. There unquestionably is a strong case for reform of corporate taxation, which in its present form provides no inducement to new enterprises and stimulates excessive financing through bonded indebtedness rather than share issues. But these are only incidental to the new tax doctrine, which is that the reduction of corporate taxes points a sure road to economic salvation. No doubt the critics will enquire whether, in fact, lower taxes would always result in increased output and employment, rather than larger profits; and whether the change would not in effect shift the burden of taxation on to those less able to pay. It cannot be denied, however, that the new doctrine is ingeniously and effectively in key with the Administration's plans for maintaining a high level of employment and production after the war; and it has stimulated a wide interest in methods of public financing.

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THE BUSINESS WORLD

IDAC

ALMOST every discussion on the future of British trade is preoccupied with export policy—the general assumption being that if exports are looked after, imports will somehow look after themselves. This approach to the subject, though it is undoubtedly in the right general direction, would be highly unsatisfactory as a guide to working policy. It would ignore the fact that an import policy based on pre-war principles would be hopelessly inconsistent with the declared aims of national reconstruction.

In 1932, with the passing of the Import Duties Act, Great Britain became a protectionist nation. In the same year the Import Duties Advisory Committee was formed. Nothing has been heard of this body for five years, but it would be imprudent to assume that it has been interred. If it is dead, there are many who are anxious that it shall not lie down.

The IDAC was (the wish is father to the tense) charged with the tasks of examining the day-to-day working of the Act and of recommending modifications, where they were deemed necessary, in the scale of import duties. The committee consisted of three members—an actuary, a barrister and an economist. Its unusual constitution and powers arose out of the conflicting ideals of the Chamberlain school of politics. It was thought, no doubt, that a reconciliation could be effected between the diametrically opposed principles of Protection and Freedom from Government Control by divorcing the administration of the Act from direct ministerial responsibility. The compromise was not a very reassuring experiment.

The duties and functions of the IDAC, as laid down in the Act, were such that a national planning of import policy as a whole was rendered impossible. Since the body was independent, it was denied the guidance of considered Government policy. It could work only on a short-term, study of isolated problems. Its methods were empirical and its conclusions were unrelated. In its consideration of any particular case the committee was empowered to subpoena witnesses and to collect any relevant documentary evidence. But the pressure of time, circumstance and sectional interests almost invariably limited the proceedings to an examination of claims put forward by associations of traders and producers. These associations often came into existence for the express purpose of making an application to the IDAC—though they have gone on to wider activities. The interests of consumers, because they were unorganised, were usually afforded only superficial and perfunctory consideration. But even where, in rare instances, the consumers were strong enough to be heard in force (as when an organised industry consumes products of another), they appeared before the Committee as parties likely to be specifically injured by demands for increased protection rather than as advocates of reduced duties. The general public interest did not even get this degree of representation. The fundamental mistake of pre-war import policy was the naïve assumption that the safeguarding of industrial profits automatically served the best interests of the consumer and the community.

It was not really surprising that the term of office of the IDAC coincided with a period in which the trade associations multiplied and assumed a powerful control over British industry—and this fact alone is sufficient to nullify any positive good that the committee may have achieved in the narrow field of import duties. The trade associations wield great power—power enough to move the entire industrial system towards a policy of economic expansion. Unfortunately, they seem committed to a programme heading in an exactly opposite direction, with control of entry, restricted production and price maintenance as their guiding principles. The IDAC has been their foster-mother, and the circumstances of their birth, or re-birth, have conditioned their character.

Some of the committee's shortcomings were due to the queer assortment of powers conferred upon it. Thus it was

unable to recommend any reduction of duty on the products of "key industries" or goods on the McKenna list. Similarly, without an express recommendation from the committee the Treasury was unable to impose any duty at a lower level than the statutory 10 per cent. The committee's proceedings were held in camera, and opponents of any claim for tariff revision were forbidden to cross-examine those making the claim. Two facts emerge from study of the statements which the committee published in support of its findings. First, that in spite of its honest attempts to see justice done, the committee's guiding economic principles were hopelessly one-sided. How else could one interpret the ingenuousness of such statements as these?

It is unlikely that producers would jeopardise the prospects of an expansion of demand by seeking to increase prices unduly.

At the beginning of 1934 imports increased to well over 1,000 tons a month and in the second half of the year the position rapidly became worse.

Yeast being essential to the production of bread, the maintenance of the domestic supply is a matter of national importance.

[It is necessary] to protect the home manufacturer against the uneconomic price-cutting to which these goods are being subjected by foreign competition.

In general, the committee reserved its recommendations of the highest duties for luxuries and the loosely defined "key industries," and maintained low duties on the basic foodstuffs.

The second obvious conclusion is that the committee's good intentions were not enough to ensure a systematic handling of problems of great complexity. Imports of manufactured goods were usually regarded as a menace to national security, and the committee were ready to bestow an additional 10 per cent of protection on "deserving cases," with remarkable confidence in the future stability of the price-level. And if the recommendations would plainly lead to increased prices, the committee were quite sure that the change would be in the common interest, since foreign goods were well known to be inferior to British.

Almost without exception, the protection granted to industry was unconditional. Each case was judged on the facts of the moment—or rather such facts as the trade associations employed to support their claims—and very little consideration was given even to the most obvious long-term implications. Duties were imposed or raised for unspecified periods or "until such time as sufficient home supplies are made available," and no promises of reorganisation were exacted in return. One exception was the iron and steel industry, where a long overdue reorganisation was made the pre-condition of additional protection. In April, 1932, the general 10 per cent duty was raised to 33½ per cent on pig iron, girders, sheets and similar products, and to 20 per cent on finished iron and steel goods, "from rails and tubes to cutlery and screws." This step was remarkable for the fact that it made the duty on the raw material higher than that on the manufactured article. The duties were imposed temporarily—in the first case for three months, to enable the industry to draw up plans for reorganisation. But the time limit was soon extended to two years, and in May, 1934, when a plan of sorts had been produced, it was removed altogether.

The chief result of the "reorganisation" was the formation of the British Iron and Steel Federation, a body which soon won the approval of the IDAC as "a real instrument of progress . . . making its authority and guiding influence felt." Indeed, the committee expressed the hope that the work of the various trade associations forming the Federation in regulating output and prices would not be undermined by the independent action of non-members. "Reorganisation" was thus interpreted solely in terms of tighter selling organisation, and though some technical rationali-

sation followed on improved profits, progress was so slow that in 1939 the British iron and steel industry still lagged behind its competitors in efficiency. Moreover, for such improvement as was made, the public paid a stiff price. Although, in March, 1935, the Federation "categorically renewed the assurance . . . that it is not their intention to raise prices as a result of increased protection," the Board of Trade figures show that iron and steel prices increased by 30 per cent between that date and July, 1939. During the same period wholesale prices generally (Board of Trade Index) increased by only about 14 per cent.

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It is not possible, unfortunately, to assess with any accuracy the parts played either by the Import Duties Act or the IDAC in the gradual recovery that took place between 1933 and 1939. But the IDAC's own inquiry produced the interesting comparison that while employment in unprotected industries increased (between 1930 and 1934) by some 400,000, employment in protected industries fell by 50,000. As it stands, the record of the IDAC is unimpressive enough; without the camouflage afforded by conditions of general recovery it would be many shades nearer black.

If the IDAC is not to be resuscitated, what form should the body responsible for the administration of import policy take? It may soon be possible to relax in some degree the Government's total control of foreign trade; and ultimately, it may be hoped, detailed control will be abandoned in favour of a looser form of direction. It would need the hardest optimism to believe that protective duties will not form part of this new system—indeed, the pressure from the United States is towards the doctrine that protective duties are the only form of control that a state can legitimately exert on its imports. The trade associations are already staking their claims for protection against largely invisible rivals. How should such claims be tested? And where is the responsible authority that is competent to sift the sound from the unworthy, to fix the scale of duty so that it achieves the precise result aimed at and to reconcile the objections of Government policy with the aspirations of industry in the interests of the consumer?

There are two main requirements. The first is that the Government should lay down a general policy, arrived at after careful consideration of what the general economic position of the country requires, and that the specific demands of individual industries should be considered only within the framework of the policy so determined. The policy should come first and its application later. But to leave an "independent" body without guidance on general policy, as IDAC was left, is to produce the contrary result:

Payment by Results

(By a Correspondent)

ONE of the least agreeable characteristics of mechanised industry is that the bulk of workers see little connection between their individual effort and the finished product. One of the major problems still to be solved is to find a substitute for the pride in the job which was—and is—the distinguishing mark of the true craftsman. The elements for the solution of the problem already exist in the various systems of payment by results and profit-sharing schemes. Too often, however, only very indifferent success is achieved, probably because the relation between effort and reward is too uncertain or too difficult of comprehension to constitute a real driving force. The principal purpose of this article is to describe a scheme which has been worked for over a decade by Whitehead Iron and Steel Company of Newport with conspicuous success and to see what conclusions can be drawn from this experience.

Whitehead's are re-rollers of steel, and the figures quoted relate to a modern continuous mill which, at least at the time of erection, was the most efficient works for the job in the country. This is another way of saying that cost of plant is high compared with the total paid to the workers required to run it. Almost certainly the operations required of the men must have seemed to those accustomed to less intricate plant largely "mechanical." Certainly it is difficult for them to feel any necessary connection between these actions and the forms in which their products entered into final consumption.

general policy, such as it is, will merely be the aggregation of a number of specific decisions. Nor is it enough to instruct the "independent" body to "have regard to the national interest." The national interest, in these complicated economic matters, cannot be picked out of the air by anyone endowed with common sense and good intentions. It must form part of the general strategy of the Government's economic policy, and the dispositions of each division can no more be made in ignorance of the strategic plan than they can in armed warfare.

The second requirement is that the tariff-fixing body should not derive its information from interested parties alone. In other words, it must be an expert body, equipped to form its own opinions and armed with its own information. Independent industrial experts are not numerous in this country—though the war has bred many more than previously existed. They should be mobilised for the assistance of the tariff-fixing body, and no decision should be reached without an independent report.

Too much stress, however, should not be laid on the expert report, however independent. For the vital point to be borne in mind is that the facts of the particular case should not be the determining factor in fixing a rate of duty, but only a marginal qualification. General economic policy should fix the rate, and examination of particular circumstances should be confined to ascertaining whether especial harm would be done, or excessive benefit conferred. Indeed, there has always been much force—and there is still more today—in the contention that the tariff list should provide only two or three flat rates of duty, and that the examination of the circumstances of individual industries should be confined to deciding in which categories they should be placed; the general economic strategy of the Government should then fix the rate for each class as a whole. This might not, of course, be to the taste of industries now comfortably protected. But a certain Procrustean indifference to individual cases, if it is practised in the interests of overall efficiency, is greatly preferable to precise deliberations over parts that do not fit together when completed, or to a system that wholly subordinates the good of the whole to the wishes of the parts.

The administration of import policy requires a body that is strong, expert and responsible. It must be strong enough to resist the special pleading of the trade associations. It must be sufficiently expert to recognise the interests of the consumer in the mass of evidence at its disposal. It must be responsible so that its work can be co-ordinated with long- and short-term Government policy and vetted by Parliamentary inquiry. In other words, the pattern and example of the IDAC should be carefully avoided.

In due course an *esprit de corps* can be evolved; but it is doubtful whether that alone would achieve great results. In this case it had to be built up, and the management—who were very conscious of the advantage of profits—worked on the assumption that a cash reward directly related to physical output, plus a share of profits, was the best way to produce teamwork and the highest efficiency of operation.

For each size of bars produced a "standard" output per eight-hour shift was fixed. A basic rate of wages was also fixed for each job in the mill. This basic rate is increased, by a percentage bonus, in proportion to the excess of actual output over the standard. (In fact, the "standard" output appears to have been fixed so low that it would always be exceeded provided all workers on the job were reasonably careful.) In addition to this flat percentage increase, a super-bonus is paid at the rate of 1 per cent for every 8 points of the percentage bonus up to 40 per cent and at the rate of 1 per cent for every 5 points thereafter, the object being to give a higher reward for the greater effort necessary as the limit of perfection is approached. It will be evident that, since the bonus paid in any one shift is the same for all men on the same job and is dependent on the collaboration of all these men, teamwork receives the maximum encouragement.

The effect of the scheme on wage packets is shown in

the following table, which gives the total pay, including the additions made under the industry's "sliding scale" scheme and cost-of-living bonus, for a single shift on a job for which the "standard" output is 140 tons of steel:

Actual output	140	210	280	350
Percentage increase	...	50	100	150
Job rate—per shift	10/-	10/-	10/-	10/-
Percentage bonus	...	5/-	10/-	15/-
Super bonus	...	-/8	1/8	2/9
Sliding scale and cost of living	10/-	15/8	21/8	27/9
Cost of living	8/9	8/9	8/9	8/9
Total per shift	18/9	24/5	30/5	36/6

Those are the prospects which the scheme holds out. They are further enhanced by the fact that each half-year all the men to whom the scheme applies, that is all men on production, receive a cash bonus on their earnings for the past six months at the same rate as the actual dividend paid on the equity capital. This means that every individual has an interest, and an appreciable one, in the efficiency of every element in the whole concern. Also he is enabled to contribute directly to it—apart from his work—by a system for collecting and testing suggestions for improvements from all employees. If any suggestion is productive, a share of its value goes direct to the man who made it. Many working patents in the plant had their origin in workers' suggestions.

As a result of the scheme and the general provisions making for co-operation between men on production and the management, the average bonus earned, which ten years ago was some 60 per cent, has in recent years averaged about 110 per cent. It sometimes reaches 150 per cent and, when specifications are exceptionally good, 200 per cent. The increase in the average bonus from 60 per cent to 110 per cent is equivalent to an increase of about 25 per cent in total earnings; in addition, the percentage rate of the half-yearly bonus has increased and, being calculated on larger earnings, represents an even more rapid increase in the money amounts distributed. It should be explained that this half-yearly bonus is an *ex-gratia* payment. It does not form part of wages in any negotiations between the company and the Iron and Steel Trades Confederation, and it can be withheld in all cases of proved misdemeanour. So far it has never proved necessary to use this power.

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Figures of actual wages and earnings are not available; but the table below shows how an increase in wages is combined with a reduction in costs. The figures are calculated for a mill with a "standard" output of 140 tons a shift, and the light figures show, for various actual outputs, the extent to which costs are lower and wages and profits higher, than they would be at the standard output. But since the "standard" is fixed at such a low level that a 50 per cent increase over it is easily attainable, it cannot properly be used to represent "normal output," and the bold figures have accordingly been inserted to show the increase in wages and profits and the fall of costs above and below "normal," on the assumption that "normal" is 50 per cent above "standard." When rolling goods of smaller section than the "140 ton" class, the tonnage produced per shift is lower. Owing, however, to the fact that the selling price per ton is higher, the total net profit is little changed.

Weekly Output 10 Shifts		Decrease %		Increase %		
Tons	Increase %	Cost	Wages	Profit per ton	Profit per week	
2,100	50	13-56	30-2	21-46	82-26	
2,800	100	21-31	62-2	33-72	167-54	
3,500	33½	8-96	24-57	10-09	46-79	
	150	26-15	94-6	41-38	253-55	
	66½	14-57	49-49	16-40	93-98	

One other result of the scheme, and one which has probably a substantial effect on the results achieved, is that the average length of service with the firm of all employed on production is ten years. This is a recent calculation, made after many old hands had joined the forces and been replaced by newcomers. But for this it is believed the figure would probably be as high as 15 years.

From the standpoint of the investors, the position cannot be exactly determined. If the five years 1940-44 are compared with 1930-34, the average increase in earnings on the ordinary capital is from 100 to 785, while distributions have

increased from 100 to almost 400. These are absolute figures not rates, for the capital has been increased over the period slightly by issues for cash of a moderate amount and, subsequently, by scrap bonuses which virtually doubled it. The latest accounts show reserves of £625,000 against £28,000 in 1930, and these figures certainly understate the present position. In 1944 net liquid assets amounted to some £625,000 and there was debenture debt of £32,000. In 1930 the figures were some £100,000 of net liquid assets and a secured bank overdraft of £189,000.

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It may fairly be claimed that this scheme has achieved results of a very satisfactory character and there is no apparent reason why something like it should not succeed in all cases where capital equipment is costly compared with the labour involved and it is possible largely to influence output. This is of the first importance precisely because increased prosperity in this country depends in no small measure on producing the increased mechanisation postulated. Further, it is often under such conditions that it is hardest for the worker to trace the social benefit of an increase in his individual efficiency. There should be a widening field in which some such scheme as this will form an appropriate solution.

There will remain, however, a great number and variety of cases where the necessary conditions do not exist. In some cases, even where the plant-labour ratio is very high, no such improvement as that of 31½ per cent—160 to 210—secured in this case may be possible. In many others, while the difference between careless and excellent work may be as high or higher, the plant-labour ratio may be low, and no large increase in wages will be possible without increasing total costs, of which they are the greater part. In this case no such percentage increases as those given for Whitehead's must be expected. In the former, it may be desirable to offer a very large reward to obtain what little improvement is possible.

The actual percentages offered must vary and may vary very greatly, but in all cases the essential requirements are the same: to interest the individual by ensuring that increased efficiency brings an immediate reward; to ensure that he is not robbed of this by the inefficiency of fellow-workers, taking disciplinary action against the latter in appropriate cases; to interest him in the general efficiency by giving special rewards for special services and a share related to total profits as well as to his own contribution to them.

There are doubtless many other excellent schemes working in the country, but war-time experience alone has produced numerous instances in which the systems of payment by results in use have been quite ineffective. If careful study is given to the matter, it should not provide too great a tax on the ingenuity of managements, assisted by experienced advisers where necessary, to produce a solution well adapted to the peculiarities of each type of job. A more difficult problem, especially in the very numerous cases of vertical combines, will be to reconcile workers on different types of job to the fact that the net product of a given dose of extra energy or efficiency may vary greatly from job to job. Evidently, as between two firms making a similar product, the one highly and the other slightly mechanised, the former would pay better and would tend to attract the best workers. This would increase the discrepancy in the costs of the two and, under conditions of competition, hasten the elimination of the lightly mechanised and the adoption of up-to-date machinery. Within a combine, however, there would certainly be great pressure to secure an equal rise in wages to all workers, and that would probably greatly reduce the incentive to efficiency.

Nevertheless, the problem has to be tackled if the best results are to be achieved. From the standpoint of management the desiderata would appear to be to provide the best equipment possible, to promote good relations with labour by any means available and to evolve suitable schemes for stimulating output. On the side of labour the adjustment of outlook is, perhaps, more radical. It is right that the labour movement should seek a higher standard of living, but it should not be done by restricting individual output to ensure that all are employed, but by the reverse process of cutting down costs to ensure that more can be sold. Perhaps even more difficult, the worker should realise that he may have to accept lower rates of pay in a job which is pleasant in itself than are obtainable in work which is more irksome.

Business Notes

Year-End Prospects

The money market has begun to envisage the prospects for the credit situation over the turn of the year. This concern has in recent years acquired a decidedly academic quality, and is a response to habits formed before the war rather than one born of real apprehension or of the need to make preparations for an ordeal ahead. This year, as it happens, would in the normal course have proved one of the real difficulty for the market owing to the accident of the calendar. The last working day of the year will fall on Saturday, December 30th, and this alone would have tested the market considerably, for however great are the preparations for the final day of the year, the actual monetary turnover on that day is always considerable and must certainly be greater than can be comfortably handled in the short Saturday session. Of greater importance is the fact that since the final working day of the year falls on the last day of a week, the market will find it impossible to transfer any part of the burden of the year-end inflation of credit on to the shoulders of the Government. This transfer has been achieved in other years by postponing payments for new Treasury bills and Treasury deposit receipts until the latter part of the week, i.e., in the new year, and concentrating all the maturities into the first part of the week, i.e., in the old year. This familiar device has lost some of its efficacy of late because the discount market, in its syndicalist approach to the Treasury tender, can be more easily regimented and ordered to spread its applications for new bills more evenly over the week—whether or not that week be the final one of the year. This year, however, the shadow of this device will not be available. All payments and all maturities, whether of Treasury bills or of TDR's, will have to be concentrated in the old year. The banks have already begun making preparations for their end-year climax of window dressing by reducing their purchases of bills from the market. Some institutions have this week announced that they will buy no more bills from the market until the New Year. All this leaves the market profoundly uninterested. It knows full well that whatever the pressure on credit conditions may be as the year 1944 draws to its close, the deficiencies will be made good by the authorities through open market purchases of bills at the open market rate of 1 per cent. Given the growth in the market's bill portfolio and the accident of the calendar, the recourse to the special buyer this year promises to break all previous records.

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The Banks' Investments

The most interesting movement revealed by the clearing banks' returns for November is a rise of £20,483,000 in investments. This is almost exactly matched by a fall of £19 million in Treasury Deposit Receipts. These complementary changes are a measure of the banks' subscription to 2½ per cent National War Bonds in the early days of November that preceded the closing of the tap for these securities. The bulk of the banks' direct subscriptions for the bonds was evidently financed by the pre-encashment of TDR's. The trend of bank credit was still towards expansion during the month, and bank deposits rose by £55,479,000 to the new record of £4,397,858,000. The stimulus to this expansion was provided by the increased issue of Treasury bills to the banking system. Part of this was taken up by the banks through purchases from the market and is reflected in the rise of £28,411,000 in bills discounted. By November the banks were readily buying the January maturities, the supply of which had been increased for their own special convenience by raising the amount offered at the weekly tenders during October. In addition, the banks indirectly financed a larger issue of bills by increasing their short loans by £13,715,000 to £205,024,000. The bulk of the clearing banks' money at call and short notice is now used by the discount market to finance its Treasury bill holding, and the recent expansion in this item reflects the larger portfolios which discount houses are running and which have been built up on the basis of the larger capital now invested in the market. The clearing banks' short loans stand at a record level and have increased by about £55 million over the past year.

British Celanese

The full accounts of British Celanese for the year to July 1, 1944, are now available. They have been circulated to the press, but, owing to "inevitable delay arising out of war conditions," they have not yet been sent to shareholders. As was feared might be the case, they show that the ability to pay a maiden dividend arose not only from a revision of the EPT liability, but also from the bringing in of over-provisions of earlier years. Without the latter aid, which amounted to £260,000, the carry forward would have been reduced by £248,627 after making the numerous allocations, which include £106,477 for writing down expense of issue, and covering premiums on redemption of debentures, and £102,657 for redemption of Funding Certificates. The published terms of the resolutions which now govern the distribution of profits are too uncertain to allow of an exact computation. It appears, however, that, but for the relief of £260,000, the amounts earned on participating dividend on the second preference and on the ordinary, as well as the appropriation for Funding Certificate redemption, would all have been approximately halved. An attempt has been made on page 818 to give figures for three years on a comparable basis and reasonably classified. A comparison of the latest figures with those of two years before is instructive, but it must be borne in mind that in the earlier year preference dividends were not fully met. The report states that trading has improved since the end of the financial year and refers to further negotiations on taxation. On the basis of the published figures, it is probably fair to say that the real net earnings after a redistribution of the tax liability showed an improvement of the order of £70,000 this year over 1941-42 in the sum available after debenture interest, and that the amount earned this year on the ordinary capital was around 10 per cent. Even after the fall in price following the publication of the report, the yield of £2 14s. 10d. per cent which this would indicate cannot be considered handsome.

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The fluctuations in price over the period from shortly before the dividend declaration to date have been frequent and violent. As was indicated on page 780 of *The Economist* of last week, this was an ideal case in which the recommendations of the Stock Exchange Committee ought to have been observed. The committee is therefore to be congratulated upon issuing for publication a notice which states that British Celanese omitted to publish figures and dividend together by inadvertence, and, it would seem, in ignorance of the terms of the committee's suggestions. The procedure of issuing a statement concerning a company for publication is quite exceptional, and it will scarcely be

1563



1831

EXECUTORS & TRUSTEES

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possible for any company secretary in future to plead ignorance. There is little doubt that the recommendations of the committee, or something very like them, are already widely accepted, and the question of taking some sanction against those who do not adopt them, without due cause fully explained, might well be considered. An alternative would be to give the recommendations the force of law and a question with that object is being asked in the House.

Coal Output

Statistics published in the December 9th issue of the *Board of Trade Journal*—reproduced in tables on page 822—show that coal output in the third quarter of 1944 was about 2½ million tons less than in the corresponding period of 1943, while output per wage-earner per manshift was 4 hundredweights less. Absenteeism increased from 12.7 per cent of possible shifts in the second quarter of 1944 to 14.5 per cent in the third quarter. The more encouraging features of these statistics are that, though more coal was lost from causes other than absenteeism than in the second quarter of this year, the great part of the loss was accounted for by recognised holidays, and the time lost as a result of disputes was actually the lowest on record since the first quarter of 1943. Encouraging also is the increased output from open-cast workings, which was nearly twice as great as in the corresponding period of 1943, presumably the result of a more intensive application of American machinery. But apart from these two factors, the immediate outlook is very gloomy. It has now been decided to set up a joint committee of miners and owners to investigate the causes of falling output and to propose methods of improving it. This means the postponement of the owners' proposal, which the miners have rejected, to attach conditions to the payment of the minimum wage.

More Municipal Conversions

When in August last the terms were announced for part conversion of a first batch of small municipal loans with optional maturity dates early next year, it was assumed that the authorities wished to reduce the amount of such securities outstanding and to finance the remainder by means of a widened Local Loans Fund. It now seems doubtful whether this was their intention. The terms were so adverse to the lender that the Treasury was called upon to take up more than half the total of £2,886,798 of new stock offered, but there is some evidence that this has recently been on offer in the market. These loans were offered at 99 with a maximum life of 24½ years and a minimum five years less, the rate of interest being 3 per cent. This week there are announced two further conver-

sions. Holders of £1,126,864 4½ per cent Eastbourne stock are offered conversion, up to a total of £1,000,000, into a new 3 per cent stock, 1963-66, at 99, while holders of £1,495,000 5 per cent Swansea stock, 1945-55, and £1,000,000 of 5 per cent stock, 1945-52, are offered conversion in full into a new stock on terms identical with those of Eastbourne. Now these stocks, although the borrowers have perhaps a higher reputation on the whole than those of the August issue, run for only 21½ years at most. For the first time the terms offered under any Government-sponsored issue are more favourable to the lender than on a previous occasion. This appears to be a recognition, both of the fact that the previous terms were unduly hard and that, in the interim, the yield margin between gilt-edged stocks and municipal loans has widened. Although some people would agree that the particular margin in question has at times been extremely narrow, it must be admitted that one trouble associated with the cheap money policy, as applied, has been that it takes so very long to permeate the whole rate structure.

Export Planning

Little by little preparations are being made for the forthcoming export drive. The latest moves were announced by Mr Harcourt Johnstone before the Institute of Export last Monday. The recently resuscitated BIF Advisory Committee has on its agenda plans for the next British Industries Fair, and it is hoped the war situation will allow it to be held in the spring of 1946, or at any rate not later than 1947. The fair will pay more attention to exports than it did before the war, so it should be timed so that overseas customers can visit it. It is no less important that British manufacturers should see foreign products. Perhaps two birds could be killed with one stone if the scope of the BIF were further extended to include an international section. Thus valuable experience would be gained for a full-scale international exhibition in this country. The major factor in timing the fair is the work to be done in planning and designing before British manufacturers will have anything to exhibit, but this is not to deplore preparatory work on the exhibition itself. Mr Harcourt Johnstone referred to the Overseas Trade Development Association, which has resumed its meetings. It was originally set up in 1930, and it advised the Department of Overseas Trade until the outbreak of war. The other main point of Mr Harcourt Johnstone's speech concerned the staff of his Department. Before the war, the home establishment was 423 officers; it fell to less than a hundred, but its present number of 180 is to be increased by 70 next month. A vigorous export policy may require for its execution an even larger staff—if it is properly employed—than the pre-war one. Perhaps the most interesting staff proposal is the strengthening of the Department's overseas establishment to include "market officers" with local business experience. Too often in the past British trade has been handicapped by lack of information on local markets—both of what the customers wanted and what they could produce for themselves. These new appointments, if they result in able market research, will be of enormous value. Mr Harcourt Johnstone promised special reports and industrial surveys of different overseas markets. A few manufacturers are now being permitted to visit their overseas customers. All these pronouncements are welcome; but the major dilemma will remain unsolved until an overall statement is made, accompanied or quickly followed by the sort of detailed information on the availability of materials and scope of control, without which the individual manufacturer cannot begin to plan his programme.

Chinese Inflation

Military setbacks and the political turmoil that followed the Chiang-Stilwell incident have not helped the currency difficulties of China. Every report from Chungking suggests that the printing press is still the chief instrument of taxation of the Government. The note circulation is mounting and the cost of living is keeping pace with the movement. The evidence of price indices is no longer available, the last figure for the cost of living in Chungking being that for July, 1943, when the index, based on the first half of 1939, stood at 6,074. Since then the rise in prices has been greatly accelerated. The cheques entered in the Chungking clearing last September averaged over 500,000 dollars each and the total clearings in that month reached 54,000 million dollars. Once a point is reached at which currency values have to be expressed in these

astronomical terms experience has shown the difficulty of causing the currency to reappreciate or even of stabilising it at its depreciated level. The Chinese authorities have increased their programme of gold sales, and it was recently announced that in the three months to the end of November 10,000 million dollars had been withdrawn as a result of open market sales of gold. The achievement is not so impressive as it might at first appear if account be taken of the fact that gold has been dealt in at up to 50,000 dollars per ounce. The official exchange rate of 3d. to the dollar has, therefore, lost all contact with reality. Even the 100 per cent concession made last year for certain favoured remittances leaves the rate of exchange at 160 dollars to the pound, at which it would cost fabulous sums in sterling to maintain body and soul together in Chungking. American personnel in Free China continues to have its lot eased by the use of US dollar notes which have been sold in the black market at anything up to 1,000 Chinese to one US dollar. British personnel, without using the market for sterling notes, has found ways and means of getting its remittances from this country converted at a rate of about 1,000 dollars to the pound. This is still far from the true cost of living parity, but it is still further from the alternative rate of 160 dollars offered by the official market.

Copper Discussions

Changes in the world copper position (discussed in *The Economist*, November 11th, page 651) are becoming more apparent. The Ministry of Supply is not to renew its contract for the bulk purchase of copper from Northern Rhodesia after January 31, 1944, and discussions are now taking place in London to determine next year's rate of production. As the Ministry's copper purchases in other parts of the Empire have been transacted on the same basis as those in Rhodesia, they, too, will be affected by the new policy; although in Canada, where copper is largely a by-product, adjustments in production depend on the future demand for nickel, lead, zinc and precious metals. The British Government's decision is understandable. Although war-time consumption has been far in excess of the pre-war level, substantial stocks must have been accumulated from the heavy wartime imports. As the supply position in the United States, too, has now been more or less stabilised, and demand from other quarters is not very large, the time for adjustments in current production has obviously arrived. The British Empire, however, supplies only about one-quarter of the present world copper supplies, so that any arrangements for the adjustment of production in Rhodesia, Canada and the smaller Empire producing regions, will before long have to be supplemented by wider arrangements. In the United States, indeed, reports have been circulating lately which have found expression in the American trade press, that Great Britain is sounding other Governments about a world copper conference. These reports appear to be premature, if not wholly unfounded. The first move towards a settlement of the copper problems must be the clarification of British and American policy towards the disposal of Government-owned stocks, which are believed to be heavy. The United States is a self-sufficient market for copper, isolated from the rest of the world by a prohibitive import duty, which was imposed to protect high-cost American producers from foreign low-cost competition. The entire world surplus capacity for copper is found outside the United States, and, fortunately, consists largely of metal which can be produced at low costs. Control of the extra-United States market, therefore, should be directed towards the stabilisation of prices at a level that would stimulate consumption and thus tend to close the gap between potential production and demand. If the United States were included in a transitional regulation scheme there would undoubtedly be attempts to raise the international copper prices to a level acceptable to high-cost American producers. Such a position would not only be against the interest of consumers, and the United Kingdom is the world's largest copper-importing country, but would also be against the long-term interests of low-cost producers. In this direction the British Government will have to be on guard in discussing copper problems with other countries.

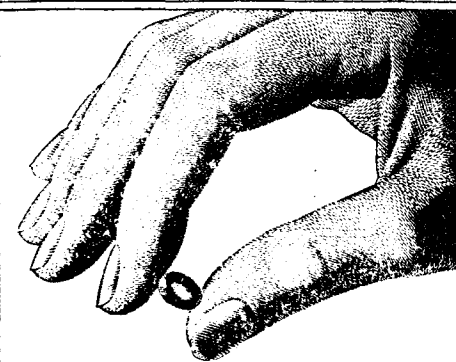
Texas Land Meeting

The old board of the Texas Land and Mortgage Company made a last-minute effort to obtain an arrangement which would ensure the future management of the company on the lines laid down in their resolutions. This was that the Governor of the Bank of England, or someone

deputed by him, should appoint a chairman and should approve of two other directors nominated by the Lawson group. Nothing was said of how the fourth director was to be nominated. This arrangement was not acceptable to Mr Lawson and it is doubtful whether the Bank of England would have undertaken the task. In the event, both the resolutions proposed by the board for the future conduct of the company were lost on a show of hands, while the resolutions of the Lawson group were carried. The old board demanded a poll in each case, but it seems extremely probable that the results will merely confirm the voting at the meeting. The principal point of the chairman's speech was to put up a very strong case for the board's resolutions, set out on page 750 of *The Economist* of December 2nd, from the point of view of persuading the debenture holders to cancel their lien on the uncalled capital of the company and he was able to read letters from two large debenture holders supporting the board's resolutions. Mr Lawson assured shareholders that he saw no difficulty in getting the consent of the debenture holders to his own plans for removing the uncalled liability. He also stated that he would run the company on conservative and sound lines, but he would not accept the board's resolutions nor, when asked by a representative of an investment trust holding shares if he intended to run the company as an investment trust or a finance company, did he give any reply. It is to be feared that the inferences which will be drawn from the un-cooperative attitude of such members of the Lawson group as were present at the meeting—and, if the truth must be told, the general demeanour or some of them—are not such as to dispel all the doubts of those who have found that the old and possibly rather unadventurous regime met their requirements. It now seems inevitable that a large dissentient minority will be left without representation and with no effective remedy.

Argentine Railway Results

The accounts for the year ended June 30th of the Central Argentine and Buenos Ayres and Pacific companies, now available, tell rather different stories. Both have secured increased traffic but, while the former has reduced its



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expense ratio from 86.2 per cent to 82.1 per cent, the latter has suffered a further increase from 78.98 to 83.32 per cent. The result from the standpoint of the investor is that Central Argentine has a surplus, after meeting loan charges, of £287,604 against a deficit last year of £154,622, while the BAP line increases its deficit on the year from £888,982 to £1,036,968. These figures are reached in each case after debiting exchange differences which, although reduced, are still very high. So far as the comparison on the year is concerned, a substantial part of the difference in experience is accounted for by the fact that, while locomotive running expenses for the Central rose from 29.60 per cent of gross receipts to 31.50 per cent, for BAP the figures were 34.83 per cent this year against 27.22 per cent last. In the last pre-war year, 1938-39, the figures were, for Central Argentine total expenses 76.15 per cent, locomotive running 19.13 per cent, and for BAP total expenses 75.46 per cent, locomotive running 20.24 per cent. In each case the increase in the locomotive running percentage is about twice as great as that in the total figure, which suggests that, should a really material fall in the price of fuel, much of which is now substitute fuel, prove possible, there will be an important saving in costs. This is the one less sombre spot in the whole picture, for the present level of costs is far too high—as indeed was that of pre-war—to permit of efficient maintenance and a return on capital sufficiently reasonable to permit of financing any developments which require fresh money.

Cotton Merchants' Defence

The cotton merchants are indignant at the criticisms of their efficiency contained in the Platt Mission's report. The effect of these criticisms "in an industry which is dependent on world trade can only be very damaging and is much deplored," says the Cotton and Rayon Merchants' Association in a statement issued last week. The Association's comments are confined to the distributive end, and they criticise the exclusion from the Mission of any representative of the export trade and the absence of any opportunity for the representative trade organisations or the Cotton Board to discuss the report before its publication. Nobody likes to be called inefficient or conservative, and the merchants' attitude is understandable, but it does tend to confirm the existence of what is referred to in the Report as "the conservative forces of restraint" in the cotton industry. The Mission recommended as "the vital requirement of the British industry . . . a modification of the methods of distribution" with a view to securing greater standardisation of yarn and cloth types and bulk production. Its two specific charges against the merchants were that they gave their orders on too small a scale and changed their yarn counts and other cloth particulars too frequently to allow this objective to be realised, while in general there was not sufficiently close understanding between producers and distributors. The Association denies that merchants have impeded maximum continuity or bulk production in the past—the blame, if any, should be attached to the post-1929 world situation. It also points out that the comparison with the United States is unfair. The American industry exported in 1937-38 only 3.3 per cent of its production; while Britain exported as much as 51 per cent of its output in that year. The merchants are prepared to accept a "reasonable standardisation" which would not restrict consumer choice.

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Issued by the National Savings Commission, London

Their positive proposals are that the industry should adopt a scientific costing system and discard wartime fixed prices, and that the pooling of orders, on the lines of the Grey Cloth Pool, which has operated for the past year, should be continued. It is true that the marketing problems of the American and British industries are very different, and that the latter needs to be flexible and adaptable to meet its varying consumers' needs. But it would surely be possible to provide all the choice that the consumer wants with many fewer varieties than there are to-day. Give the customer 200 varieties to choose from, and someone will be found to buy some of each one. But that does not mean that everyone would not be satisfied with 50. "Consumers' choice" can be carried too far if it is used to perpetuate a scale of operations which—whether or not it is economic in the distributive stage by itself—imposes quite uneconomic conditions upon the producers. The merchants' record for developing the market has not, in recent decades, been so good that they can afford to stone-wall now. It would have been more helpful if, instead of "deploring" the criticisms and comparisons of the Platt Report, they had admitted the disadvantages of the distributing system and suggested more far-reaching means of improving them.

Rebuilding the P and O Fleet

The accounts of the Peninsular and Oriental Steam Navigation Company for the year ended September 30, 1944, show fleet earnings nearly £290,000 lower, dividends from subsidiaries much the same, and an increase in investment income of some £80,000 (mainly in Government securities)—making total profits £200,000 lower at £2,500,000. The fact that less is needed this year for debenture interest, and nothing for debenture conversion, means that earned for ordinary is only down from 27.7 to 25.1 per cent, after deducting £100,000 reserve for "special reconditioning." Deferred dividend is maintained at 8 per cent and reserves are again substantially augmented. The accounts are analysed in full on page 818. The falling-off in earnings is to be expected in view of the dwindling size and value of the fleet. The deputy chairman, Mr Lang, again states that the insured value received for ships lost is insufficient for the cost of their replacement. This problem is growing in urgency, for the company will very soon have to commence "a very considerable building programme." A passenger shipping company such as P and O can have little use for ships built during the war, and almost the whole of its fleet will have to be rebuilt. This is a vast task, increased by the fact that to compete successfully under modern conditions, very high standards of speed and service have to be aimed at. Shipbuilding costs will certainly be very high in the immediate post-war period. Unfortunately it is almost impossible to assess P and O's true position, due to the board's continued inability to republish the consolidated balance-sheet. Investments in subsidiaries of £9½ odd million account now for two-thirds of P and O's fixed assets and nearly a third of its total assets. Tonnage replacement reserve now stands at £8,300,000, and credit in the Government Tonnage Replacement Account at £1,830,000, making a total of £10 million odd specifically earmarked for the replacement of a fleet, whose gross valuation was given in 1941 as £21 million. To look at the matter rather differently, the net value of the fleet has fallen since 1938 by £6,000,000, while Government securities alone have risen during the same period by £7,000,000, and the net liquid assets of the parent company are now higher than were those of the whole group in 1938. The liquid resources of P and O and of several of its subsidiaries are at the moment exceptionally strong. Even so, it is probably true to say that the cost of fleet replacement will be so high as to demand at least their full deployment.

Motorways

As long ago as January 25th last, a statement by the Ministry of War Transport in the House of Commons gave a clear and sound exposition of the Government's intentions with regard to roads; it is still valid, and likely to remain so. In the first place, road extension and improvement will be related to the inland transport system as a whole. As a guide for the transitional period, the following order of priority is to be observed: arrears of maintenance to be made good; works closed down by the war

(Continued on page 818)

COMPANY MEETINGS

SINGER MOTORS, LIMITED

POST-WAR PLANNING

The ordinary general meeting of Singer Motors, Limited, was held, on the 8th instant, in London.

The Rt. Hon. Lord Latham, F.L.A.A., J.P., the chairman, in the course of his speech, said: It may be of interest to state that since 1936 we have expended a net sum of £84,431 on new plant, etc., and over the 7½ years from that date we have written off by way of depreciation no less than £132,424. The net available profit for the year under review comes out at £43,507 as against £42,039 for the year to July, 1943. The variation in the items in the profit and loss account call for no comment except, perhaps, the fall of £1,700 in the net rents receivable, which is due to the de-requisitioning of certain of our premises in London. With the existing level of taxation the balance of profit available cannot move upwards in other than a modest degree.

It now seems an almost certain prediction that complete victory in Europe will have been achieved before—we all trust it may be long before—we meet together again in general meeting. However, whether the period be short or long, the many problems of the change-over to peace-time activities draw nearer as each month goes by and the necessity for preparing for the change becomes more and more urgent.

RELEASE OF PERSONNEL

When I spoke to you in December of last year, I took occasion to press upon the Government the need for permitting the employment on the preparation of plans for the initial change-over of such technical and supervisory staff as is required for this purpose, in order that the period as well as the extent of the interruption of production

and, therefore, of the employment of operative workpeople might be reduced to the minimum. During the past few months the vital importance of this need has been emphasized in growing measure by those whose interests lie in many and varied industrial fields, whilst the apprehensions of workpeople generally are daily becoming more manifest.

It cannot be said that the Government up to the present have done much to meet the requirements of the situation. It is only fair to admit, however, that certain concessions have recently been made for the employment of a relatively small number of staff upon this work of preparation for the resumption of peace-time production. But these concessions will have to be much enlarged if any worth-while preparations are to go forward in time. It is, therefore, greatly to be hoped that the Government will do everything it can to make available as soon as possible sufficient personnel of the type required for this important work of preparing for the change-over.

"QUALITY, PERFORMANCE AND VALUE"

Notwithstanding the difficulties to which I have referred, your directors have continued to give close consideration to the question of reinstatement and reorganisation of your factories for normal production with the purpose of securing the highest degree of economical and efficient operation. Nor have we neglected consideration of the type and grade of motor car we should offer to the public. You will not expect me to say more at this time than that our aim will be to cater for those who seek quality, performance and value.

We are very closely considering our sales and distributive structure so that it will be well equipped to play its part in securing for Singer Cars a full share of business both home and overseas.

The report was adopted and the proposed dividend of 6 per cent., less tax, was approved.

DICTOGRAPH TELEPHONES, LIMITED

IMPROVED RESULTS

The eighth ordinary general meeting of Dictograph Telephones, Limited, was held, on the 14th instant, at Croydon, Mr Philip V. Summer (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the report:—The trading results of the company for the twelve months ended August 31, 1944, again reflect the stable nature of your investment and can only be regarded with satisfaction.

While there has been some improvement during the last year in the administration of the Machinery Control Order as affecting the company, it is nevertheless essential that this control be considerably relaxed or removed at the earliest possible moment.

The company's rental installations continue to provide the principal source of income; the gross income has been more than maintained, while a further sum of £20,262 has been written off for depreciation. Expansion of output of the subsidiary company has continued during the year, the turnover being 44 per cent, in excess of the previous year.

The current liabilities of the company are covered more than twice over by current assets, which I think discloses a sound financial position. The directors feel justified in recommending a final dividend of 6 per cent. and a bonus of 1 per cent., both less income-tax.

I believe that this company will be able to adjust itself more readily than many to post-war conditions. The opportunities for the use of our existing services should be many, in view of the extensive building programmes and the implementation of the new education and health legislation. There should be a substantial demand for our standard production in normal industrial and commercial channels which have been suspended during the war.

The report was adopted.

ELECTRIC & MUSICAL INDUSTRIES LIMITED

THE GRAMOPHONE COMPANY, LIMITED
COLUMBIA GRAPHOPHONE COMPANY, LIMITED
THE MARCONIPHONE COMPANY, LIMITED
THE PARLOPHONE COMPANY, LIMITED

ANNUAL GENERAL MEETING

HELD ON 14th DECEMBER, 1944

ACCOUNTS TO 30th JUNE, 1944

Profit for the Group for the year to 30th June, 1944, after providing for all taxation—the accrued liability of the company and its subsidiaries (the operating companies) as well as the liability in respect of the profits for the year covered by these accounts—and including charges and provision for contingencies arising from war conditions is	£182,024
Amount brought forward from last year	£295,396
Total available	£477,420
Out of which provision for the net Preference Dividend paid to 30th June, 1944, and a Dividend on the Ordinary Stock of 6%, and a Bonus of 2%, both less tax at 8/9d. authorised at the annual general meeting, requires	£144,429
Leaving to be carried forward	£332,991
General Reserve stands at	£300,000
There has been charged against profits during the year for taxation paid and accrued and for estimated tax liability for the year 1945/46	£895,267

The directors' recommendations, including payment of a dividend on the ordinary stock of 6% and a bonus of 2%, were adopted by the stockholders. Income Tax is deducted at 8/9d. instead of the usual 10/- in the pound. This reduction of 1/3d. represents income tax relief passed to stockholders in respect of profits from India, Australia and New Zealand upon which both British and Dominion taxation have been levied.

The next following payment of preference dividend in January, 1945, will be adjusted to pass on relief on the same basis as now applied to the ordinary dividend.

The immediate post-war prospects of the business are excellent.

Public interest in gramophone records, not only in this country but throughout the world, is greater than ever before.

There is a large unfulfilled demand for radio sets both at home and abroad of which your company plans to take its share.

There is little doubt that television represents one of the greatest scientific achievements of this decade. It is anticipated and hoped that the Hankey Committee, in its coming report, will recommend not only the resumption of television broadcasting immediately after the end of the European War, but an expansion of the service throughout the country.

There is also a growing outlet for additional activities in the development and manufacture of new electronic apparatus for industrial and commercial uses. The work of the research department places the company in a strong position in this field.

Employees in all the factories and departments have fulfilled their duties in a splendid spirit in the face of many and increasing difficulties and dangers, and the appreciation of the Board is placed on record.

HORROCKSES, CREWDSON AND COMPANY, LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31st AUGUST, 1944

The annual general meeting of Horrockses, Crewdson and Company, Limited, was held, on the 14th instant, at the Registered Office, Yard Works, Preston, Lancs. Lieut.-Colonel Thomas Marshall Brooks, the chairman, presided.

The following is the directors' report circulated with the notice and accounts:

The audited balance sheet as at August 31, 1944, and the profit and loss account for the year ended that date are attached hereto. From these documents it will be seen that the net balance for the year after providing for all working expenses amounts to £121,980 as compared with £85,949 for the previous year. Adding thereto the balance from last year (£27,813), the provision released from E.P.T. provided in former years (£55,685), and re-charge of E.P.T. to a subsidiary (£38,256), the amount available is £243,734, as compared with the corresponding figure in the previous year of £137,431. From this there fall to be deducted the following allocations which have been made by the directors, namely:

Provision for renewals, depreciation and modernisation.....	£38,256
Contingency reserve	18,060
General reserve	85,000
Reserve for future fluctuations of stock prices.....	16,456

and the dividend of 7½ per cent. plus 2½ per cent. bonus now recommended as explained below, which, after deduction of income tax requires £24,867. These items together require £182,639 and, deducting them from the amount of £243,734 mentioned above, leave an amount of £61,095 to be carried forward as shown in the balance sheet.

During the year trading conditions proved to be very similar to those of the previous year. The company's position under concentration remained substantially the same, and although it suffered to some extent from a shortage of operatives, the directors are glad to say that production has enabled all obligations to be fulfilled within the restrictions imposed by control. The trading account, showing a credit balance of £186,767, compares with last year's amount of £194,535. It will be noticed that the figures are given before deduction of excess profits tax.

EXCESS PROFITS TAX AND DEFERRED REPAIRS

The charge for excess profits tax and deferred repairs last year, including the subsidiary company, was £44,000, which compares with a charge of nil for the year under review.

It will also be noted that in arriving at the net balance for the year, the directors have provided the normal amount of £44,800 for depreciation and renewals. In addition they are glad to state that, following the policy adopted during recent years, a further sum of £38,256 has been allocated to this reserve out of the balance of profit available.

In arriving at the available balance the profit and loss account has been augmented by a release from E.P.T. reserve during the year. The item of £55,685 has arisen as a result of further negotiations with the Inland Revenue Authorities and the other item of £38,256 is the charge to a subsidiary of its E.P.T. liability which was formerly provided in this company's accounts.

STOCK RESERVE

With regard to the balance sheet the unusual position which exists with respect to the company's property accounts has been explained on repeated occasions in previous years. The only other item which now appears to call for special comment is the stock reserve. Shareholders will recollect that in the profit and loss account for the year ended August 31, 1941, a note appeared stating that the company had

reverted to a cost or market price basis of stock valuation, and that adjustments necessitated by that change were taken to a stock reserve. The amount of this reserve last year was £158,544 to which has been added an appropriation of £16,456 from the profits available for allocation. As has been explained previously, the stocks carried by the company under war-time restrictions are far lower in quantity than are necessary for handling the volume of production and sales which can reasonably be expected when these restrictions upon output are removed. The replenishment of stocks is a clamant necessity and considerable sums of money will have to be invested if the company is to offer to its customers at home and abroad the quality and range of service to which they are entitled. To meet the attendant risks of price fluctuation on a stock of the size we normally carry in peace-time, it is in the opinion of the directors essential that a substantial reserve be carried. They are glad to be able this year to augment the amount in the way indicated.

In conformity with modern practice there is added a consolidated balance sheet which clearly indicates the position of the company and its subsidiaries.

In the chairman's previous statements to the shareholders a word of warning was uttered that the time was approaching when the company would become liable for income tax. In the accounts under review no charge for income tax has been incurred, but in the future the company must be prepared to meet a liability in this respect. This will of necessity have a marked effect upon our net results.

DIVIDEND

The directors feel that the profits of the year justify them in recommending the payment of a dividend of 7½ per cent. less tax, and in addition, a bonus of 2½ per cent. less tax. As shown above the dividend and bonus will require a sum amounting after deduction of tax to £24,867.

In order to reduce the work in connection with share transfers, it has been decided to recommend the conversion of the company's fully-paid shares into stock.

Many suggestions have been put forward for the future of the cotton trade. It is difficult to forecast the conditions under which the trade will operate until more is known of Government intentions, but given international co-operation it seems probable that the industry can make a substantial contribution to the restoration of a flourishing export trade so vital to this country. The company, covering as it does every section of the industry, with the exception of the finishing process, can be of peculiar value in this direction.

Mass production has recently been given a prominent place in many quarters in planning the future of the industry. The management of this company is well aware of the possibilities in this direction. Whilst standardisation certainly holds a place in the company's organisation there is no doubt in the minds of the Board that the future of the company lies in high-class specialities and branded lines produced by the most efficient and modern methods. This has dictated the consistent policy of the Board in building up the substantial reserves for modernisation shown in the balance sheet. The directors are determined that the reputation for quality enjoyed by the company must be maintained and no effort will be spared towards this end.

TRIBUTE TO MANAGEMENT AND EMPLOYEES

The directors record their gratitude to the management and employees for their

whole-hearted co-operation in the work of the company during the year. Their loyal support and untiring efforts in all the difficulties inherent in war-time conditions have been invaluable, and the Board recommends that the shareholders should express their appreciation of the services so rendered. To all now serving in the Forces, the Board extend their good wishes; and to the relatives of those who have lost their lives they offer their deep sympathy.

The directors retiring (in accordance with Article 100) are Mr Thomas Manners and Mr H. Crewdson Howard, F.C.A., who, being eligible, offer themselves for re-election.

The auditors, Messrs Price, Waterhouse and Co., retire and offer themselves for re-appointment.

On behalf of the board,

THOMAS M. BROOKS,
Chairman.

NOTE.—In view of the full nature of the above report the chairman does not propose to make a formal address at the general meeting.

The report and accounts were adopted; the dividend of 7½ per cent., plus 2½ per cent. bonus, less tax, approved; the retiring directors were re-elected; and the auditors re-appointed.

The company's fully-paid £1 ordinary shares were converted into stock, which will be transferable in amounts and multiples of £1.

IMPERIAL SMELTING CORPORATION, LIMITED

MR J. H. GOVETT'S STATEMENT

The 15th annual ordinary general meeting of Imperial Smelting Corporation, Limited, was held on the 14th instant in London, Mr John R. Govett (the chairman) presiding.

The following is an extract from the statement by the chairman circulated with the accounts:—The net profit amounts to £119,524, after making provision for all taxation. The preference dividend absorbs £67,829 (net) and the directors again recommend a dividend on the ordinary shares of 4 per cent., which will require a net amount of £51,172, leaving a balance of £54,244 to carry forward. The total carry-forward of the corporation and subsidiaries now stands at £76,401. Last year I drew attention to the effect on our profits of the disallowance of such items as War Damage Insurance, debenture redemption reserves, etc., for purposes of E.P.T. and Income-tax. This year, the E.P.T. standard, with income from outside investments, was somewhat higher, and after deducting the preference dividend, slightly exceeded 8 per cent. on the ordinary share capital.

Against this there was an increase in the items disallowed for taxation purposes, which were equivalent to rather more than 2 per cent. After providing for income-tax on these disallowed items (which provision required a similar amount) we are left with a surplus sufficient to meet the proposed ordinary dividend of 4 per cent., with a small increase in the amount carried forward.

FULLY EMPLOYED

As in the past years of war, there is little I can tell you of the work that has been carried out by the corporation, but I am at least able to say that we have been fully employed throughout the year in the production of commodities essential to the war effort.

In January of this year Mr S. Robson, who had been works director in charge of our smelting group for the past twenty years, resigned from this post in order to take up his new appointment of director general of a research organisation which is now being established. We attach the

greatest importance to this development, for though in the first instance the research organisation is being confined to the Zinc Corporation, Limited, New Broken Hill Consolidated, Limited, and the Imperial Smelting Corporation, it is our hope that other associates in Australia will also join with us.

The Zinc Corporation to-day represents rather more than 40 per cent. of the entire output of the Broken Hill Field and together with New Broken Hill Consolidated, Limited, controls 50 per cent. of the lead smelters at Port Pirie in South Australia. The immediate and potential value to the Imperial Smelting Corporation of the close association with these companies on the lines now envisaged will, I am sure, be obvious. Equally I have no doubt that the new organisation will prove of great value to our associates.

The report was adopted.

STRAND HOTEL, LIMITED

The 37th ordinary general meeting of The Strand Hotel, Limited, was held on the 6th instant in London, Major M. Gluckstein, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the accounts: The balance of the trading account amounts to £98,981. The dividends proposed are again 10 per cent. on the participating preferred ordinary shares and an amount equal to the dividend on the deferred ordinary shares.

The volume of business done was highly satisfactory until the advent of the flying-bomb. During the period of these attacks trade in London was seriously affected. The Regent Palace Hotel sustained some damage when the annexe building was hit. Most of the rooms affected were quickly brought back into use. There is an acute shortage of moderately-priced hotel accommodation in London.

The report was adopted.

PRICES TAILORS, LIMITED

DEMAND FOR CLOTHES

The sixteenth annual general meeting of Prices Tailors, Limited, was held on the 11th instant at Leeds, Sir Henry Price, chairman and managing director, presiding.

The following are extracts from the chairman's statement which was circulated with the report: The trading results for the year, having regard to prevailing conditions, I consider to be satisfactory. The balance sheet reflects the conservative policy which your directors have maintained in past years.

Looking to the future, just how official controls will affect our trading facilities cannot be completely foreseen, but there can be little doubt that the demand for clothes will be very heavy when fighting ceases. Your company has made, and is still making, preparations for the change-over.

The three basic demands of human nature, in this climate at least, are shelter, food and clothing, with food and clothing alternating for position. But, whereas during the war years shelter and food have been very well looked after—and very well publicised, if I may say so—clothing, and particularly men's clothing, has been very much the Cinderella of the trio. We in the clothing trade and the public have willingly been content to accept this situation in the national interest, but I have a feeling that very shortly clothes will, by sheer pressure of deteriorating personal reserves, assert themselves in the public mind almost in priority over food.

I am glad to report that an increase in our labour force has been authorised, but I feel it my duty to point out that labour without the materials to keep it employed will only complicate our problems. In spite of all difficulties, the trading of the company to date compares favourably with the same period for last year.

The report was unanimously adopted.

DALGETY AND COMPANY, LIMITED

SIR JOHN H. DAVIDSON'S STATEMENT

The sixtieth annual general meeting of Dalgety and Company, Limited, will be held on Thursday next, the 21st instant, at the registered offices of the company, 65, Leadenhall-street, London, E.C.

The following is an extract from the review by the chairman (Major-General Sir John H. Davidson, KCMG) which has been circulated with the report and accounts:—The position of the war in the Pacific since my last review continues to show steady improvement, and I may be justified in saying that the menace to Australia has to all intents and purposes been removed. The company's activities continue to be restricted in many directions, and in all the circumstances our business has been remarkably well maintained, despite the numerous difficulties. Unfortunately, the seasonal conditions affecting important areas of Australia give cause for grave anxiety. The wheat area of New South Wales and Victoria is drought-stricken and the prospects for the current crop are disquieting. Parts of Victoria, the west and south-west of New South Wales, and the northern and north-western pastoral areas of South Australia are also suffering from severe drought, and heavy sheep losses are inevitable.

POST-WAR TRADE

The important question of post-war trade is constantly before us and you may rest assured that we are taking all possible steps to ensure that this company secures a fair share of business on the rehabilitation of the world's markets. Progress, however, is unfortunately impeded at the moment until the position as regards Government control and the obvious uncertainties regarding raw materials, tariffs, currencies, etc., can be more clearly defined.

I have referred before to the heavy but inevitable burden of taxation. The figures, in sterling, which have steadily risen, are— for 1940 £201,000, 1941 £225,000, 1942 £320,000, 1943 £366,000, and for the current year £388,000. Then again, there is the vexatious question of double taxation.

With regard to wool, the company's main interest, an important recent happening has been the clarification of the position regarding the British Government's purchases of the Australian and New Zealand wool clips. These purchases will be continued for one wool year after the termination of hostilities, including the war with Japan. Production showed little change, there again being some increase in the Australian clip, while that of New Zealand showed a small reduction on last season.

SEASONAL CONDITIONS

Unfavourable seasonal conditions are bound to result in some reduction in the Australian clip this season, but New Zealand is expected to show an increase. The quantity of wool passing through the company's stores totaled 664,444 bales. As regards wheat I regret to say the position is lamentable, seasonal conditions being such that the official estimate of the Australian crop is given as only about 50 million bushels, compared with last season's yield of 107,500,000 bushels.

Frozen meat, copra, tallow and butter are still under Government control, and you will probably have seen that an agreement has been reached between the Governments of the United Kingdom and Australia for the sale to the United Kingdom of the whole of her exportable surplus of meat and dairy produce until June, 1948. Similar arrangements have also been made with regard to New Zealand surpluses—all of which is indicative of the continuance of control for some time to come.

Our financial position remains strong and liquid. As regards profit and loss, beyond the large increase in taxation there is nothing calling for particular comment. We are recommending the payment of a final dividend of 3½ per cent., making 6 per cent. for the year.

IDEAL BUILDING AND LAND DEVELOPMENT COMPANY, LIMITED

DIVIDEND MAINTAINED

The tenth ordinary general meeting of this Company was held, on the 12th instant, in London, Sir Thomas Keens, D.L., the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: During the year to December 31, 1943, ten subsidiary companies were operating. Nine made profits and one a loss. The consolidated profit and loss account shows a trading profit of £105,713, which compares with £132,599 last year. The directors recommend a dividend on the ordinary shares of 4 per cent., less tax.

It has been the policy of the board to adapt the company's business to changing conditions and it is their intention to revert, as soon as possible, to the normal business of estate development and house-building in which the company has been successful in the past. It is to be hoped that private enterprise will be permitted to play its full part and that the numerous Government controls will be speedily removed. Between the two wars private enterprise provided 3,000,000 houses out of the 4,200,000 houses built. The Minister of health has stated that 3,000,000 to 4,000,000 houses is a broad indication of the housing needs during the first ten years after the war. This is a tremendous task, and every encouragement should be given to private enterprise. Our company is in a position to make a very valuable contribution towards the solution of the housing problem.

Eleven months of the current year have expired and we have disposed during that period of some large blocks of houses and maisonettes at a reasonable profit. We are purchasing, as opportunity offers, other blocks of property where we can do so at prices to yield an economic return.

The report was adopted.

CANADIAN BANK OF COMMERCE

A YEAR OF EXPANSION

The annual meeting of the Canadian Bank of Commerce was held, on the 12th instant, in Toronto.

Mr S. H. Logan (the president) said that Canada's productive capacity was beyond the needs of her people and world markets must be found for the surplus over domestic requirements. Some countries which would be good customers later might need credit for Canadian goods at the outset. There would be other countries, however, with trade balances, and competition would be keen to sell them. The Dominion, however, had developed great technical skill in making many kinds of chemicals, manufactured articles, utilities, and appliances never before dreamed of. That would affect substantially what Canada could produce and export after the war. Canadians would also have to adjust themselves to the fact that they would have to import if they were to export. He would quote the recent speech of Lord Catto, governor of the Bank of England, to the effect that the City of London would continue to play a major part in the world's commerce and finance because of the accumulated experience of generations, the integrity of her institutions and her reputation for fair dealing. It could be depended on for leadership in providing the financial sinews needed to give full scope to the vast manufacturing output and unsurpassed technical skill of the British people. All the nations, especially the creditor ones, had a great interest in maintaining the United Kingdom as the world's best customer the greatest importer country in the world. That statement, the president emphasised, indicated possible

approach of other nations to problems of world trade.

GENERAL MANAGER'S REMARKS

The general manager, Mr S. M. Wedd, laid special emphasis on the expansion and improvement this year of the merchandising and industrial equipment of Canada, and said that new warehouses, factories and stores, as well as extensions and alterations to existing establishments undertaken during the past twelve months, involved

expenditures of more than \$75 millions. The amount for industrial projects, about \$50 millions, was almost half as large again as in 1943. This year the projects included many small units, some for immediate war purposes, but most of them suitable for the production of civilian goods.

That encouraging development would have gone much further if additional labour and materials had been available. Contributing to an all-time peak in industrial production, trade and general employment were the best all-round agricultural con-

ditions ever experienced, excellent crops over most of Canada, record marketings of livestock products and the highest farm purchasing power in at least 15 years. Farmers had made a most strenuous effort to produce these results, an output one-third greater than the pre-war average having been obtained with a working force 25 per cent. below the average. During the current year there was an over-all increase of 7 per cent. in industrial activity, of 10 per cent. in domestic trade, and of 40,000 people in civilian occupations.

(Continued from page 814)

to be resumed; works essential to public safety or to the reconstruction of blitzed areas to be undertaken; and obstructions to traffic on important roads to be eliminated. When these tasks have been covered, work of general improvement could be undertaken. The promise made nearly a year ago that some motorways would be constructed was repeated this week by Mr Noel-Baker, who said that all necessary inquiries would first be made, and that the cost is estimated at £100,000 a mile, at pre-war prices. The preparation of schemes forming part of long-term and comprehensive plans has been and is receiving Government encouragement. The Government's general policy is by any standard sound, and it remains only to put it in its proper place on the list of reconstruction and rehabilitation work to be undertaken after the war. "New Roads for Britain" is an impassioned plea for the construction of a complete system of motorways. But motorways must inevitably wait until considerable progress has been made with such vital and urgent tasks as providing housing and expanding exports. In the context of the magnitude of claims on the country's limited manpower and resources, "ludicrous" would hardly be too strong a word to apply to the British Road Federation's claim that motorways must come "first and foremost" and that, "in the light of a motorways scheme, even such an undertaking as the County of London Plan must take second place." Many a case has been spoiled by overstatement, and perhaps that of the BRF is one.

Co-operative Wholesale Amalgamation

The recommendation to amalgamate the Co-operative Wholesale Society (which operates in England, Wales and Northern Ireland) and the Scottish Co-operative Wholesale Society is being considered at meetings this month; one of these, held a week ago, endorsed the recommendation by 3,977 votes to 117. The new society, if approved, will begin on January 22, 1945, with assets of well over £300 million. Joint working is not new to the societies. In 1912 they took over together the Co-operative Insurance Society, which has since become the fourth largest insurance concern in the United Kingdom, with an expense ratio the second lowest of any industrial life office. They have worked together, too, as tea planters in India and Ceylon. The merging of two organisations tends to make their joint power greater than a simple addition of their individual influences, and for this reason, the co-operative movement can look forward to enlarging its importance in the country's distributive trade. Although the Scottish society brings considerably smaller assets than the English one (about £23 million compared with £286 million), its enterprise is an asset which will be of great value to the new concern. An important task which will face the new society is the attraction of efficient workers generally, but especially for managerial and executive posts. First-class managerial ability will be essential to the larger wholesale society, and for the carrying out of the post-war plans for extensions in the Co-operative movement. The amalgamation may serve, by its example, to encourage amalgamation among retail units, and to draw attention to the advantages open to co-operatives and co-operators from inter-trading arrangements like those in operation in the Nottingham district.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). DIVIDEND NOTICE. PREFERRED STOCK. The Canadian Pacific Railway Company to-day declared a final dividend of Two per cent. on the Preference Stock holders of record at 2 p.m. on December 29, 1944. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, December 12, 1944.

Company Results

British Celanese.

	Years ended approximately July 1	1944
Trading and Miscellaneous—		
Profit	3,178,496	3,400,760
Sales and administrative expenses	955,342	1,001,599
Research and advertising	163,227	170,587
Fees	18,000	18,000
Balance of profit	2,041,927	2,210,574
Depreciation	378,400	376,000
Debiture Service (gross)	154,672	158,481
A.R.P.	10,370	11,422
Taxation	1,170,000	1,312,000
Fixed price, divs. and Fund Cert. Int. (net)	167,187	268,124
Balance available*	161,298	84,547
Participating div. on 2nd price (net)	...	53,125
Fund cert. redemption	...	102,657
Ordinary dividend (net)	...	165,850
Deb. issue expenses	...	106,477
Carry forward†	511,988	592,214

Net fixed assets	6,595,489	6,553,693	7,047,979
Net inter-company items	644,718	1,273,675	708,133
Net liquid assets	1,750,735	1,593,734	2,334,199
Intangibles‡	3,083,636	3,280,845	3,202,962
Gross liquid assets	4,567,710	4,587,875	5,304,871
Reserves and carry forward	675,738	737,214	748,587
War Damage Contributions of £75,568, in 1942, £53,766 in 1943 and £31,916 charged to Suspense Account.			
† By resolutions of Dec. 8, 1943, one-fiftieth of profit after fixed preference div. and Funding Certificate interest to be used for this purpose.			
‡ After crediting £75,000 in 1942 and £260,000 in 1944 tax over-provided in earlier years.			
§ Debenture debt increased during 1943-44 by £607,246 nominal value.			
War Damage, A.R.P., goodwill, patents, commutation of royalties, new issue costs and research and advertising.			

The ordinary shares of 10s. now stand at 37s. 3d. and yield some £4 2s. 2d. per cent. On page 780 of last week's issue the yield which appeared as £2 15s. 9d. should have been £3 15s. 9d. per cent.

Peninsular and Oriental Steam Navigation Company.

	Years to September 30	1944
Net earnings, less deferred repairs	1,309,104	1,758,809
Dividends from subsidiaries	492,279	495,697
Dividends from coaling and other companies	50,169	51,534
Dividends from other investments	223,009	263,119
Miscellaneous income	137,419	129,353
Total profits	2,211,980	2,698,512
Fleet depreciation	911,766	805,908
Written-off investments in subsidiaries	1,387,936	155,522
Deb. and loan interest	294,165	299,179
Expenses and war damage	23,707	41,403
Taxation	259,701	764,271
Provident account	75,000	75,000
Preferred dividends	76,000	76,000
Deferred stock (net) —		
Earned	258,705	636,768
Paid	183,701	183,701
Earned %	11.3	27.7
Paid %	8	8
Tonnage replacement reserve	100,000	175,000
General reserve	183,701	250,000
Carry forward	161,389	189,456

Net fixed assets	6,495,705	3,679,921	3,204,996
Net inter-company items	9,988,808	9,725,897	9,163,329
Trade investments	687,425	672,519	658,667
Net liquid assets	7,670,966	12,016,914	13,171,196
Gross liquid assets	11,778,189	15,526,783	17,242,489
Tonnage replacement account	3,630,940	7,790,177	8,302,404
Credit in Govt. replacement account	608,800	1,775,100	1,837,200
General reserve	4,250,000	5,800,000	6,000,000
Outstanding debenture stock	6,816,505	4,483,100	4,408,708

1942 profits shown after providing for taxation and contingencies other than tax on dividends.
† Including £37,936 written off Far Eastern properties.
‡ Including £100,000 "reserve for special reconditioning."
§ Including £63,767 cost of converting debenture stock and £11,070 interest on temporary bank loan.
|| To contingencies reserve.
** Including contingencies reserve of £1,300,000 in 1943 and £1,500,000 in 1944.
The £1 units of deferred stock, standing at 42s. ex dividend, yield £3 16s. 2d. per cent.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corres. Day 1943	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Dec. 7...	5,575	4,445	112.6	136.8	3.06	3.70
" 8...	5,536	4,093	112.7	136.6	3.06	3.70
" 11...	7,659	5,365	112.8	136.5	3.06	3.69
" 12...	6,066	4,087	112.7	136.5	3.06	3.70
" 13...	5,713	4,057	112.7	136.5	3.06	3.70

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

(WEEKLY AVERAGES) (1935-36=100)

	1944	Nov. 22, 1944	Nov. 1944	Dec. 6, 1944
	Low Mar. 15	High July 12		
17 Industrials	95.1 (a)	108.4	104.6	105.0
12 Rails	88.9 (a)	110.3 (d)	105.4	106.8
10 Utilities	85.0	93.5 (c)	91.7	92.2
119 Stocks	93.6 (a)	105.7	102.7	103.1
lv. yield %†	4.84 (b)	4.43	4.73	4.70

† Common Stocks. (a) Feb. 9. (b) May 3. (c) October 18. (d) December 6.

STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

1944	Average	Transactions	1944	Average	Transactions
Nov. 30...	126.3	985,000	Dec. 4...	125.9	1,428,000
Dec. 1...	125.9	925,000	" 5...	127.6	1,476,000
" 2...	126.2	706,000*	" 6...	127.5	1,094,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
December 16, 1944	10,450	...	20,900

To Shareholders only. Particulars of Government issues appear on page 820.

Year†	Including Conversions	Excluding Conversions
1944	1,446,302,559	1,427,363,909
1943	1,580,649,865	1,555,899,576

Destination*

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Pref.	Ord.
1944	1,424,351,994	2,756,981	254,934	1,419,334,759	3,081,414	4,947,736
1943	1,552,592,472	2,668,427	638,677	1,544,115,511	2,127,701	9,656,364

* Conversions excluded. † Includes Government issues to Dec. 6, 1944, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—Despite the increasing encroachment of currency withdrawals on the volume of bank cash, conditions in the money market have been exceptionally easy during the week. Owing to the larger flow of subscriptions to 1½ per cent. Exchequer bonds and to some diminution in Government expenditure, the volume of floating debt borrowing has been modest. The TDR call was maintained at the high level of £120,000,000, but after deducting effective maturities this only represented some £33,000,000 of new money. The Bank return reflects the prevailing ease. The note circulation has expanded by £22,018,000, but this has been largely offset by an increase of £16,735,000 in Government securities. Another neutralising movement was a fall of £5,223,000 in other accounts. Bankers' deposits are substantially unchanged at £181,027,000. With the reserve of unissued notes down to £24,541,000, the peak holiday circulation will only be surmounted with a small margin to spare—unless yet another increase in the fiduciary issue has to be made.

MONEY RATES, LONDON.—The following rates remained unchanged between December 7th and December 14th:—

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

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between December 7th and December 14th. (Figures in brackets are per of exchange).

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-86½) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-23½) 17-30-40. French Empire. Francs 1971-2001. Syria. P 8-81-85. Sweden. Krona (18-139) 1-1-16-85-95. Dutch West India. Florin (12-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. P 4-02-04; mail transfers 4-02-04½. Brazil. 82-8456½ (buying); Uruguay. 1-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between December 7th and December 14th.

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 1761-1. China. National \$3-3½. Iran. Rl. 128-130.

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

NEW YORK EXCHANGE RATES

New York on	Dec. 6	Dec. 7	Dec. 8	Dec. 9	Dec. 11	Dec. 12	Dec. 13
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	89-875	89-750	89-810	89-875	89-930	89-930	89-875
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-88*	24-88*	24-88*	24-88*	24-88*	24-88*	24-88*
Rio de Janeiro	5-19	5-19	5-19	5-19	5-19	5-19	5-19
Lisbon	4-09	4-09	4-09	4-09	4-09	4-09	4-09
Barcelona	9-20	9-20	9-20	9-20	9-20	9-20	9-20
Stockholm	23-85	23-85	23-85	23-85	23-85	23-85	23-85

* Official Buying Rate 29-78. † Free Rate. ‡ Ind.

CLEARING BANK COMPARATIVE FIGURES

(£ million)

	Nov. 1943	July 1944	Aug. 1944	Sept. 1944	Oct. 1944	Nov. 1944
Capital and reserves	140.9	142.5	142.5	142.5	142.5	142.5
Acceptances, etc.	102.4	100.1	99.0	100.0	100.7	101.2
Notes in circulation	1.6	1.4	1.4	1.3	1.3	1.3
Current, deposit and other accounts	3,864.5	4,121.4	4,160.9	4,251.1	4,342.3	4,397.8
Total liabilities	4,109.4	4,365.4	4,403.8	4,494.9	4,586.8	4,642.8
Cash	402.9	425.6	439.3	443.1	453.0	460.4
Cheques, balances, and items in transit	122.2	133.4	126.2	125.2	133.9	135.6
Money at call	187.6	187.6	204.7	191.2	191.3	205.0
Discounts	183.9	212.9	210.6	208.5	169.5	197.9
Treasury deposit receipts	1,186.5	1,310.0	1,337.0	1,443.5	1,566.5	1,547.5
Investments	1,166.9	1,175.2	1,179.7	1,182.7	1,171.7	1,192.0
Loans and Advances	724.0	755.0	741.7	735.2	734.7	737.6
Investments in affiliated banks	23.9	24.1	24.1	24.1	24.1	24.1
Cover for acceptances, premises, etc.	144.6	141.6	140.5	141.4	142.1	142.7
Total assets	4,109.4	4,365.4	4,403.8	4,494.9	4,586.8	4,642.8

INDUSTRY AND TRADE

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

	Daily Average Sales Percentage Change			Stocks (at Cost) End Oct.
	1943	1944	1944	
August				
Sept.				
Oct.				

(a) By Commodities

Non-food Merchandise	+38.0	+1.4	+12.7	-14.9
Piece-goods	+58.4	+3.5	+10.9	-19.4
Women's Wear	+117.0	+9.3	+19.4	-22.8
Men's and Boys' Wear	+53.1	+6.8	+2.7	-8.2
Boots and Shoes	+20.3	+6.5	+0.6	-5.7
Furnishing Departments	-5.2	+0.3	-0.7	-14.4
Hardware	-0.6	+7.9	+4.9	-10.4
Fancy Departments	-4.5	+8.8	+13.6	+0.3
Sports and Travel	+3.7	+6.1	+4.5	-18.5
Miscellaneous	+25.8	+1.3	+7.5	-13.7
Non-food Merchandise	+8.3	+4.9	+2.0	+2.0
Food and Perishables				
Total	+15.2	+3.4	+4.4	-12.5

(b) Districts

Scotland	+ 8.5	+17.2	+ 3.4	-11.2
North-East	+10.3	+21.9	+ 5.4	-12.5
North-West	+10.1	+21.2	+ 4.8	-11.7
North	+10.5	+23.2	+ 5.6	-12.2
Midland and S. Wales	+ 8.5	+19.3	+ 6.7	-10.5
South England	-30.3	-18.1	+ 5.0	-16.7
Central and West-End London	- 2.2	- 0.4	- 1.8	+ 8.1
Suburban London	- 1.9	+23.3	+ 3.1	...
Unallocated				

GOVERNMENT RETURNS

For the week ended Dec. 9, 1944, total ordinary revenue was £33,857,000, against ordinary expenditure of £122,967,000 and issues to sinking fund allocations £9,879,408, the deficit accrued since April 1st is £2,317,265,000 against £2,256,123,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	April 1 to Dec. 11, 1943	April 1 to Dec. 11, 1944	Week ended Dec. 11, 1943	Week ended Dec. 9, 1944
ORDINARY REVENUE					
Income Tax	130,000	462,674	540,923	8,603	7,219
Sur-tax	80,000	18,491	15,936	700	500
Estate, etc.	100,000	67,716	73,868	1,727	2,397
Duties	19,000	12,120	9,511	470	490
N.D.C.	500,000	341,569	345,907	9,235	9,025
E.P.T.	1,000	238	146	...	...
Other Ind. Rev.	200,000	924,407	1,009,433	20,735	19,631
Total Ind. Rev.	564,900	381,310	402,416	9,715	10,274
Excise	472,900	331,600	347,400	3,510	2,690
Total Customs & Excise	1,037,800	712,910	749,816	13,225	12,964
Motor Duties	27,000	5,253	5,533	...	100
P.O. (Net Receipts)	4,850	2,690	2,740	...	...
Wireless Licences	800	710	720	...	...
Crown Lands	7,350	4,520	5,176	109	75
Sundry Loans	24,000	54,247	62,503	1,149	1,087
Miscell. Receipts	310,180	170,473	183,592	35,218	33,857
Total Ord. Rev.	3,214,170	1,781,137	1,916,671	37,068	35,975
SELF-BALANCING P.O. & Brdcasting	112,370	76,400	80,750	1,850	2,100
Total	3,326,540	1,857,537	2,000,000	38,918	38,075

Expenditure	Estimate, 1944-45	April 1 to Dec. 11, 1943	April 1 to Dec. 11, 1944	Week ended Dec. 11, 1943	Week ended Dec. 9, 1944
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	277,973	302,866	5,201	8,577
Payments to N. Ireland	9,000	5,004	5,733	...	356
Other Govt. Fund Services	7,000	3,850	3,936	...	74
Total	436,000	286,827	312,535	5,201	9,008
Supply Services	550,139	366,461	383,072	82,180	113,959
Total	986,139	653,288	695,607	87,381	122,967
SELF-BALANCING P.O. & Brdcasting	112,370	76,400	80,750	1,850	2,100
Total	1,098,509	729,688	776,357	89,231	125,067

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £42,333 to £2,692,794, the other operations for the week (no longer shown separately) raised the gross National Debt by £90,051,498 to £21,913 million.

NET ISSUES (£ thousands)	
Was Damage Act.	345
Overseas Trade Guarantees	22
NET RECEIPTS (£ thousands)	367
Land Settlement (Facilities) Acts	18

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1943				
Dec. 11 1943	1210-0	Not available		
Sept. 9 1944	1430-0	Not available		
" 16 1944	1430-0	"		
" 23 1944	1430-0	"		
" 30 1944	36 95-3	449-8	21-0	1582-0
Oct. 7 1944	1430-0	Not available		5748-1
" 14 1944	1430-0	"		
" 21 1944	1440-0	"		
" 28 1944	2300-0	497-0	0-8	1705-0
Nov. 4 1944	1460-0	Not available		5952-8
" 11 1944	1470-0	"		
" 18 1944	1470-0	"		
" 25 1944	2305-5	513-8	127-5	1700-5
Dec. 2 1944	1470-0	Not available		6017-3
" 9 1944	1470-0	"		

TREASURY BILLS

(£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment	Per Cent. Allotted at Min. Rate
1943					
Dec. 10 1943	90-0	197-2	90-0	s. d. 20 2-54	28
Sept. 8 1944	110-0	217-7	110-0	20 2-81	35
" 15 1944	110-0	220-4	110-0	20 2-47	31
" 22 1944	110-0	207-2	110-0	19 11-60	54
" 29 1944	110-0	228-3	110-0	19 11-70	25
Oct. 6 1944	110-0	227-1	110-0	20 0-27	31
" 13 1944	120-0	227-0	120-0	20 0-30	35
" 20 1944	120-0	227-5	120-0	20 0-16	34
" 27 1944	120-0	223-3	120-0	20 0-69	37
Nov. 3 1944	120-0	211-3	120-0	20 0-62	41
" 10 1944	110-0	206-1	110-0	20 0-43	35
" 17 1944	110-0	209-7	110-0	20 0-43	36
" 24 1944	110-0	217-1	110-0	20 1-83	30
Dec. 1 1944	110-0	232-4	110-0	20 0-72	23
" 8 1944	110-0	221-7	110-0	20 1-33	32

On December 8, applications at £99 15s. 0d. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 32 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Monday were accepted in full. £110 millions of Treasury Bills are being offered on December 15. For the week ended December 16, the banks will be asked for Treasury deposits to the maximum amount of £120 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 1% BOND SUBSCRIPTION

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1% Exchequer Bonds (1950)
Oct. 3	4,108	1,511	4,977	...
" 10	4,030	1,753	7,667	...
" 17	4,356	1,768	7,144	...
" 24	4,377	1,812	3,449	...
" 31	4,445	1,745	5,037	...
Nov. 7	4,624	2,258	6,683	436
" 14	4,048	1,973	4,511	4,140
" 21	5,028	1,851	3,882	1,872
" 28	4,064	1,814	4,759	3,832
Dec. 5	4,570	1,708	4,415	8,012
" 12	...	...	8,352	10,445
Totals to date	1,274,774*	772,000*	1,810,893†	28,736‡

* 263 weeks. † 206 weeks. ‡ 6 weeks.
Including all Series.
Interest free loans received by the Treasury up to Dec. 12th amounted to a total value of £69,695,711. Up to Nov. 25th principal of Savings Certificates to the amount of £191,770,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold per Fine Tola	Silver per 100 Fine Tolas
Dec. 7	64 8	120 2
" 8	64 13	120 14
" 9	65 9	122 1
" 11	65 5	123 8
" 12	65 12	124 12
" 13	66 1	125 6

BANK OF ENGLAND RETURNS

DECEMBER 13, 1944

ISSUE DEPARTMENT

Notes Issued	£	Govt. Debt	£
In Circulation	1225,700,257	11,015,100	
In Bank, De. partment	24,541,451	1238,233,294	
		740,736	
		10,870	
		Amt. of Fid. Issue	1250,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)	241,718
	1250,241,718		1250,241,718

BANKING DEPARTMENT

Props. Capital	£	Govt. Secs.	£
Rest.	14,553,000	217,627,764	
Public Deps.*	3,246,770	Other Secs.	
	9,480,437	Discounts & Advances	1,420,957
		Securities	14,213,719
			15,634,676
Other Deps.	181,026,799	Notes	24,541,461
Bankers	51,502,136	Gold & Silver Coin	2,005,241
			259,809,142
	232,528,935		
	259,809,142		

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

COMPARATIVE ANALYSIS

(£ millions)

	1943	1944
Issue Dept.		
Notes in circulation	1067-0	1189-5
Notes in banking department	33-3	10-7
Government debt and securities	1099-3	1199-2
Other securities	0-7	0-8
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	9-0	11-6
Bankers	161-2	207-0
Others	55-6	55-3
Total	225-8	273-9
Banking Dept. Secs.:		
Government	191-1	248-4
Discounts, etc.	2-0	5-1
Other	16-0	25-1
Total	209-1	278-6
Banking dept. res.	34-5	13-0
" Proportion "	15-2	4-7

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,150 million to £1,200 million on August 2, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended	Aggregate from Jan. 1 to
	Dec. 11, 1943	Dec. 9, 1944
Working days:	6	293
Birmingham	2,114	1,537
Bradford	1,683	1,285
Bristol	645	659
Hull	441	540
Leeds	562	797
Leicester	639	735
Liverpool	4,902	4,364
Manchester	2,307	2,865
Newcastle	1,599	1,402
Nottingham	348	431
Sheffield	659	924
Southampton	82	101
12 Towns	15,972	15,640
Dublin*	8,182	9,207
	113,743	351,895
	895,924	367,276

* Dec. 4, 1943, and Dec. 2, 1944.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Dec. 10, 1943	Nov. 23, 1943	Nov. 30, 1944	Dec. 7, 1944
12 U.S.F.R. BANKS				
RESOURCES				
Gold and silver on hand and due from Treasury	19,696	17,963	17,957	17,930
Total reserves	20,168	18,768	18,768	18,738
Total cash reserves	293	240	242	235
Total U.S. Govt. secs.	11,061	18,411	18,553	18,311
Total loans and secs.	11,134	18,891	19,152	18,701
Total resources	33,118	39,764	39,986	39,995
LIABILITIES				
F.R. notes in circ.	16,528	21,255	21,370	21,477
Excess m. bank res.	920	1,100	1,200	1,400
Mr. bank res. dep.	12,569	14,719	14,761	14,184
Govt. deposits	686	251	292	258
Total deposits	14,919	16,537	16,602	16,077
Total liabilities	33,118	39,764	39,986	39,995
Reserve ratio	64-1%	49-7%	49-4%	49-9%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,044	20,695	20,688	20,668
Treasury & bank currency	4,102	4,117	4,120	4,122
LIABILITIES				
Money in circulation	20,135	24,881	24,997	25,107
Treasury cash and dep.	2,987	2,590	2,626	2,595

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted

NOVEMBER, 1944												
Date	Barclays Bank Ltd.	Comtts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Milbank Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams Deacon's Bank Ltd.	Aggregate
	28th	27th	29th	22nd	21st	29th	29th	28th	22nd	30th	20th	
ASSETS												
Coin, Bank Notes and Balances with the Bank of England.....	92,254	4,058	16,505	6,392	84,070	22,598	103,775	5,624	57,437	59,608	8,073	460,394
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland....	23,987	788	4,082	1,901	19,731	7,963	22,921	230	17,653	22,121	3,549	124,926
Items in Transit.....	24,951	4,958	6,182	8,056	35,947	12,964	38,391	10,513	27,535	29,628	5,899	205,024
Money at Call and Short Notice.....	55,086	1,507	10,291	2,384	23,330	6,095	43,545	787	29,636	24,043	1,179	197,933
Bills Discounted.....	37,000	5,500	52,000	10,000	292,000	62,500	369,000	1,000	200,000	196,000	22,500	1,547,500
Treasury Deposit Receipts.....	218,525	15,556	58,799	23,094	214,204	69,525	234,196	25,140	137,531	168,789	26,859	1,192,018
Investments.....	152,239	7,690	19,749	12,928	117,643	30,058	159,539	14,459	112,918	98,986	11,444	737,653
Advances to Customers and other A/cs.....	14,970	1,250	2,829	4,701	25,443	8,680	14,934	205	10,396	15,599	2,287	101,294
Liabilities to Customers for Acceptances, Endorsements, etc.,.....	7,893	405	1,363	695	6,668	2,882	8,510	470	6,843	4,859	876	41,464
Bank Premises Account.....	6,222	...	...	...	3,777	...	8,557	...	2,514	2,992	...	24,062
Investments in Affiliated Banks and Subsidiary Companies.....	932,927	41,712	171,800	70,151	833,533	223,255	1,003,368	58,428	602,523	622,625	82,666	4,642,988
Ratio of Cash to Current, Deposit and other Accounts.....	10.36	10.55	10.12	10.06	10.75	10.94	10.81	10.37	10.02	10.13	10.42	10.47
LIABILITIES												
Capital Paid up.....	15,858	1,000	2,977	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,196
Reserve Fund.....	11,250	1,000	2,976	850	10,000	3,800	13,411	1,200	9,479	9,320	1,000	64,286
Current, Deposit and other Accounts.....	890,849	38,462	165,018	63,540	782,269	206,595	959,864	54,222	573,169	588,366	77,504	4,397,858
Acceptances, Endorsements, etc.,.....	14,970	1,250	2,829	4,701	25,443	8,680	14,934	205	10,396	15,599	2,287	101,294
Notes in Circulation.....	...	...	...	...	11	20	...	1,301	...	20	...	1,352
	932,927	41,712	171,800	70,151	833,533	223,255	1,003,368	58,428	602,523	622,625	82,666	4,642,988

COAL STATISTICS

Production of Saleable Coal, and the Average Number of Wage-earners on Colliery Books

Period	Mined Coal				Government Opencast Production
	Saleable Coal Produced	Average Number of Wage-earners on Colliery Books*	Output per Wage- Earner per Annum	Tons	
1938	226,993,200	781,700	290.4	...	...
1939	231,337,900	766,300	301.9	...	...
1940	224,298,800	749,200	299.4	...	...
1941	206,344,300	697,600	295.8	...	...
1942	203,633,400	709,300	287.1	1,308,200	...
1943	194,493,000	707,800	274.8	4,426,700	...
1st quarter, 1943	50,240,800	713,200	(663,700)	70.4	499,100
2nd " 1943	48,401,700	709,900	(657,300)	68.2	1,035,500
1st " 1944	47,581,300	703,600	(648,500)	67.6	1,412,700
2nd " 1944	46,422,000	710,000	(651,500)	65.4	2,322,800
3rd " 1944	44,298,800	713,700	(615,100)	62.1	2,902,200

* Figures in parenthesis refer to effective employment, i.e., excluding workers absent for whole of any week, from whatever cause.

Estimated Quantity of Saleable Coal Lost from Causes Other than Absenteeism

Period	Recognised Holidays	Disputes	Want of Trade	Accidents, Break- downs and Repairs to Machinery	Rail Transport difficulties and want of Wagons	Other Causes	Total
1938	9,957	943	31,385	1,412	...	1,387	45,114
1939	10,929	675	16,420	1,089	...	3,180	32,295
1940	5,498	501	6,910	1,420	...	1,896	20,993
1941	7,354	342	618	1,229	...	1,266	12,038
1942	7,511	833	...	701	...	657	9,715
1943	7,617	1,091	...	1,322	...	190	10,721
2nd Qtr. 1943	2,596	227	...	266	...	59	3,150
1st Qtr. 1944	480	2,033	...	389	...	180	3,502
2nd Qtr. 1944	2,569	587	...	352	...	123	3,634
3rd Qtr. 1944	4,095	171	...	461	...	54	4,783

Output per Manshift Worked

Year	Output per Manshift Worked by all Wage-Earers	Output per Manshift Worked by Coalface Workers
1938	1.12	2.95
1939	1.13	2.97
1940	1.09	2.93
1941	1.06	2.94
1942	1.03	2.87
1943	1.03	2.75
1944 (1st Quarter)	1.02	2.72
2nd " "	1.01	2.72
3rd " "	1.00	2.71

(Continued from page 819.)

THE ECONOMIST INDEX OF WHOLESALE PRICES (1927 = 100)

	Mar. 31, 1937*	Aug. 30, 1939	Dec. 7, 1943	Nov. 22, 1944	Dec. 5, 1944
Cereals and Meat	93.0	66.9	107.8	106.6	107.2
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	54	101.9	103.7	103.9
Minerals	113.2	95.4	135.9	145.5	145.5
Miscellaneous	87.0	77.6	127.2	128.9	128.9
Complete Index	87.2	70.3	113.6	117.9	118.1
1913 = 100	119.9	90.8	156.3	162.2	162.4

* Highs: even reached during 1932-37 recovery.

Retail Trade.—The indices of the average value of daily retail sales (1942 = 100) were, according to the Board of Trade Journal of December 9th, the same in October as in September, for total turnover and for food and perishables. Changes of one point only were recorded in non-food merchandise and apparel, but the figure for household goods rose from 82 to 89. With the relaxation of flying bomb activity London sales showed some recovery. Stocks continued their downward trend, which may be accelerated by Christmas buying.

National Road Transport Federation.—Six commercial road-users' organisations, Associated Road Operators, Limited, Commercial Motor Users' Association, National Road Transport Employers' Federation, National Conference of Express Carriers, Scottish Commercial Motor Users' Association and

Distribution of Coal (Million tons)

	1939	Third Quarter 1943	Second Quarter 1944	Third Quarter 1944
Total production	231.3	47.9	48.6	46.7
Consumption:				
Gas works (coal carbonised)	19.3	4.6	4.7	4.5
Electricity	15.9	5.1	5.4	5.1
Waterworks	0.4	0.1	0.1	0.1
Railways	12.2	3.6	3.8	3.6
Coke ovens (coal carbonised)	20.4	5.1	4.9	4.9
Miners' coal	4.6	1.0	1.1	1.0
Collieries	12.1	2.8	2.8	2.6
Iron and steel industry	10.2	2.6	2.5	2.3
Engineering industry	10.2	0.8	0.9	0.7
Other industries	10.2	6.2	6.5	5.8
Disposals to domestic consumers, service departments, coastwise bunkers and miscellaneous	97.5	11.6	12.2	11.3
Inland total	182.4	43.5	44.9	41.9
Shipments to Northern Ireland	2.4	0.6	0.6	0.6
Exports and foreign bunkers (inc. services abroad)	46.5	1.9	1.2	1.1
Total consumption	231.3	46.0	46.7	43.6
Changes in distributed stocks (increase (+) or decrease (-))	...	+1.9	+1.9	+3.1
Total	231.3	47.9	48.6	46.7

Attendance and Absenteeism (Average weekly per wage-earner)

	1939	Third Quarter 1943	First Quarter 1944	Third Quarter 1944
(a) Shifts possible	5.53	5.63	5.85	5.55
(b) Shifts worked	5.15	4.94	5.12	4.74
(c) Absenteeism:				
Voluntary	...	0.28	0.28	0.35
Involuntary	...	0.41	0.45	0.46
Total	0.38	0.69	0.73	0.81

* The figures in parenthesis relate to effective employment, i.e., excluding those wage-earners absent for the whole of any week, from whatever cause.

Numbers Killed and Seriously Injured at Mines

	Killed			Seriously Injured		
	Under-ground	Surface	Total	Under-ground	Surface	Total
1938	782	76	858	2,877	280	3,157
1939	722	61	783	2,851	304	3,155
1940	836	87	923	2,873	364	3,237
1941	838	87	925	2,681	309	2,990
1942	799	78	877	2,531	278	2,809
1943	655	58	713	2,357	239	2,596
1944 (1st Quarter)	141	16	157	560	71	631
2nd " "	148	8	156	619	58	677
3rd " "	138	13	151	512	49	561

Scottish Carriers and Haulage Contractors' Association, agreed this week, after lengthy negotiations, to form themselves into three bodies federated as the National Road Transport Federation. The constituent bodies are the Road Haulage Association, representing "A" and "B" licence-holders, the Passenger Vehicle Operators' Association, for public service vehicles, and the Trades' Road Transport Association, for "C" licence-holders and those who operate their own vehicles for the carriage of their own goods.

Cutlery Production.—Restrictions on the spoon and silver-plated industry have been relaxed, and nickel silver and silver-plated steel may now be used. Further relaxations are under consideration, including the manufacture of electro-plated nickel silver. The Orders covering the relaxations are the Cutlery, Spoons and Forks Control Order (SR & O, 1944, No. 1252) and the Knives, Spoons and Forks (Maximum Prices) Order (SR & O, 1944, No. 1337). Both came into operation on December 11th.

Surplus Textiles.—At the second ordinary general meeting held last Monday, the chairman (Mr W. S. Walters) of the Surplus Textiles Association, Limited, announced that so far the Association has distributed £380,550 worth of Government surplus stocks to 239 out of its total membership of 493. No considerable quantity of goods is expected to be available until the defeat of Germany.

Diamonds for Antwerp.—An agreement whereby 150,000 carats of diamonds will go to Antwerp, in addition to the 30,000 already arranged, is to be negotiated in London in the near future. The new quantity would keep 4,000 diamond-cutters at work for about five or six months.

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.															
Prices, Year 1943		Prices, Year 1944		Name of Security	Price, Dec. 5, 1944	Price, Dec. 12, 1944	Yield, Dec. 12, 1944	Prices, Year 1944		Last two Dividends			Price, Dec. 5, 1944	Price, Dec. 12, 1944	Yield, Dec. 12, 1944
High	Low	High	Low					High	Low	(a)	(b)	(c)			
British Funds															
83½	78½	82½	78½	Consols 2½%	82½	82	55/6	48/6	7	b	4	53/6	53/6	5 1/8	
112½	109½	111½	108½	Consols 4% (after 1957)	111½	111½	3 1/2	57/10	47/6	3	a	51/6	51/6	5 1/8	
100½	100½	100½	100½	Conv. 2% 1943-45	100½	100½	1 1/2	31/3	24/6	16	b	28/3	28/3	3 1/8	
102½	100½	102½	100½	Conv. 2½% 1944-49	102½	102½	2 1/2	30/6	25/4	15	b	29/3	29/3	5 1/8	
104½	100½	104½	100½	Conv. 3% 1948-53	104½	104½	2 1/2	29/6	25/4	8	c	38/9	38/9	5 1/8	
107½	103½	106½	103½	Conv. 3½% (after 1961)	106½	106½	3 1/2	33/3	33/3	6	b	32/9	32/9	6 1/8	
97½	95½	98½	96½	Exch. Bds. 1½% 1950	97½	97½	1 1/4	66/6	29/3	12	a	53/6	53/6	2 1/2	
101½	99½	101½	99½	Funding 2½% 1956-61	101½	101½	2 1/2	57/10	52/4	12	c	55/6	55/6	4 10/8	
102½	99½	101½	99½	Funding 3% 1959-69	102½	102½	2 1/2	57/10	52/4	8	b	44/6	44/6	5 9/8	
115½	112½	114½	112½	Funding 4% 1960-90	115½	115½	2 1/2	57/10	52/4	10	c	13 10/16	13 10/16	6 2/8	
102½	100½	102½	100½	Nat. Def. 3% 1954-58	102½	101½	2 1/2	57/10	52/4	24	a	26/6	26/6	6 0/8	
102½	100½	102½	100½	War Bonds 2½% 1945-47	102½	101½	2 1/2	57/10	52/4	6	b	18/3	18/3	5 9/8	
102½	100½	102½	100½	War Bonds 2½% 1949-51	102½	101½	2 1/2	57/10	52/4	Nil	c	Nil	Nil	Nil	
102½	100½	102½	100½	War Bonds 2½% 1952-54	102½	101½	2 1/2	57/10	52/4	Nil	c	Nil	Nil	Nil	
102½	100½	102½	100½	Savings Bds. 3% 1955-65	102½	101½	2 1/2	57/10	52/4	Nil	c	Nil	Nil	Nil	
102½	100½	102½	100½	Savings Bds. 3% 1960-70	102½	101½	2 1/2	57/10	52/4	Nil	c	Nil	Nil	Nil	
102½	100½	102½	100½	Savings Bds. 3% 1965-75	102½	101½	2 1/2	57/10	52/4	Nil	c	Nil	Nil	Nil	
102½	100½	102½	100½	Victory Bonds 4%	102½	101½	2 1/2	57/10	52/4	Nil	c	Nil	Nil	Nil	
102½	100½	102½	100½	War Loan 3½% 1955-59	102½	102½	2 1/2	57/10	52/4	Nil	c	Nil	Nil	Nil	
102½	100½	102½	100½	War Loan 3½% aft. 1959	104½	104½	3 1/2	66/6	48/6	7	c	38/9	38/9	3 17/8	
98½	93½	94½	93½	Local Loans 3%	94½	94½	3 1/2	66/6	83/3	20	c	81/3	81/3	4 6/8	
Dom. & Col. Govts.															
103½	101½	103½	100½	Australia 5% 1945-75	101½	101	4 1/2	99/-	99/-	15	b	111/10	115/6	3 9/8	
105½	102½	105½	101½	New Zealand 5% 1946	102½	102	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
112½	110½	112½	110½	Nigeria 5% 1950-60	111	111	3 1/2	99/-	88/4	17	c	98/-	98/-	3 11/8	
Corporation Stocks															
108½	105½	108½	104½	Birmingham 5% 1946-56	105	105	2 1/2	39/6	39/6	3	a	43/6	43/6	3 14/8	
98½	92½	94½	93½	L.C.C. 3%	94	94	3 1/2	45/3	18/1	2	b	22/9	22/9	4 7/8	
100½	99½	100½	99½	Liverpool 3% 1954-64	100	100	3 0/0	23/9	32/6	4	b	34/6	34/6	4 1/8	
106½	104½	106½	104½	Middlesex 3½% 1957-62	105	105	3 0/0	39/6	39/6	5	b	40/6	40/6	4 3/8	
Foreign Governments															
95½	83½	96½	88½	Argentina 3½% Bds. 1972	91½	91½	4 0/0	34/-	24/3	10	c	30/6	30/6	1 13/4	
68½	56½	60½	51½	Brazil 5% Funding 1914	70½	67½	5 0/0	28/10	22/3	7	c	24/6	24/6	6 2/8	
36½	28½	28½	20½	Chile 6% (1929)	23½	23½	7 2/2	10/8	12/10	6	b	14/6	14/6	6 17/8	
60½	48½	50½	40½	China 5% 1913	50	50	Nil	32/3	32/3	6	c	36/6	36/6	3 5/8	
97½	88½	99½	89½	Portuguese 3%	91½	91½	3 1/2	19/4	16/3	15	a	18/3	18/3	8 18/8	
76½	58½	75½	63½	Spanish 4%	71½	70½	5 1/2	66/6	75/-	22	a	82/6	83/6	1 12/8	
Electricity															
103½	101½	103½	100½	Callenders Cable, &c. £1	111/10	111/10	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
105½	102½	105½	101½	Crompton Park, 'A' 5/-	102½	102	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
112½	110½	112½	110½	General Electric Ord. £1	111	111	3 1/2	99/-	88/4	17	c	98/-	98/-	3 11/8	
Gas and Electricity															
108½	105½	108½	104½	County of London £1	105	105	2 1/2	39/6	39/6	3	a	43/6	43/6	3 14/8	
98½	92½	94½	93½	Gas Light & Coke Ord. £1	94	94	3 1/2	45/3	18/1	2	b	22/9	22/9	4 7/8	
100½	99½	100½	99½	North East Electric £1	100	100	3 0/0	23/9	32/6	4	b	34/6	34/6	4 1/8	
106½	104½	106½	104½	Scottish Power Ord. £1	105	105	3 0/0	39/6	39/6	5	b	40/6	40/6	4 3/8	
Motor and Aircraft															
95½	83½	96½	88½	Austin & Daimler 5/-	91½	91½	4 0/0	34/-	24/3	10	c	30/6	30/6	1 13/4	
68½	56½	60½	51½	Bristol Aeroplane £1	70½	67½	5 0/0	28/10	22/3	7	c	24/6	24/6	6 2/8	
36½	28½	28½	20½	Bristol Aeroplane 10/-	23½	23½	7 2/2	10/8	12/10	6	b	14/6	14/6	6 17/8	
60½	48½	50½	40½	Ford Motors Ord. £1	50	50	Nil	32/3	32/3	6	c	36/6	36/6	3 5/8	
97½	88½	99½	89½	Hawker Siddeley 5/-	91½	91½	3 1/2	19/4	16/3	15	a	18/3	18/3	8 18/8	
76½	58½	75½	63½	Lucas (Joseph) Ord. £1	71½	70½	5 1/2	66/6	75/-	22	a	82/6	83/6	1 12/8	
Shipping															
103½	101½	103½	100½	Morris Motors 5/- Ord.	102½	102	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
105½	102½	105½	101½	Rolls-Royce Ord. £1	102½	102	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
112½	110½	112½	110½	Cunard Ord. £1	111	111	3 1/2	99/-	88/4	17	c	98/-	98/-	3 11/8	
Oil															
108½	105½	108½	104½	Anglo-Dutch of Java £1	105	105	2 1/2	39/6	39/6	3	a	43/6	43/6	3 14/8	
98½	92½	94½	93½	Jokal (Assam) Tea £1	94	94	3 1/2	45/3	18/1	2	b	22/9	22/9	4 7/8	
100½	99½	100½	99½	London Asiatic Rbr. 2/-	100	100	3 0/0	23/9	32/6	4	b	34/6	34/6	4 1/8	
106½	104½	106½	104½	Rubber Pltns. Trust £1	105	105	3 0/0	39/6	39/6	5	b	40/6	40/6	4 3/8	
Oil															
95½	83½	96½	88½	Anglo-Iranian Ord. £1	91½	91½	4 0/0	34/-	24/3	10	c	30/6	30/6	1 13/4	
68½	56½	60½	51½	Burnah Oil Ord. £1	70½	67½	5 0/0	28/10	22/3	7	c	24/6	24/6	6 2/8	
36½	28½	28½	20½	Shell Transport Ord. £1	23½	23½	7 2/2	10/8	12/10	6	b	14/6	14/6	6 17/8	
60½	48½	50½	40½	Trinidad Leaseholds £1	50	50	Nil	32/3	32/3	6	c	36/6	36/6	3 5/8	
97½	88½	99½	89½	Union Carbide £1	91½	91½	3 1/2	19/4	16/3	15	a	18/3	18/3	8 18/8	
76½	58½	75½	63½	Anglo-Persian Oil £1	71½	70½	5 1/2	66/6	75/-	22	a	82/6	83/6	1 12/8	
Miscellaneous															
103½	101½	103½	100½	Assoc. Brit. Pict. 5/-	111/10	111/10	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
105½	102½	105½	101½	Assoc. (John) Ord. £1	102½	102	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
112½	110½	112½	110½	Barker (John) Ord. £1	111	111	3 1/2	99/-	88/4	17	c	98/-	98/-	3 11/8	
Insurance															
108½	105½	108½	104½	Boots Pure Drug Ord. 5/-	105	105	2 1/2	39/6	39/6	3	a	43/6	43/6	3 14/8	
98½	92½	94½	93½	British Aluminium £1	94	94	3 1/2	45/3	18/1	2	b	22/9	22/9	4 7/8	
100½	99½	100½	99½	Brit. Amer. Tobacco £1	100	100	3 0/0	23/9	32/6	4	b	34/6	34/6	4 1/8	
106½	104½	106½	104½	British Oxygen Ord. £1	105	105	3 0/0	39/6	39/6	5	b	40/6	40/6	4 3/8	
95½	83½	96½	88½	Cable & Wire Hdg. Stk.	91½	91½	4 0/0	34/-	24/3	10	c	30/6	30/6	1 13/4	
68½	56½	60½	51½	Carreras 'A' Ord. £1	70½	67½	5 0/0	28/10	22/3	7	c	24/6	24/6	6 2/8	
36½	28½	28½	20½	Dunlop Rubber Ord. £1	23½	23½	7 2/2	10/8	12/10	6	b	14/6	14/6	6 17/8	
60½	48½	50½	40½	Elec. & Mus. Ind. 10/-	50	50	Nil	32/3	32/3	6	c	36/6	36/6	3 5/8	
97½	88½	99½	89½	Gaumont British 10/-	91½	91½	3 1/2	19/4	16/3	15	a	18/3	18/3	8 18/8	
76½	58½	75½	63½	Gestetner Ltd. 5/-	71½	70½	5 1/2	66/6	75/-	22	a	82/6	83/6	1 12/8	
103½	101½	103½	100½	Harrisons & Cros. Def. £1	111/10	111/10	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
105½	102½	105½	101½	Imperial Chemical Ord. £1	102½	102	3 1/2	99/-	99/-	15	b	33/6	33/6	3 8/8	
112½	110½	112½	110½	Imperial Tobacco £1	111	111	3 1/2	99/-	88/4	17	c	98/-	98/-	3 11/8	
Investment Trusts															
108½	105½	108½	104½	Debutante Cr. Ord. Stock	105	105	2 1/2	39/6	39/6	3	a	43/6	43/6	3 14/8	
98½	92½	94½	93½	Investment Trst. Def. Stk.	94	94	3 1/2	45/3	18/1	2	b	22/9	22/9	4 7/8	
100½	99½	100½	99½	Trustees Corp. Ord. Stk.	100	100	3 0/0	23/9	32/6	4	b	34/6	34/6	4 1/8	
106½	104½	106½	104½	Bank of Australia £5<											
95½	83½	96½	88½	Bank of England Stock											
68½	56½	60½	51½	Bank of Montreal £10											
36½	28½	28½	20½	Bank of New Zealand £20											
60½	48½	50½	40½	Bank of New Zealand £20											
97½	88½	99½	89½	Barclays Bank 'B' £1											
76½	58½	75½	63½	Barclays (D.C. & O.) 'A' £1											
103½	101½	103½	100½	Cheney & Co. £1											
105½	102½	105½	101½	Lloyds 'A' £5, £1 paid											
112½	110½	112½	110½	Mar. Ins. Bank £1											
108½	105½	108½	104½	Midland £1, fully paid											
98½	92½	94½	93½	Nat. Dis. £2, fully paid											
100½	99½	100½	99½	Nat. Prov. £5, £1 paid											
106½	104½	106½	104½	Royal Bank of Scotland											
95½	83½	96½	88½	Stan. of S. Africa £20, £5 pd.											
68½	56½	60½	51½	Union Discount £1											
36½	28½	28½	20½	Westminster £4, £1 paid											
60½	48½	50½	40½	Alliance £1, fully paid											
97½	88½	99½	89½	Atlas £5, £1 paid											
76½	58½	75½	63½	Commonwealth Union £1											
103½	101½	103½	100½	Gen. Acct. £1, 12½ pd											
105½	102½	105½	101½	Lon. & Lancs. £5, £3 pd											

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1858)

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

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

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

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

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

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

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mandalay	Mombasa	British E.A.
Bombay	Delhi	Nuwara	Nairobi	
Calcutta	Kandy	Rangoon	Nakuru	
Cawnpore	Karachi	Tuticorin	Entebbe	Uganda
Chittagong	Lahore	Zanzibar	Jinja	
Dar-es-salaam	Mwanza	Tanga	Kampala	
			Tankanyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

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

THE UNION BANK OF AUSTRALIA LIMITED.

Established 1837

With a network of branches throughout every important pastoral, agricultural, commercial and industrial area in

AUSTRALIA and NEW ZEALAND

and with Agents in the principal cities throughout the world, The Union Bank of Australia Limited is able to offer the facilities of a most comprehensive banking service.

Head Office:
71, CORNHILL, LONDON, E.C.3.
West End Agency
15, CARLOS PLACE, LONDON, W.1.

AVELING-BARFORD LIMITED

At a Meeting of the Board of Directors, held on Tuesday, 5th December, 1944, the following Resolutions were passed:—
1. It was resolved that dividends be paid, on the 1st January, 1945, on the 175,000 5½ per cent Cumulative Preference Shares of £1 each at the rate of 5½ per cent. per annum for the six months from the 1st July, 1944, to the 31st December, 1944, and that the Preference Share Transfer Books of the Company be closed from the 7th December to the 21st December, 1944, inclusive.

2. It was resolved that an Interim Dividend be paid on the 1st January, 1945, on the 1,000,000 Ordinary Shares of 5s. each at the rate of 5 per cent. actual (free of tax), and that the Ordinary Share Transfer Books of the Company be closed from the 7th December to the 21st December, 1944, inclusive.

By Order of the Board.

Grantham, 5th December, 1944.

SOCIAL WELFARE ADMINISTRATIVE OFFICER (man or woman) required, to be responsible for recruitment and training of welfare staff for relief work overseas. Thorough knowledge of welfare and general office administration, preferably with Social Science degree. Must be British or Allied national. Location of work—London. Salary £800 p.a. Applications in writing (no interviews), stating date of birth, full details of qualifications and experience (including a list in chronological order of posts held), and quoting reference No. R.S. 189, should be addressed to the Ministry of Labour and National Service, Appointments Department, Sardinia Street, Kingsway, London, W.C.2.

BEVERIDGE'S Summary of his "Full Employment" Report. 48 pages. 6d. Everywhere.—*New Statesman*, 10, Great Turnstile, W.C.1.

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BANK OF SCOTLAND

Constituted by Act of Parliament 1695

AUTHORISED CAPITAL ... £4,500,000
CAPITAL FULLY PAID ... £2,400,000
RESERVE FUND & BALANCE carried forward ... £2,259,161
DEPOSITS & CREDIT BALANCES as at 29th Feb., 1944 ... £62,235,580

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30, BISHOPSGATE, E.C.
PICCADILLY CIRCUS BRANCH, 16/18, PICCADILLY, W.

COMMONWEALTH BANK OF AUSTRALIA

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Savings Bank Balances ... 300,336,792
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THE ECONOMIST

ESTABLISHED 1843

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Sibylline Books

THE debate on Poland in the House of Commons on Friday of last week was concerned largely with specific problems—the history of the Curzon Line, the make-up of the Lublin Committee, the exact nature of the guarantee given to Poland in 1939. The real issues barely emerged, and few speakers put the problem of Poland into its wider context. In 1939 Poland was a test case for far graver issues. In 1944 it is a test case for the nature of the whole peace settlement.

In the modern world, only the Great Powers command the effective force to police a settlement. For the settlement to be stable, they must maintain their friendly alliance. But no alliance will be lasting which ignores the elementary rights of smaller nations. These are the three principles of an effective peace; all three of them—authority, unity and justice—should be fused together to make a durable and acceptable settlement, underpinned by the material resources of the Great Powers and cemented by their alliance. But the unhappy case of Poland shows the principles at variance. The independence of a small nation is being threatened by one of the major partners in the alliance, and though the other two Great Powers dislike what is going on, they are unwilling to carry their protest to the point of straining the alliance. Unity struggles against justice, and authority is divided.

The case of Poland does not turn primarily upon the Curzon Line. As Mr Churchill and Mr Eden were at

pains to point out, the British Government considers the Line to be a reasonable frontier. The crux is Russia's refusal to negotiate, refusal to accept a temporary demarcation line and refusal to wait until the Peace Conference for a final settlement. It is true that, for some time, the Polish Government in London included anti-democratic and anti-Russian elements. With the disappearance of General Sosnkowski, this legitimate Russian grievance was removed. It is true, too, that to-day the Polish Government of Mr Arciszewski is no longer fully representative, for Mr Mikolajczyk's Peasant Party is not in the coalition and the Socialist Party is divided. But while one may deplore the unwisdom of forming a Government on this basis, it ought to be remembered that Moscow's intransigence over the frontier and its continued support of the men of Lublin was in large part responsible for the unhappy split in London. The Arciszewski Government is almost as much a Russian creation as the Lublin Committee.

No appeal to principle, no reference to the Atlantic Charter, no acceptance of "frontier changes mutually agreed upon" can be stretched to cover the fact that the Russians will not negotiate on the frontier question and that the Poles are being compelled to accept a dictated settlement. It is a pity that both Mr Churchill and Mr Stettinius should have sought to whitewash this fact by talking of frontier changes by "mutual agreement"

where no chance of any such agreement exists. Yet the dilemma of both the British and the American Governments is painful. Both support the Atlantic Charter. Both would like to see the postponement of territorial issues until the peace conference and wish negotiation, not compulsion, to be the method. Both recognise the Polish Government in London, and in the case of Britain there is also a formal treaty. On the other hand, neither is prepared to undermine friendly relations with Russia. Both are traditionally opposed to giving guarantees in Eastern Europe. Both know that whatever else they may do, they will not go to war with Russia. Both, indeed, know that, without Russian collaboration, they cannot make a settlement in Europe. Thus, even though they deplore the methods chosen by Moscow in dealing with the Poles, they cannot and will not push their intervention beyond a certain point.

Faced with this tragic dilemma, the British and to a lesser extent the American Governments have adopted a dual policy. On the one hand, they accept and defend the Russian case for the Curzon Line; they press it most insistently on the Poles and, in effect, demand a free agreement, slurring over the fact that Russia's policy leaves no room for unforced agreement. On the other hand, they offer the Poles compensation. Mr Churchill is prepared to give a British guarantee of Polish independence and has agreed to the transfer to Polish sovereignty of large tracts of German territory. Mr Stettinius has offered Poland help both for economic reconstruction and for the transfers of population which drastic frontier revision would make necessary.

Such a policy appears to have some balance. What is taken away on one hand seems to be restored on the other. But this superficial appearance is, in truth, most deceptive. Guarantees and compensation may seem on the face of it to strengthen the Polish state. Yet the opposite is the case. The transfer to Poland of large territories indisputably German would impose on any independent Polish government an insoluble problem of organisation and control. These would, of course, be lessened if the entire German population were moved out. But such a step would hardly protect Poland against appearing at the top of any German programme of revenge, and the new frontiers could be maintained only by utter dependence upon Soviet might. The case of East Prussia is, admittedly, an extremely difficult one, since so long as it is militarily in German hands, Warsaw cannot be defended against a German attack. Nevertheless, true though this is, it is also true that a small state, living between two large states, offends one only at the cost of throwing itself on the mercies of the other. And not even the strategic argument could be made for Polish annexation of German lands up to the Oder. Thus, if the argument is restricted to territories, the best attainable solution might be one that left Poland considerably smaller than either Mr Churchill or Marshal Stalin appears to contemplate. A smaller Poland, but one which had given no mortal offence to either of its mighty neighbours, would be more genuinely sovereign and independent than one that was superficially aggrandised but in reality enslaved by its own aggrandisement. Similarly, a British guarantee made conditional, as Mr Churchill said it would be (and as, indeed, it must be), upon a Russian guarantee and inoperative without Russian action, would do little but underline the dependence of Poland upon its Russian neighbour.

The compensations offered are no compensation, for they miss the fundamental point at issue—the genuine independence of Poland. It is on this point that British and American diplomacy should concentrate and not wave it aside by accepting, almost uncritically, the Russian case. Forceful diplomatic action is needed to press the Russians to negotiate on the basis of the Curzon Line and not to demand its acceptance as a preliminary for negotiation. It is, for instance, impossible to expect the Poles to surrender without a word the ancient Polish town of Lvov, which has never been Russian. Renewed

pressure is also needed to insist on the setting up of a genuinely representative Government in liberated Poland. Finally, the effort must be made to persuade the Russians to make some gesture of good will towards the Poles. A obvious step would be the admission of Red Cross help into Russia to relieve the tragic plight of the thousands of Polish deportees.

To such a policy there are inevitably serious obstacles. One is the attitude of the Poles themselves. To compel Mr Mikolajczyk to leave office at this critical moment is very shortsighted. He is at present the most suitable Polish leader on whose behalf the British and the Americans can make a new approach to Moscow. Those who support the Poles in their present disastrous course—whether they are English or Polish—do them the gravest disservice. No wars will be fought on their behalf, nor will events wait on them in Poland. It may not be impossible for the Russians to set up, behind their advancing lines, a Government more representative than that of Mr Arciszewski, or they may even promote the Lublin Committee to be a fully-fledged Government. Either course might better commend itself to the unhappy people of Poland than an incomplete coalition in London. Polish intransigence at this point is an obstacle to the very independence that intransigence is supposed to defend.

The other difficulty is the obvious fact that the maintenance of good relations with Russia is the cardinal point in the foreign policy of Great Britain and of the United States. Can they exercise more pressure without jeopardising the alliance? Will further efforts lead to a disastrous break? This constant preoccupation accounts for much of the hypocrisy and pusillanimity which has clouded the Polish issue. Yet surely this diffidence is based upon a misconception. Great Britain and the United States are not alone in their interest in maintaining the alliance. The Russians, too, need their allies and need the assurance of a system of stable international relations within which to develop their own national life. By their policy over Poland they will not, it is true, precipitate a war, or even a formal breach of the alliance. But they will turn what was an enthusiastic partnership into a mere arrangement of expediency, and by so doing make impossible the relations of trust and confidence between the Great Powers which, as the Dumbarton Oaks proposals openly acknowledge, is the only guarantee of a lasting peace. The Soviet Government might be well advised to take note of the fact that the almost idolatrous affection in which Russia was held by the British people two years ago has now changed to a situation in which the heavy balance of speeches in a Parliamentary debate is critical of their policy. That this is so will be plentifully lamented in London; but it can hardly be good news in Moscow.

The pressure which Britain and the United States can legitimately bring to bear on Russia is the pressure of the interest all three countries have in preserving the alliance. No strategic re-drawing of frontiers, no reinsurance, no zones of influence can replace for any one of the three the security given by a firm mutual understanding. If that is lost, all the rest may sooner or later be lost as well. Justice for small states is not an alternative to the alliance between Russia and the Western democracies, but, in the long run, an essential condition of it.

Thus in pressing the Russians to make concessions to their small neighbour, to give clear evidence that they mean to respect its independence, the British and the Americans would simply be pressing Russia to consider its own best interests. Mr Churchill quoted the sibyllin books against the Poles, and warned them that by their intransigence they were having to pay at each stage a heavier price for a settlement. The Russians, too, are allowing occasion after occasion to slip away—and each time it becomes harder for them to convince the outside world that they genuinely respect those principles of good neighbourliness which alone bring peace. Without such an assurance, the old cankers of distrust and fear will surely eat away the most imposing structure of frontiers and leagues and treaties.

Farming Efficiency

It is common ground among all—or virtually all—plans for the future of British agriculture that steps must be taken to increase the efficiency of the industry. It is not always explained how this is to be done. What is more, there is some serious misunderstanding of the sort of efficiency that is relevant. This island has strong natural advantages, in soil and climate, for the pursuit of dairying and stock-raising. Compared with the rest of Europe, the value of output per worker is very high; and compared with the new countries of other continents, the output per acre is also high.

It is, in fact, economic efficiency, not technical efficiency, that is at issue. A worker cannot be paid what this rich country regards as a living wage in agriculture unless the industry is subsidised. Those workers who produce food by exchanging manufactures for foreign food, secure, in general, considerably more food by a man-hour of work than those who produce food directly on a British farm. High though the output per worker is on British farms, it will have to be raised nearer to the North American or Antipodean level before British agriculture can enjoy unsubsidised prosperity. There is general willingness to provide a period of shelter until this is achieved—but only on condition that a term is set to it.

There are many prescriptions for raising efficiency. For example, the experience of County Agricultural Committees shows how much a mere raising of the level of practice of the worst farmers to the average would accomplish. But though intelligence and skill and research are all important, the chief weakness of British agriculture is, beyond much doubt, that it is under-capitalised. The capital needed for farming is traditionally regarded as of two sorts: landlords' capital which includes houses and cottages, farm buildings, drainage, and water supply; and tenants' capital which includes machinery and stock. The provision of capital of both types has been so continuously neglected over the last seventy years that an immediate and effective rehabilitation of British agriculture would now cost probably several hundred million pounds.

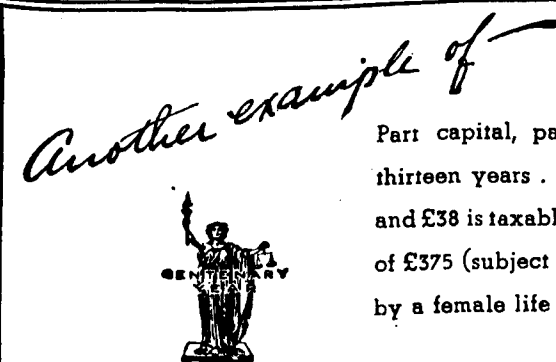
The land's fixed capital has been especially neglected. Buildings and equipment of all sorts have been neither repaired nor replaced, and agricultural capital has not been adapted to new techniques or to a changed balance of farming. Thus the need in livestock production, which has increased considerably, for water to be laid on to every field is still not met on most farms. Again, the production of clean milk is undoubtedly helped by a supply of electricity, yet the proportion of dairy farms connected is still small. Shortage of tenants' capital, while necessarily less serious, has helped to prevent any widespread application of modern techniques and machinery. Most farmers cannot

afford to buy a bull good enough to upgrade their herds. Reliable investigations have shown, for instance, that the use of a combine-harvester greatly reduces harvesting costs and that the introduction of a milking-machine normally increases output per worker—granted a minimum scale of operation; yet many farms operating above this scale do not possess these appliances. Wartime inflation of farm incomes and state assistance have helped to make up some leeway in the provision of capital; but, judged by modern standards of efficiency, many British farms are decayed or derelict.

To raise new capital of the astronomical proportions required for full efficiency is of course completely impossible. Indeed the difficulty is to see how any money at all can be raised by the traditional financial methods of the industry. Agriculture is alone among the great industries in that its property is very largely owned and financed by numerous private individuals, and not by limited companies.

Agriculture's increasing inability over the last seventy years to raise the capital it needs has been due to the impact of declining profits upon the traditional system of land tenure. The once wealthy and influential class of rural landlords have over the last seventy years sold much of their land and invested progressively less capital in the remainder. The class of owner-occupiers has grown correspondingly, owning 10 per cent of agricultural land before 1914 and nearly 40 per cent to-day. The tenant farmer has been encouraged, by legislation which safeguards his right to compensation, to provide fixed capital in lieu of the landlord. In other words, the bulk of agricultural capital of all sorts now has to be found out of the slender personal resources of owner-occupier or tenant farmer. But to finance so large and under-capitalised an industry along the lines of a large number of small family businesses is disastrous to efficiency and progress.

Even were capital easy to obtain, the size and layout of British farms are ill suited to its proper application. The average farm is very small, half of the total land belonging to farms of less than 150 acres. Farms of less than 150 acres are too small for the use of many kinds of modern machinery, although the extent to which this is a handicap depends on the type of farming. Dairying, for instance, can still be conducted on 100 acres with reasonable efficiency. But, even in dairying, a herd of at least thirty cows is desirable for the introduction of a milking-machine, and a unit of some sixty cows for the employment of the Hosier open-air system, and most dairy farms fail to meet even these standards. The



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advantages of large farms are still more obvious in other respects, such as specialisation of labour, opportunities of promotion for the farm worker, and cheap and efficient marketing. Probably a minimum of 200-300 acres is necessary for fully efficient farming.

The chaotic layout of British farms is an equally important cause of inefficiency. Many farms are split into two or more scattered pieces or the same farmer operates two or more widely separated units, often in both cases owing to the difficulty of acquiring new land next to the original holding. The shape of many farms and the location of the farmhouse are often highly inconvenient and time-wasting. Worse, the divisions between both farms and fields take little account of the character of soils and sub-soil, which are very varied, or of other natural features.

It is not suggested that in all or even a majority of cases a comprehensive regrouping of farms would be worth the cost. Moreover, each area and type of farming would need separate consideration. The average dairy farm, for instance, is at present more in need of adequate buildings and water supply than of a larger area or better layout. But, in many areas, the need for drastic replanning is very great.

This conclusion is borne out by the results of a survey of rural conditions in a small sample area in the South Midlands, recently undertaken by the Agricultural Economics Institute of Oxford.* The area is predominantly arable. It was found that the layout of half the farms in the area was definitely inconvenient, even for the kind of farming for which they were originally designed. It outlined concrete proposals for converting the 123 existing farms, averaging 109 acres, into some 28 farms, averaging over 450 acres. The chaos and inefficiency of the old system would be replaced by properly sited buildings and roads, by compact, accessible, and reasonably large holdings, and by blocks of ploughland of uniform soil. The gain in efficiency would be enormous, but so would the cost, and the survey recognises that there would be a great deal of disturbance not only of occupiers but of owners.

The dilemma which faces any attempt to improve the efficiency of British agriculture can now be briefly stated. Farmers and landlords by themselves are incapable of finding anything approaching an adequate supply of new capital. At the same time, new capital cannot be universally employed to the best advantage without the creation of bigger and better-planned units; any such replanning would involve not merely the expenditure of substantial sums on new buildings, roads, and hedges, but the displacement of numbers of persons, both owners and tenants, who would have to be given compensation—that is, who would have to be allowed to take capital out of the industry. And, in any case, replanning of this kind might well prove impossible under the present system of land tenure.

It must be frankly stated that the only fully adequate solution of these problems lies in the public purchase of agricultural land. "Nationalisation" may be too frightening a word, and imply something too sweeping and dislocating; piecemeal purchase as replanning and recapitalisation became possible would be more practical. But whatever the terminology, the idea is one that the facts virtually impose. The logic of the case has forced disinterested and experienced students of agriculture, such as Mr C. S. Orwin and the late Sir Daniel Hall, into an acceptance of this view.

In no industry should the disturbance of public purchase be lightheartedly advocated—and least of all in an industry as intricate and complex as agriculture. Socialist theory to the contrary notwithstanding, the burden of proving a positive advantage should always lie on the advocates of nationalisation. Before the case can be made out it has to be shown that something needs to be done to restore an industry to health, and that it cannot be done with the existing ownership. But in the case of agricultural land, the proofs are surely easy. What

is required is a new layout of the industry and new capital. No considerable reorganisation of farms is likely to be carried out without a single ownership of all the land involved. Even if terms could be settled with the numerous present owners, the value of the reorganisation would be lost if there were no control over the type of farming to be carried on. And as for the provision of new capital, there is really no adequate source save the state. The various attempts that have been made from time to time to apply joint-stock principles to agriculture have not been very successful, and financing by individuals is, in these days, too small in volume. It is inconceivable that the state should provide capital for the benefit of the landlord, which would be the inevitable effect of giving assistance without change of ownership. These arguments would be enough, for any industry, to justify *prima facie* the consideration of public ownership. But in agriculture there is still another reason of an even more compelling nature. Agriculture is, and until its efficiency is raised will remain, a heavily subsidised industry. The prize to be secured by a thorough rationalisation is not merely (as it is, for example, in coal or steel) a general benefit to the economic health of the community, but also a specific relief to the Budget.

*

It would be too mechanistic a view of what is essentially a human problem to imply that such a change in ownership would by itself produce much result, or even that the replanning and recapitalisation for which public ownership is the necessary preliminary are all that is needed. The new layout would be based on the assumption of skilled farming, and additional capital would be useless unless applied with intelligence. The utilisation of expert advice is an important aspect of efficiency but, except under wartime compulsion, the state's provision of education and advice has been very inadequately used and applied. Agriculture has never developed its own professional class, and has regarded with suspicion or indifference the professionals provided for it from outside. Yet the industry will never be fully efficient until it is ready to take the fullest advantage of the new knowledge that the sciences of soil chemistry, nutrition, genetics, botany, accountancy, management and many others are increasingly putting at its disposal. For many of these purposes, the efficient unit is far larger than the 200 to 300 acres suggested as a minimum for actual operations. Something in the nature of grouping of farms for professional services is clearly indicated, and it would probably not be difficult to use the same structure for such things as pools of special machinery, artificial insemination and other services which require a unit larger than the farm but smaller than the county. Any such plan would quickly run up against the shortage of "experts"; but this would be a blessing in disguise, for the existence of a salaried class in agriculture would provide those missing rungs in the ladder which have hitherto forced every agricultural labourer with a spark of ambition to leave the land. All these things could be done cooperatively without any change in the ownership of the land. But they would be done very much more easily if all the farmers in a group were tenants of one landlord.

This is not the place to discuss in detail the steps that should be taken either to improve the current practice of farming or to apply such additional capital as is made available. It is the place to suggest that agriculture needs to be placed, with coal and steel and a very few others, on the list of British industries which are due for a radical overhaul before they can fully pull their weight in the national economy. The basic difficulty that British agriculture has to overcome, as has been so frequently emphasised in these columns, is that many foods can be imported more cheaply than they can be grown at home. It is to close that gap that a great rise in the economic efficiency of the industry is needed. But the agricultural revolution in other countries will not obligingly stand still while the British industry slowly catches up. This is a Red Queen's land, where it is necessary to run quite fast to stay where you are—and to run still faster to catch up.

UNRRA's Opportunity

ON December 14th, the Lords debated the question of relief in Europe and the work which UNRRA was commissioned to undertake. The noble speakers underlined the desperate need for relief which liberation has revealed. Lord Huntingdon, for instance, had telling facts to give on the state of food supplies in Western Europe. The Lords also expressed anxiety about the role which is being assigned to UNRRA. As Lord Huntingdon put it,

the members of UNRRA are very worried over their powers and position. . . . UNRRA delegates confess that it is impossible for them to cope with their gigantic tasks under their present powers.

The debate undoubtedly gave voice to a widespread feeling of puzzled disquiet. Everywhere in Europe hunger and unemployment are producing unrest and violence which are the background and in part the cause of civil strife in France and Belgium and, worst of all, in Greece. Obviously the relief of this distress should be a first call on the Allies' initiative and resources. In creating UNRRA nearly two years ago, they recognised that the need would arise. Yet now that both UNRRA and the crisis it was designed to meet exist together, it appears to be extremely difficult to bring the one to bear upon the other. Into most reports and discussions on UNRRA has entered a note of frustration and disillusion. The externals—the appropriation of money, the building up of staff, the full-scale international conference at Montreal in September—all these are in order. Why then should the structure seem to ring so hollow not only to those who think of UNRRA as a piece of phoney internationalism but also to those who pin their hopes to it as the first executive agency of the United Nations?

One reason is perhaps the inflated hopes it first aroused. Some people seem to have conceived of UNRRA as a supplying and distributing agency capable of superseding all the normal national channels of supply. Such a conception was and is in the highest degree unrealistic. There are hardly enough people to run the crumbling administrations of Europe as it is, without duplicating each with another organisation introduced from outside. The definition of UNRRA's function once given by President Roosevelt—"to help people to help themselves"—is undoubtedly right. Any other approach would at once be wrecked by the strong resurgent nationalism of the liberated states.

In Western Europe, each Allied country, with the partial exception of Norway, is in a position to buy its own supplies and will distribute them independently. Their lists of requirements are in some cases already before the Anglo-American Combined Boards for Food, Raw Materials and Supply in Washington. Even so, UNRRA is playing a vital part as referee. A close liaison exists between UNRRA and the Combined Boards and all requests for food and raw materials are balanced against the likely supply. If the needs of the countries which cannot afford to buy supplies and must rely on UNRRA are prejudiced by their neighbours' requisitions, then UNRRA sees to it that the materials in short supply are rationed.

In Eastern Europe—in Greece, Yugoslavia, Czechoslovakia and Poland—the position is different, for it is unlikely that any of these states will be able to finance its own relief. Czechoslovakia and Poland have already put in tentative demands and an UNRRA mission for the Balkans under Sir William Matthews has already been set up to administer relief in Yugoslavia and Greece. The obstacles to UNRRA's work here are part military, part political. The chief reason why UNRRA cannot operate immediately in Eastern—or indeed in Western—Europe is the fact that for some months yet relief will probably continue to be administered by the Civil Affairs branch of the Army. UNRRA officials have, however, been working with Civil Affairs in Greece and in Western Europe.

In Eastern Europe relief will be handed on to UNRRA as soon as possible. It is then that the political difficulties will arise. The first and most obvious is to secure in these war-shattered lands a government sufficiently broadly based for UNRRA to work through it without giving political offence. UNRRA cannot take over the entire work of distribution. This must be left to the local administrations under UNRRA supervision. Yet the tragedy of Greece—where the UNRRA mission has temporarily withdrawn—shows how much the work of international relief depends upon political pacification.

The other political problem is the attitude of the Russians. They stand high in the Councils of UNRRA but, unlike the United States and Great Britain, they can only be receivers and not suppliers of relief. For relief in their own territory, they will almost certainly prefer to adopt the methods of Western Europe. Either through their own resources or through lend-lease or through long-term loans, they will secure supplies which do not require, as UNRRA's supplies require, any sort of international supervision. The case is clearly different in Poland and Czechoslovakia, which fall within the Russian military command. Russia cannot supply their wants. The obvious solution would be to use the agency of UNRRA which Russia in part controls. The difficulty of divided authority in Poland does not arise, since the Polish Government in London has with rare magnanimity waived the question of the distributing agency, provided only relief reaches the suffering Poles. But the Russian Government has not yet made up its mind on the role of UNRRA in its own military sphere. After the Montreal Conference it was hoped that the Director General of UNRRA, Governor Lehman, would go to Moscow and there assist the Russians to reach a decision. His mission is only postponed, but meanwhile UNRRA can hardly be blamed for "working only on paper" in Eastern Europe.

No one will deny that these are formidable obstacles. Yet they should not be allowed to overshadow the achievement of UNRRA or the openings which await it, if it pursues the right policy. It is no small thing that through the agency of UNRRA the interests of the poorer nations are being protected against the buying power of their richer neighbours. It is no small thing that over a billion dollars' worth of supplies have already been ordered and in part manufactured in the United States, Canada, Great Britain and Brazil. It is no small thing that in any emergency or sudden crisis, UNRRA can step in and assist any nation and that trained specialist staffs are already available to answer any such call. In Western Europe, even if the major work of distribution rests with the Governments themselves, UNRRA has the responsibility for the vast problem of displaced persons, over 20 million of them. In Eastern Europe the opportunities are even greater. Whatever settlement is reached in Greece, it will not lessen the need for relief. Nor will it render an international agency any less suitable for the work of relief. In Yugoslavia the need will be as urgent. The work may be delayed in the Balkans, but sooner or later UNRRA's task will be very heavy.

The openings are so great that it is impossible to blame all UNRRA's frustrations on the European situation alone. Some at least seems to lie with the direction of UNRRA's policy. Complaints about the limitation of UNRRA's sphere have been combined with a too cautious attitude towards the resources at UNRRA's disposal. It is true that UNRRA has not been given the field of work the idealists first hoped. It is also true that UNRRA's budget of \$2 billion, voted by the constituent states, will not cover the needs of Europe. But it is not the best policy at the moment to complain on the one hand that the task is smaller than was expected and on the other that the resources are too limited to permit the acceptance of new commitments.

* "Country Planning." Oxford University Press. 7s. 6d.

For UNRRA, as for many other political agencies, the only path to success is by way of successful action. When UNRRA has one job to its credit superbly done, the other jobs will appear. The first possibilities are Displaced Persons in Europe and the Balkan Mission. If these are well done, they will influence Russia's attitude, they will create new openings in Europe, they will set the right patterns for Far Eastern relief. UNRRA will be able to add genuine industrial reconstruction to the patching and mending permitted them now; above all it will take the vital step from a paper constitution to a going concern.

The British and American Governments undoubtedly

want to make UNRRA a success. At the Montreal Conference, Mr Dean Acheson and Mr Richard Law left no doubt about their Governments' sincerity. The responsibility therefore falls squarely upon Governor Lehman and his colleagues. Perhaps the jobs are fewer and smaller than they hoped. Let them go forward and make a triumphant success of what jobs there are. Perhaps the money is inadequate. Let them spend it all, ask for more and test the Governments' backing at its most sensitive point. Action and courage are the two things UNRRA needs to-day. If they are lacking, neither bigger jobs nor greater resources are likely to come its way.

NOTES OF THE WEEK

"Winter Battle in the West"

Security silence still obscures the pattern of the broad German offensive launched on December 16th between Monschau and Trier, but obviously it is on a large scale and is the Germans' first determined offensive blow in the west since they counter-attacked at Avranches. The military reason for the offensive is obvious enough. The war to the end which the Nazis are determined to wage depends in the west upon continued control of the Ruhr-Rhine industrial area. The Allies have advanced almost to the edge of this vital territory and if they are to be held, the German High Command must seek to gain elbow-room. The attack is thus an example of offensive-defensive warfare and it has been launched at the moment when in the Germans' estimation the Allies' offensive against the Rhineland has reached its "culmination point"—in other words when it is both at its maximum stretch and minimum momentum. The timing of the offensive was probably dictated by politics as well. Since the drastic remobilisation of last summer there has been little but retreats and further retreats to show for the supposed total reorganisation of the German military machine. In recent weeks, however, the German propaganda services have been drumming out the theme of "Germany's regained military strength." Such a theme needs demonstration and von Rundstedt's offensive, to which Goebbels is giving the grandiloquent title "Winter Battle in the West," is designed not only to gain time and ground on the edge of the Ruhr but to restore confidence and possibly even a gleam of hope to the dragooned and apathetic German masses.

The Real Issue in Greece

The second Commons debate on Greece was disappointing. Few people spoke. The attendance by no means reflected the concern in the country, and the Labour spokesmen, whether dignified like Mr Greenwood or white-hot like Mr Bevan, failed to clarify the issues and call from the Government an acceptable statement of policy on the most urgent problem—the conditions necessary to secure an armistice in Greece. As an article on page 837 points out, the two weeks of fighting and negotiating have exploded the false picture of the Greek situation given by Mr Churchill in such unfortunate terms in the first debate on Greece. The EAM is not a band of ruffians and brigands. It is a large, popular movement. The EAM as a whole (whatever may be true of some of its parts) certainly did not plan a Communist *coup d'état*. No revolutionary movement bent on seizing power negotiates from the morrow of the insurrection. Finally, the real issue is not Communism at all. It is the monarchy. Why else, after days of street-fighting and parleying, should the central point be the Regency, if concern over the intentions of the King had not proved to be the first matter for controversy in Greece itself? The disturbing fact is that for a week now all parties and all commentators seem agreed that a regency, preferably under Archbishop Damaskinos, is an essential term in any armistice. Why, then, after so much concurrence of ideas, has no binding agreement been announced? Critics of the British Government's policy maintain that King George of the Hellenes in London and the Royalist-inclined minorities in Athens are responsible for the delay, all of them playing for time in the belief that the British will do their work for them by crushing EAM. Mr Eden gave absolutely no assurance that this was not the case. When Mr Driberg very pertinently asked:

If the Government can give advice to the King of Greece about remaining in this country, cannot they also advise him against sending messages to Athens in a form which can hardly be likely to promote reconciliation?

Mr Eden only replied:

I do not think that is a reasonable request.

This is a very difficult attitude to understand. British policy in Greece has for the last three years been bedevilled by its concern with a King who, far from being a source of constitutional authority above the state, is simply the leader of a small political faction. To allow his opinion, given from London, to impede the reconciliation of Greek parties and the cessation of bloodshed in Athens is folly. Both Mr Macmillan and Mr Leeper have advised a Regency. Most of the Ministers in Athens have approved it. The EAM has unofficially given it support. There is only one way in which British policy in Athens can be retrieved from irreparable harm. New terms for an armistice should come from General Scobie's headquarters and in return for an ELAS withdrawal from Athens and the giving up of arms in the city itself, there should be a guarantee that an impartial Regency will be set up, that the Mountain Brigade should be withdrawn and the Athens police purged. This would open the way to the formation of a new coalition government, under an acceptable Prime Minister, to prepare for the holding, under neutral supervision, of free elections.

Civil Service Recruitment

Mr Pethick Lawrence attributed the small attendance in the House of Commons on Thursday of last week, when the Government's proposals for the post-war recruitment of the Civil Service was debated, to "the almost complete unanimity with which they support the proposals of the Government." This seemed to be borne out by the debate, in the course of which the Government received the almost unprecedented tribute of praise and agreement from Mr W. J. Brown. If so, the more is the pity; for the scheme is not one which should have received an unconditional blessing. It has been prepared by the Civil Service Whitley Council, and though it is complicated in detail, is simple in principle. Vacancies that have occurred during the war, and new posts created in the same period, are to be filled by competitive examination of the familiar type. The age limits are to be raised by roughly the time that has elapsed since the last examination, and vacancies are to be reserved for ex-Servicemen in rather more than the proportion they bear to the general eligible population. In addition, 15 per cent of the lower posts are to be reserved for war-time temporary civil servants who may qualify by examination, while in the higher administrative grade an unspecified number of temporaries, over the age of 30 and the grade of Principal, may become established without examination. For any vacancies arising after the end of the war, examinations with the former age limits will be held—that is, the old system will be restored at once and not held in suspense as after the last war.

There is little to which objection can be taken in these proposals as they stand, and they are certainly better than the haphazard collection of unrelated expedients to which the Government were driven after the last war. Where the

attack should have been made by an alert House of Commons is on the calm complacency with which it is assumed that all is for the best in the best of all possible services. There is to be some experiment with the method of interview as opposed to examination, and a Director of Training has been appointed; but otherwise everything is to go on as before. Perhaps nothing else was to be expected from the Whitley Council, which consists half of eminent civil servants and half of full-time national officers of the old-established Staff Associations—particularly since their recommendations fell to be approved by a Minister who is himself a product of the Home Civil Service. So, after all that has happened, in spite of the great changes that are proceeding in the nature of the Civil Service's work, in face of the demonstration, repeated twice in a generation, that in an emergency the Service has to be not merely reinforced in numbers but strengthened in quality by a flood of temporaries from outside—in spite of all this, the civil servant is to continue to be recruited (so far as the highest grade is concerned) direct from the universities by competitive examination, he is to be immured thenceforth in Whitehall and, competent or incompetent, he is to remain on the establishment until the age of 60. A select few only of the temporaries are to be graciously permitted to remain within the sacred precincts—though it is difficult to see why any of them who could earn a living elsewhere should want to, in view of the shameful way in which their patriotism has been exploited during the war and of the fact that, by being established late, they will suffer seriously in seniority and pension rights. This may meet with the "almost complete unanimity" of the House of Commons. But it will not be to the taste of the many thousands who, during the war, have been able to form a view of the Civil Service at close quarters. To deny that the Service has enormous merits would be foolish; but to hold that it is perfect is crazy.

Russo-French Alliance

The Soviet-French Treaty of Alliance and Mutual Assistance signed in Moscow on December 10 resembles in all essentials the Anglo-Soviet Treaty of May, 1942. Yet there are some differences between the two treaties; and they reflect the shift that has occurred, since 1942, in the interests and preoccupations of the three Allied nations. The Russo-French Treaty lays less stress on the building of a wider world organisation, though the preamble to the Treaty contains a reference to a "system of international security." But unlike its Anglo-Soviet predecessor, the Russo-French Treaty makes no provision for any cancellation of the alliance in favour of the world security organisation. This omission ought probably to be read in the context of the Allies' failure to reach definite agreement at Dumbarton Oaks. It is also relevant that the Dumbarton Oaks proposals provided for regional arrangements to be made within the framework of a world security system. The Russo-French Treaty is much more explicit and emphatic than the Anglo-Russian Treaty on the common policy of the two countries towards Germany. The Treaty is one of double re-insurance against Germany. Its first aim is to do away with the menace of German aggression after the war; its second aim is to secure common action by France and Russia in case of a revival of that menace. Under Article 3 of the Treaty the two parties undertake to adopt all measures

to eliminate any new threat emanating from Germany and to bar the way to any kind of initiative rendering possible a new German attempt of aggression.

If in the course of taking such measures either Russia or France finds itself at war with Germany the other ally, too, is committed to war. If, after defeat, a revenge movement in Germany were to grow sufficiently in strength to induce either the French or the Russians to wage a preventive war, then according to the terms of the Treaty, the other partner would also be obliged to wage war. The Russo-French Treaty is, therefore, strictly speaking, an offensive-defensive alliance.

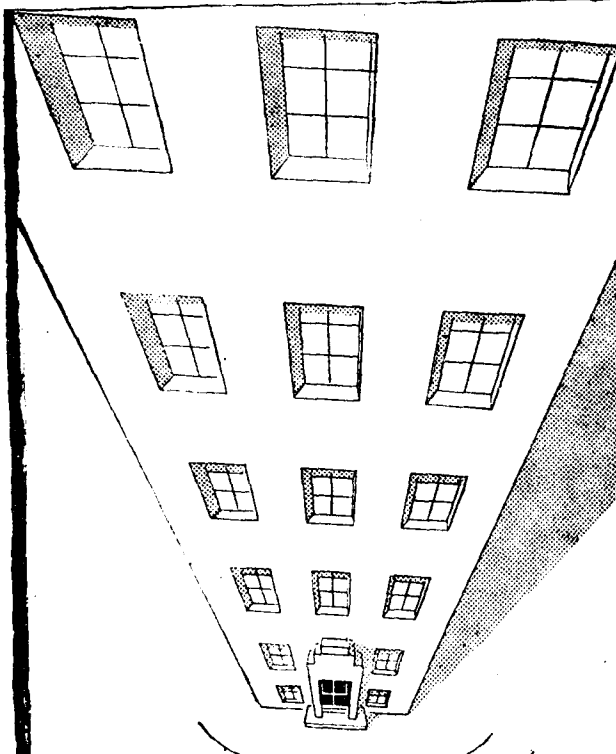
1935 and 1944

It is significant that no attempt has been made in Moscow to call back into being the Russo-French Treaty of alliance concluded by Laval in 1935, a treaty that has never been rescinded, but was always a dead letter. Yet the history of that Treaty contains a lesson and a warning. Treaties of alliance mean very little if the policies of the Allied nations

do not make them a living reality. The pact of 1935 failed primarily because those who then made French—and British—policy were not quite clear in their mind whether the war against Germany was really inevitable, and, if so, whether there was any value in a military alliance with Russia. The Munich interval relegated the Treaty of 1935 to the dusty archives of the French Foreign Office. Even on the morrow of the conclusion of that Treaty, it was fairly clear that influential sections of French public opinion were against it, and were prepared to obstruct its working. The reception given in France to the alliance of 1944 has been strikingly different. Those who opposed the Treaty of 1935, and who might perhaps criticise the new alliance, have, on the whole, been in the camp of Vichy. They have no say in the political life of liberated France. All the other sections of French opinion have now thoroughly assimilated the lessons of 1940, and are firmly resolved not to place their country again in a position in which it would have to take the full impact of Germany's military might in a war on one front only. In addition, the underlying motive of the new alliance seems to be a common Russian and French determination to throw Germany back behind the Rhine in the west and Oder in the east. Since General de Gaulle's Moscow visit, the possibility of French—or perhaps international—control of the Rhineland has come to the fore in the Paris press. If some such agreement indeed underlies the new Alliance, then there will be some very awkward problems, ahead for Anglo-American diplomacy. However much Allied opinion may be prepared to accept the truncation of Germany in the hour of victory, what will be the attitude of the average voter on the maintenance of such punitive terms in fifteen or twenty years' time? And if the alliance system of Europe is to stand, with Britain and France committed to common action with each other and with Russia, what would be the consequence of British hesitancy over a preventive war?

Alliances and Western Union

The new Franco-Russian alliance is not exclusive. It supplements the Anglo-Russian alliance, and in a sense it may have prepared the ground for a closer regional grouping



OUR NEW OFFICES—
ALL THE FURNITURE
AND EQUIPMENT ARE
STEEL BY
Sankey-Sheldon OF COURSE

between the Western nations. A Western Union would now clearly fit in with the framework of the alliances which bind together Great Britain, Russia and France. It would no longer be open to the objection that it might be an instrument of anti-Russian policy. The immediate sequel to the conclusion of the Russo-French Treaty has been the suggestion that the Anglo-French Entente should be embodied in a formal treaty of alliance. The suggestion will certainly be welcomed in this country. There is no contradiction whatsoever between the conception of a Western Union and an Anglo-French Treaty which would merely formalise the existing relationship between the two countries. But the mere conclusion of such a Treaty would hardly do away with the obvious need for the Western nations to pool their resources and to co-ordinate their military and political policies. The alliances are the precondition and the framework for union in the West, but not a substitute for it.

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Design in Industry

Mr Dalton announced on Tuesday the formation of a Central Council of Industrial Design (with a Scottish Committee) "to encourage by all practical means the adoption of good design in British industry." This is good news—especially if it can be taken as a sign of a more energetic and constructive policy at the Board of Trade. Certainly the new Council and the Design Centres it will help to create should make a very important contribution to the recovery of British export trade. Before the war the need for improvement in the design of manufactured goods had become obvious and serious. Poor design was at least as potent a cause of lost markets as were high prices—and a much more common cause of complaint than deficiencies of purely technical performance. British manufacturers (with some notable exceptions) had fallen into the fundamental error of regarding technical quality and design as two different and distinct aspects of their industrial products. Technical quality and design are inseparable features in all sound construction—a fact that has been amply demonstrated in the production and performance of implements of war. The new Council, under the chairmanship of Sir Thomas Barlow, is more likely to gain the confidence of the manufacturers, since its members are drawn more from industry than the arts. Its duties will be the same as those proposed recently by the Federation of British Industries—to conduct publicity for good design; to co-operate with education authorities in matters affecting the training of designers; to advise public bodies on their purchases, displays and exhibitions; and to serve as a centre of information and advice on all matters of industrial art and design. The Council's main task will be to

encourage and assist the establishment and conduct of Design Centres (for separate industries), and to advise the Board of Trade on the grant of financial assistance to these centres.

There is a vast amount of work to be done by the industrial design centres in design research, market research and in the efficient co-ordination of local education and industry. The pioneer centre, the design centre of the cotton industry, has done excellent experimental work. Its example should be of great value to the Council. It is greatly to be hoped that the Council and the Design Centres will not confine their activities to the problems of design in consumer goods industries. Improved design is needed, not perhaps so obviously, but certainly as urgently, in the producer goods industries—in the production of tools, machine tools and machines.

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Local Government Elections

The Representation of the People Bill was given its Second Reading on Tuesday. Its main provisions add another important chapter to the long story of the extension of the franchise that began in 1832. The Bill extends the principle of universal adult suffrage to local government elections and will increase the local government register by about 7,000,000 electors. It provides for the resumption of local government elections (borough councils in November, 1945, and county, district and parish councils in March and April, 1946), and makes arrangements for the publication of registers of electors at certain fixed dates. The councillors who have been co-opted to fill vacancies during the war will retire before the next elections with the councillors elected in 1936—so that, on the average, about half the councillors' seats will be contested. The Bill has been criticised on the grounds that it does not go far enough;

that it misses an excellent opportunity of making bold changes in the system of local government representation. It is true, as Rear-Admiral Beamish pointed out on Tuesday, that the aldermanic system is not entirely consistent with a universal franchise and may sometimes "be fraught with unpleasant possibilities of log-rolling and worse." But the system does ensure some measure of continuity and stability in assemblies that might otherwise be wholly inexperienced and amateur. If the aldermanic system is to remain, however, there appears to be some justification for another proposal that has been put forward—that an entirely new body of councillors should be elected every three years. It is claimed that the present system, by which one-third of the councillors retire each year, encourages apathy in the electors, since, though elections are very frequent, each one is unlikely to produce any decisive change in the political character of the councils. It is unfortunate that Parliament cannot find the time to debate these important and interesting questions with the thoroughness they deserve.

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Motor Vehicle Taxation

The Chancellor of the Exchequer has decided to accept the recommendation of the Society of Motor Manufacturers and Traders and charge motor vehicle licence duties on the cubic capacity of the cylinders instead of simply on their bore, as with the so-called RAC formula that has been in use for a number of years. The change is a small one, and will not make much difference to the great majority of car owners, particularly since the proposed rate of £1 per 100 cubic centimetres is designed to bring in about the same revenue as the present rate of 25s. per horse-power. It will, however, relieve British designers from the pressure they have hitherto been under to design engines with small bores and long strokes, simply for the purpose of evading taxation. The new rate will come into force at the beginning of 1946 and it has not yet been decided whether it will apply to existing cars as well as to new ones. Nor has it been decided whether there shall be a step in the duty for every 100 c.c. or whether there shall be wider classes. The Chancellor rejected, "anyhow at the present time," the various proposals that have been made for shifting more of the tax on to the fuel or for introducing a new basis of taxation, such as a tax on value.

So far as it goes—which is not very far—this is a step in the right direction: the British motor engine will not need to be quite so peculiar as it is. But the main point of the proposal to change the basis of motor taxation has been missed. The motor industry will be called upon to play its part in the great expansion of British exports that is necessary. But overseas countries, with one or two exceptions, want to buy cars considerably larger and more powerful than the midget cars which, under the pressure of the existing tax, have become the predominant type in this country. It is in the nature of the motor industry that it cannot produce—or cannot cheaply produce—special types for export. It follows, therefore, that if an export trade in British cars is to be built up, every step must be taken to encourage a growth in the size and power (which need not mean any significant increase in the cost) of the cars sold on the home market—a change that the domestic car-owner would certainly welcome once he got used to it. Therefore, the tax system should be altered so that it does not discriminate against the large car as such. One way of doing this is to graduate the taxation on value; another would be to levy a flat rate of duty on all cars, or on the whole of a small number of classes (e.g., one rate up to 15 h.p., another up to 25 h.p., and a third above 25 h.p.). Had the decision been based solely on the interests of the whole community, these arguments might have prevailed. But it has become the standard practice of the present neo-feudal age to act in consultation with the special interests concerned, who in this case are the Society of Motor Manufacturers and Traders. The motor trade, no doubt, would like to sell cars overseas—but not at the cost of its home market. Its major interest lies in preserving the peculiarities of the British car. It is of small moment to the trade that the British car cannot sell abroad, provided that the converse also applies—that the foreign car cannot sell in Great Britain. As Mr. Benson observed:

Naturally the manufacturers are all in favour of the present method of taxation. It gives them magnificent protection.

The Chancellor has clearly been strongly influenced by the SMMT. So protection is preferred to exports, which,

on the SMMT's own showing, will not be assisted by the slight change now proposed. The whole incident is a classic example of how economic policy is decided—but should not be.

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Whose Move in India?

The general situation in India does not appear to be making much progress. Mr Jinnah is reported to have refused to co-operate with the mediatory non-party committee gathered together by Sir Tej Bahadur Sapru, the Liberal leader. Personalities and errors of diplomacy may have something to do with his refusal, but it seems more likely that the fundamental reason is the fear of weakening the bargaining power of the Muslim League if it joined in negotiations in which its minority position would be accentuated. If his refusal is final, and there seems no reason why it should not be so, hopes of an agreement between the Indian leaders must be lower than ever. Direct conversations between Mr Gandhi and Mr Jinnah have failed, and now indirect conciliation by as eminent and detached a non-European body as could be found has also proved useless. The reaction to these failures is, and will increasingly be, to throw responsibility for achieving an agreed solution on to the British Government. The *Hindustan Times* has called the gesture of the Chamber of Princes an index finger which will

... make the Viceroy and the British Government realise the dangerous path they will be treading if they do not tackle afresh the entire problem of India's political and constitutional advancement.

Tactically, it may be the turn of the British to play a card or two, and yet it is hardly likely that, if they did, anything more could be offered than the Cripps proposals of 1942. Apart altogether from the wisdom of initiating far-reaching changes at this crucial stage of the Eastern war, the only proposal that would go further to meet the Hindus than the Cripps offer would be an offer to coerce the Moslems. But merely to repeat the Cripps offer would probably only exacerbate Indian suspicions of the sincerity of British motives. In that case, the wider strategy of achieving the best possible solution compatible with independence may dictate a firm stand on the very liberal terms already offered and refusal to initiate detailed discussions until the Government's stated conditions are accepted and the terms of release for the imprisoned Congress leaders fulfilled. This policy has paid dividends (though not very large ones) in the past two years, and may have still more to pay. In any event, if it be granted that there is any case at all for firmness, it would surely be foolish to abandon the policy now that Congress is on the defensive. If this is the intended line, the Viceroy, in calling the Princes' bluff, may be sounding a warning to others. It may also explain the rather studied concentration of the Indian Government on problems of economic development in India.

In this context of events, the resolution passed by the Labour Party conference, against the advice of its executive, shows an admirable enthusiasm for Indian independence, but little appreciation of the complex difficulties of achieving genuine freedom for Indians. The resolution called for the immediate opening of negotiations with Indian leaders, but it failed to specify on what basis such negotiations should proceed. Unless the supporters believed that Indian leaders would find common ground in the presence of the dominating power and would forget the differences which broke up their own direct discussions, it is hard to see how such a suggestion assists a final and acceptable solution. While many will have more emotional sympathy with the Labour Party conference than with the hard-headed and obscure workings of the Government of India, it may yet be that the policy of the latter will contribute more to the formation of a free and cohesive India.

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The Italian Scene

The second Bonomi Government, formed in Rome on December 10th, marks the actual end of the coalition of the six parties on which the previous Government was based. The Action Party, led by Count Sforza, and the Socialists, headed by Signor Nenni, have remained outside the Government. The coalition now consists of the Liberals, the Labour Democrats, the Christian Democrats and the Communists. Signor Togliatti, the chief of the Communist Party, and the Christian Democrat, Signor Rodino, are Vice-Premiers. The

much disputed post of Foreign Minister is held by Signor de Gasperi, the present leader of the Christian Democrats. The purpose of the new Government is essentially to keep the truce between Monarchists and Republicans to which the political parties committed themselves when King Victor Emmanuel withdrew and Prince Umberto was appointed to be Lieutenant of the Realm. But the truce is an uneasy one, and the basis for Signor Bonomi's Centre policy is becoming more and more narrow. The Action Party and the Socialists have decided to boycott the new Government because they wanted it to derive its powers from the Central Committee of National Liberation and not from the Lieutenant of the Realm. The Premier, Signor Bonomi, the Liberals, the Liberal Democrats and the Christian Democrats refused to leave the Lieutenant of the Realm out of the picture. Curiously enough, they eventually found support from the Communists. This is not to say that the Liberals or the Christian Democrats stand for the monarchy in principle. All those parties are internally divided—they include Republicans as well as Monarchists—but even the Liberal and Catholic Republicans wish to postpone the decision until the whole of Italy is liberated and the Italian people can be consulted.

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How stable the present coalition will be it is difficult to predict. Distrust between the Communists and their partners in the Government is fairly strong; each conciliatory gesture of Signor Togliatti is still suspiciously regarded as a clever trick; and the Communists, now pale pink, are under the pressure from their Left critics—the Socialists and the Action Party. At the same time, the opposition against the political truce and the Bonomi Government is growing from the adherents of undiluted monarchism, who remain outside the coalition and are more aggressive and vocal now than at any time since the collapse of Fascism. It may be that politically only the presence of the Allied Control Commission still keeps the issue of the Monarchy from violently exploding the uneasy political truce. On the other hand, the complete unreality of the Government's position under Allied control is one of the chief causes of instability. The Italian Government has virtually no powers. The economic life of the country is still managed almost entirely by the Commission. No decisions can be taken without reference to it. In such a vacuum, political and institutional divergences loom ever larger. In the interests of Italian democracy, the Allies should find some method of giving the Italians at least a semblance of genuine self-government.

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Labour Politics

The chief impression of last week's Labour party conference is one of a continuous tussle between the platform and the floor. The honours in the first few rounds went to the executive, but in the final stages the delegates came out on top. To change the metaphor, though the executive's old grey mare succeeded in surmounting the first day's obstacles—the questions of the Coalition and alliances with other parties—and in sidestepping the hurdle of Greece, it could not keep up the pace set by the delegates' spirited colt, and

INSURE WITH



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was left behind on both the election programme and on India. The executive's resolution on postwar employment, though ably and uncompromisingly moved by Mr Shinwell, was regarded as too academic and vague. This resolution called for a planned economy to ensure full employment, and for State direction of industrial and financial policies, with Government control over the banks, national investment, and the location of industry, and international agreements to promote foreign trade and encourage the economic development of backward countries. But it did not mention public ownership. The adoption—to the consternation of the Executive—of a resolution moved by Reading now pledges the party to include in its election programme the nationalisation of the land, of large-scale building, and of all forms of banking, transport and fuel and power, and to introduce legislation for the democratic control of industry with provision for workers' and consumers' representation.

This may or may not be good electioneering from Labour's point of view. On the one hand it might be said that such a radical programme might frighten off middle-class voters and give the other side an opportunity to raise a "Red" scare. But on the other hand, there is nothing in this programme which has not always been in Labour's policy, and there is something to be said for adopting a clear-cut programme that enables the ordinary voter to know what he is voting for. The vote on this resolution certainly indicated the feelings of the majority of party workers who, restive after five years' enforced political inactivity, are longing to get back to their constituencies on a full-blooded Socialist programme, so that they can fight the next election with the gloves off—even if they have not considered very deeply what the new commitments would involve. In this, there cannot be said to be any difference between the attitudes of the political and industrial wings of the movement. The Reading resolution was after all much the same as the policy adopted by the Trades Union Congress in October. The traditional picture of reactionary trade unions swamping the progressive constituency vote was not borne out by this year's debates on home policy. Such clashes as there were arose on the question of peace terms and over the "Vansittartism" of certain trade union leaders—but this seemed to be as much a personal as a political issue. It now remains to be seen whether the party's leadership will move in the same direction as the rank and file. The conference leaves no doubt that though the Labour Ministers are left in the Government, the ties of the coalition will become increasingly strained.

West Indian Elections

This month, general elections have been held in two of the West Indies—Barbados and Jamaica. In the former, the franchise was recently greatly extended by a considerable reduction in the property qualification and by the grant of the vote to women; in Jamaica, the election was the first to be held there on the basis of universal adult franchise. The Barbados election has resulted in an overwhelming victory for the Progressive League, which has increased its membership of the House of Assembly from 5 to 15 out of a total of 24. This party has already had some experience in government—in so far as that is possible under the existing constitution—for its president, Mr G. H. Adams, was a member of the Executive Committee which advises the Governor, and another of its representatives, Mr H. Springer, is a member of a committee appointed by the Governor to consult with the Comptroller for Development and Welfare in the West Indies, and to recommend schemes for assistance under the Act. Last session was notable for the amount of social legislation that was passed. With the Progressive League in such a large majority, the pace of social advance is likely to be quickened. In Jamaica, the so-called Labour party has won a sweeping victory, and will probably have 22 seats out of the 32 in the new House of Representatives. But this Labour party is a very different affair from the Progressive League in Barbados, and even more different from the Labour party in this country, in spite of its connection with the trade unions. It is, in fact, a one-man show, run by Mr Alexander Bustamante, who was able to capture the untied electorate by his eloquence and fine promises. It is a pity that in so doing he has swamped the People's National party, which holds much the same views as the Barbados Progressive League, and, in particular, that its leader, Mr Norman Manley, one of the outstanding personalities in the West Indies, should have narrowly lost his seat to the Labour candidate in a three-cornered contest. But this is not

to support the view that universal franchise has been given to the Jamaicans too soon. Can any country, however mature politically, claim to have made no mistakes in a general election? Jamaica, too, must be given the chance to learn.

Repairs and Renewals

Delay in the repair of bomb-damaged houses has already caused needless suffering and anxiety to many Londoners. Mr Sandys's statement in the House of Commons last week and the memoranda issued by the Ministry of Health to the local authorities show quite clearly that the strong criticism of central and local handling of the matter has been entirely justified. The steps now being taken, so belatedly, to put some kind of order into the work are elementary precautions against waste and injustice and should have formed the basis of the original plan of campaign—if there was one. Hitherto the standard of repairs has been determined individually by each local authority, with the result that there have been wide differences from borough to borough. Some authorities have permitted and arranged repairs and redecorations at a standard inconsistent with the major aim of providing a maximum number of people with a reasonable minimum of comfort as quickly as possible. They have also been selfishly discriminating in their use of repair materials—and unwilling, very often, to make do with substitutes—so that shortages have been exaggerated. The new directions to local authorities are intended to avoid cross freights and uneconomic hoarding of materials; to safeguard the supplies of materials in shortest supply—plaster, plasterboard, glass and tiles; and to set up common standards of repair. One builders' merchant will be selected to advise the local authority in each area. He will assist the War Damage Officer and his Materials Officer on questions of commodity supply and allocation. Each local authority will be provided with a list of the merchants responsible for supplying contractors working for them, and the percentage of the weekly allocation which these merchants will receive. By this process the allocation of materials among the 96 local authorities of the London Region will be made in accordance with actual requirements. These proposals are obviously in the right direction. If they are carried out efficiently they may produce the extra effort that is needed to make up for lost time.

The Law of Ghosts

Under the demure title of *Rex. v. Duncan and others*, the Court of Criminal Appeal have heard the appeal of the four defendants in the eight-day prosecution at the Old Bailey under the Witchcraft Act of 1735. The defendants had been convicted of "Pretending to exercise or use a kind of conjuration" and had appealed. The appeal was dismissed. Any conviction under a two-hundred-year-old Statute has something of an antiquarian interest. This is also a neat example of the empirical British way of handling problems which we either do not understand or are indisposed to investigate fully. Statutes against conjurations and invocations have a long history. They go back to the reign of Henry VIII (33 Hen. 8 c. 8). That Act made any conjuration with any spirit an offence. In the days of Elizabeth, under the Statute 5 Elz. c. 16, the offence was "the conjuration and invocation of evil spirits." Both Edward VI and James I gave legal recognition, by Act of Parliament, to evil spirits; but, 130 years later, George II and his Parliament were more sensitive and returned to the habit of mind of Henry VIII, in that the Act of 1735 forbade a pretence of "any kind of conjuration." That is the position today. It is arguable that the parliamentary draughtsmen of George II's day, men of an age of reason, may have regarded any attempt at conjuration or invocation of any spirit as a pretence. Grammatically, that is a possible reading of their Statute. But by now the word "pretence" in law has become more technical. It relates to the false as opposed to the true. It implies that the act "pretended" may, in fact, be done in a genuine way. In short, it implies that you can conjure real spirits. That was the basis of the decision of the Court of Criminal Appeal, for they made it very clear that the prosecution had to convince the jury in the Duncan case not that the defendants were conjuring spirits, good, bad or indifferent, but that they were doing nothing of the kind, that their alleged ectoplasm was nothing but butter muslin. At this time of year it is pleasant to know, on high authority, that a chat with a ghost, provided it is a genuine ghost, is not *ipso facto* a criminal offence.

Letter to the Editor

Tourism in Britain

TO THE EDITOR OF THE ECONOMIST

SIR,—Recently in England, I determined upon becoming an intellectual, and therefore immediately subscribed to *The Economist*. I have received my first copy, dated October 21st. The proof that I have already attained the level of an intellectual is indicated in the fact that I am particularly interested in your article "Tourism in Britain."

About tourism in the United States, note particularly that I started a campaign to open the Capitol in Washington, and finally got it opened. Every Sunday anywhere from 25,000 to 50,000 people go through the House of Representatives and the Senate. During the time that it is not too cold, bands play on the square in front of the Capitol. These have been spectacularly successful. A reasonably fair proportion of those who visit are from the uniformed services of the British Commonwealths.

Why shouldn't you immediately for good will purposes open the Parliament?

In week-days it's hard enough for a well-known American with many friends to get into Parliament. It's almost like a Protestant getting to see the Pope. The cops on the doors are somewhat zealous on these week-days. As for American soldiers getting in, it is almost impossible. They must go to the American Embassy—where, of course, they are unknown—to get someone to give him a ticket or recommendation. Or, according to a rather surly individual on the Parliament entrance, the American soldier must go to "Service Clubs," although I could not find any such organisations where soldiers could get these tickets.

On Sunday the Parliament building is dead, and I mean dead. I went to Westminster Abbey to attend church, where gawking Britishers (and Americans, of course) pushed me around while I was vainly attempting actually to pray.

The point: If you drew out a big crowd with bands and the like, tourists would flood over into Parliament between the hours of 8 a.m. and 1 p.m., and it would give the people a chance to have religious devotions at Westminster Abbey.

But the point, principally, is if you open Parliament on Sunday, you will make a million friends in the next two years. Where the House of Commons has been bombed out, have signs around the place telling of the destruction. Let people roam around, as you are permitted to do at the Coventry Cathedral. On Sundays have free guides—as we do in the Capitol and in the Library, where we have the Magna Carta—have free lectures "telling all about it."

Have your lecturers trained with some neat compliments on Anglo-American relations.

Back to your article. You say your top was thirty-three million pounds per annum of tourists. I don't know how many Americans you got, but you should get five times as many after the war, and they would spend a lot of money.

You say that in England a man can "see a new way of life, eat new food and drink unfamiliar drinks." I do not wish to be impious or lacking in reverence for the land of my ancestors. But would it not be better to say *old* ways of life? As for "unfamiliar" drinks—does every American have to submit to your secret weapon, undoubtedly devised to destroy the hearts and souls of Americans—that which you falsely and libellously call coffee?

As for the improvement of hotels—and this quite seriously—hotels in England seem to me to be more expensive than American hotels. Without mentioning the names of two of them in London, they are both more expensive than the Waldorf-Astoria in New York and the Mayflower in Washington. Even the medium-priced hotels are more expensive than American hotels.

The answer is the widespread building, along with your housing campaign, of thousands of new hotels. (In the name of God, do not make them too big.) Make them out of the plastics, synthetics and new materials that we will make in America. You haven't enough bricks and lumber in all the world to rebuild England or Western Europe or even to build the necessary houses in America. But you must build more hotels. They must be put everywhere, and they must be utility hotels and cheap.

In another part of your paper you mention "Ministers of the Crown," of which you apparently have as many as ministers of the Cross. Without being at all humorous, it would seem worthwhile to make a Minister of Courtesy or Minister of Travel (do not use the word tourism), who would go about banging people's heads together demanding that hotels be built, that railroads give better service, and making a general nuisance of himself with all the other Ministers and all the business men in England to build up more tours for Englishmen and for anybody else who would come to England or who would pass through it.

As an American suffering horribly from anglophilia, I want you to realise that this is not only happy blood to be traded from heart to heart, but money to jingle in our Anglo-American pockets.—Sincerely yours,

MAURY MAVERICK,
Chairman and General Manager,
Smaller War Plants Corporation

Washington

AMERICAN SURVEY

The Argentine Issue

(From an American Correspondent)

[EDITOR'S NOTE.—This article, by a correspondent who has recently returned to the United States from Latin America, fairly reflects the dominant trend of opinion in the United States. The views of THE ECONOMIST on the dispute were stated in an article in the issue of August 5, 1944.]

Washington

IN Washington's momentous fumbblings for a world policy the State Department still seems to have the Argentine bull by the tail, unable either to let go or twist him for a fall. Meanwhile Mr Sumner Welles, ex-Under Secretary of State, like a Comanche at a party to which he has been distinctly uninvited, rides circles around the Department, popping his guns and, curiously enough, seeming to score through shooting at the wrong target.

The point actually at issue is less Argentina than a question of policy. Ostensibly the Argentine imbroglio is concerned with the doctrine of recognition, and this subject must be disposed of first of all. Mr Welles contends that

there should be automatic recognition of revolutionary governments and espouses the Mexican Estrada doctrine. His proposal for an inter-American conference to consider the Argentine-US case is generously presented as a means of achieving absolute—though perhaps unpalatable—truth by a majority vote. It carries the underlying inference that the American republics would crack down on Argentina—though the fact that the Argentine Government itself has asked for such a conference shows that they, at least, anticipate a different result. Mr Welles himself had the opportunity to bring Argentina into line by this method at the Rio de Janeiro conference in January, 1942, though he might have destroyed the Castillo Government in so doing. But whereas at that time, in the heat of rage generated by Pearl Harbour's fires, eighteen countries would have backed him (plus probably Chile for the twentieth vote), a collective condemnation of Argentina to-day is impossible to mobilise. There would be a split vote and probably a plea to call the whole thing off. Thereupon Mr Welles could

claim vindication of the policy of automatic recognition and his own policy as distinguished from Mr Hull's.

The State Department has the best of reasons for not recognising the Farrell Government. The distinct pattern of Fascist government in Argentina (which Mr Welles sedulously avoids noticing) is heightened by policy propaganda from Berlin, reaching Argentine government and military circles by short-wave radio. Yet the State Department has relied on the weakest of all weapons—non-recognition—to signify its condemnation of an outrageous condition. Its policy, if a big word must be used for this weak brew, has been hope. It hoped the Argentine people would revolt; it hoped that the military would be impressed by the tremendous Allied war effort and would decide for the victors; it hoped Farrell would fall. This hope, when sustained at all, was encouraged by slow garrotting: Argentine gold was frozen, but the measures were explained away with many assurances that they constituted no sanctions; US ships no longer touch at Argentine ports; export licences have been withheld. This slow motion has been justified on the grounds that it gives Argentina a chance to reform and not lose face in the process. It has in fact given Farrell (and Castillo and Ramirez before Farrell) time to adjust his government to new conditions. And the Argentine people, who were sympathetic in the beginning, are likely to be against the United States shortly under this pressure and the barrage of totally government-controlled propaganda—much of which is not untruthful but merely the other fellow's point of view.

The State Department has before it only two alternatives: to smash the Farrell Government by economic sanctions and be ready to use force should Farrell move on Uruguay or elsewhere; or to make up its mind once and for all that Argentine meat, wheat, corn, linseed, leather and wool are so important to Allied soldiers that they outweigh political considerations. (Such pure wartime expediency can be justified as easily as a meek policy towards Turkey for the sake of chrome.) The fact that either of the alternatives is utterly disagreeable does not alter the necessity of breaking the present stalemate.

The stalemate must be broken, since, as President Lopez of Colombia has recently expressed it, "Argentina now provides a peg for dissident American opinion." Dissident from what? From democracy. For despite their assurances to the contrary, it is the large landowners and industrialists of Argentina who have backed the Nationalist Governments of Castillo, Ramirez, Farrell. These backers are now somewhat uneasily watching the Government's leading extrovert, Colonel Peron, organise his personally dominated labour unions. The pattern of German Nazism is repeating itself. But it remains to be seen whether repentance will come early enough to Argentina's ruling classes, or whether Colonel Peron's vaulting ambition will overleap itself. The Argentine proposal for a conference may reflect some desire to find a way out, rather than merely a wish to exploit a pan-American spirit.

Action, some action, any action, by the State Department is urgently needed. When Russia declared war on Bulgaria just to be sure that the Bulgarians made up their minds in a hurry, the analogy between the United States and Argentina was drawn as fast as the newspapers hit the streets. But beyond the immediate necessity of settling the Argentine affair lies the deeper one of policy. Here the need is not for longer and prettier statements—the State Department's drafting officers are among the world's best. The need is to know whether the dedication of the people of the United States to democracy—in Latin American terms probably limited to the observance of the common human decencies and the basic rights of man—shall be translated into action through its agency for foreign affairs. Or whether profoundly antagonistic governments can flourish and grow stronger in alliance with our enemies while the State Department ponders the minutiae of procedure.

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American Notes

Tail-Twisting Carnival

One of the liveliest of the Liberal columnists, Mr Samuel Grafton, has drawn attention to the torrent of anti-British propaganda which is now flooding the United States, "pronouncements, manifestos, declarations, cartoons and wisecracks." Some are put out, he says, by the Liberals who object to British policy in Italy and Greece, but some come from former Isolationists who see an opportunity to get in their own particular anti-British blows. The New York correspondent of the *Daily Telegraph* has suggested that some of this stream of criticism has been officially inspired. Mr Raymond Gram Swing counsels the British public not to take these attacks too tragically, as they are "a demonstration of intimacy" and "their very lack of restraint arises from a sense of the fundamental security of the association between the two countries." That is uncommonly like the classic defence of the Cockney wife-beater who said "he clipped her on the jaw regularly every night to show his affection." The sum total of anti-British feeling in the United States is built up out of the activities of many groups who individually would angrily disavow any intention of breaking the alliance or alienating the two peoples. These doubtless include those Zionists who pay for full page advertisements in the newspapers attacking the British Government vehemently on Palestine; the liberal journalists who berate the British as the agents of international reaction; the conservative commentators who denounce them as the partners of Bolshevism; the business men who profess to fear that the British will outwit them in the world's markets; the good Senators who spread the alarm that the British are waxing fat on the illicit profits of Lend-Lease; and the Army newspaper that suggests that US troops are going short of cigarettes because the British are getting them. Each separate tug at the lion's tail may be no great matter, but the cumulative effect of many tuggers is a subject for the RSPCA. The political consequences would seem worth the attention of the White House and State Department. It is all very well to dissemble your love, but it is poor policy in wartime to kick a faithful partner and ally downstairs.

Search for a Foreign Policy

The Senate's examination of the President's nominations to the State Department turned into something more than an inquiry into the fitness of the new appointees. Senator Vandenberg made Mr Stettinius' statement on Poland the occasion for a demand for a statement on the foreign policy of the United States from the President himself, on the grounds that only Mr Roosevelt can speak with real authority. The events of the past fortnight have created alarm in all quarters. The Polish dispute and British policy in Greece are interpreted as naked power politics; the Franco-Soviet alliance as a return to the system of alliances which Americans had hoped to see superseded by more general arrangements; the by-passing of the Atlantic Charter is deplored, and in extreme quarters there is a demand for a "withdrawal from Europe." The old isolationists are listened to with a new respect. Mr Arthur Krock, the columnist, professes, after a series of Congressional interviews, to see a danger of the resurgence of "American non-interventionism" in world affairs if satisfactory assurances are not forthcoming that American principles are not being flouted. Mr Krock is not alone in fearing that the current wave of disillusionment may have fatal effects upon the prospects of the Dumbarton Oaks plan, which, it is said, may be wrecked on the rocks of British and Russian power politics. Some of this anxiety is genuine, though it would be wrong to ignore how well it suits the books of the isolationists. A more realistic, though not less concerned note, is struck by the *New York Herald Tribune*, which points out this week that America finds herself without much voice in specific settlements largely because of her policy of looking only at the broad structure of an international order, and refusing responsibility as to the details. In defence of the Administration, it should be said that it is already clear that the implementing of the mandate for international co-operation which the President received in November will not be as straightforward as it then appeared; and anxieties on this score may well have reinforced the traditional aversion to American involvement in the complicated realities of a European settlement which

do not always lend themselves to solution by the enunciation of high principle alone. What is not always appreciated in the United States is that recent events in Europe of which Americans are so critical are to a considerable degree the product of renewed fears that, twice in a quarter of a century, the loftiness of the American design for peace will not be matched by an equal willingness to undertake the responsibilities that the plan implies. In his Inaugural Address, Mr Roosevelt may undertake to bridge this dangerous gap, which, it must be said, has been widened rather than narrowed by recent pronouncements from the State Department.

Manpower Expedients

The failure to secure a National Service Act early in the war makes it necessary to deal with each manpower "crisis" by a series of *ad hoc* and piecemeal measures. Early November production figures suggest that these have not been altogether unsuccessful. Heavy artillery ammunition last month increased 23% over October, and was 6% above the November schedule; and there have been similar increases in the production of Super-Fortresses, heavy trucks and tyres, heavy transport planes, and other items. Much of the credit for this improvement may well be due to the "morale" pronouncements of which there has been such a large output; though it is suggested in the *New York Times* that it also follows the tightening up of its scheduling procedures by the War Production Board to assure the delivery of critical component parts. The chairman of the Board further reports "renewed enthusiasm" for war work on the part of men aged 26-37 since the announcement that if they leave essential jobs they will be liable to immediate call-up. In making the announcement, Mr Byrnes pointed out that several thousand men have already been released to fill critical vacancies in war plants; and he intimated that their places in the Forces must now be taken by men hitherto deferred, but now found not to be making any substantial contribution to the war effort. Should the new compulsions prove inadequate to maintain war production, they may be accompanied by new inducements. Both the Services and the War Production Board are said to look with some favour on the institution of a bonus for war workers who stick to their

lasts. It is the suggestion of Mr Krug, of the War Production Board, that this might take the form of a "cushion" against discharge at the end of the war. Presumably this would be the end of the Japanese war. The difficulty of holding workers to war jobs is already sufficiently acute to have required a "freezing" of civilian production at existing levels. Reconversion at the end of the European phase of the war may be less extensive than was expected last summer, but it will hardly be possible to restrict civilian supplies simply for the purpose of keeping war workers at their machines, and further financial inducements may be necessary.

Giant Leaker

Mr Drew Pearson, the widely syndicated Washington journalist, was recently adjudged by his colleagues in the Press to be the most influential of the daily columnists. He helps to mould the opinions and reinforce the prejudices of many millions of Americans. His popularity and his influence are based, to a large degree, on what appears to be a unique access to the sources of news. One of the features of his column in recent weeks has been the publication of what purport to be secret telegrams sent to the United States Government. Mr William Phillips' reports to the President on India, and a dispatch by Mr Kirk, the U.S. Ambassador in Rome, detailing Mr Churchill's instructions to General Scobie on the Greek crisis, are among the forbidden fruits Mr Pearson has collected for his readers. The latest pippin from the official orchard is the alleged text of Signor Bonomi's grievances against the British Government as privately addressed to Mr Roosevelt. There is much head-shaking in Washington over Mr Pearson's leaks. Leak, incidentally, seems a pallid description; if the disclosures are really authentic it looks as if a pipe had burst somewhere. Mr Pearson evidently has not been unduly discouraged—or perhaps he has only been put upon his mettle—by President Roosevelt's reference to him last year as an habitual liar. If there is a bootleg traffic in secret papers—all of them, curiously enough, anti-British—the U.S. Administration will have to take some more effective action to reassure other Governments that it can protect their confidences if not its own.

THE WORLD OVERSEAS

Greek Political Parties

AFTER two weeks of civil war all political discussion in Athens seems to centre on the idea of a Regency, to be set up and to remain in being until the fate of the monarchy is decided by a popular vote. Archbishop Damaskinos, the Primate of Greece, has been suggested as the most suitable candidate for the post of Regent. The Regency is likely to be accepted by wide sections of Greek opinion. Moderate Republicans may support the Regency, hoping that it will bar the way to the King's return and facilitate the transition to a Republic. There seemed some hope at first that moderate Royalists would also support it, but the negotiations between the King and the Royalist Ministers in Athens suggest that this may not be the case. The fact that after more than two weeks of fighting a solution is now being sought in this direction shows that the real issue at stake is the controversy over Republic and Monarchy, and not any *coup d'état* by the Left Wing guerillas allegedly aiming at the imposition of a Communist dictatorship on Greece.

The events of the last weeks have revealed the great strength of the "rebel" guerillas. After initial defeats, suffered in the centre of Athens, the guerillas have entrenched themselves in the suburbs of the Greek capital, from where they have even been able to strike back at the centre of the city. Most of the countryside and the large provincial towns are under ELAS control. The arrival of strong British military reinforcements will, of course, tip the scales against ELAS. Even so, it is now clear that the suppression of the rising cannot be achieved by a short punitive expedition. Should no political compromise be found,

the Allied Command would be confronted with the prospect of a serious and protracted campaign.

The strength of General Scobie's Greek opponents is primarily of a political and not of a military character. It is now evident that the influence of the National Front of Liberation (EAM—*Ethnikon Apeleutherotikon Metopon*) is considerably wider than it was even recently assumed to be. True, the military force, ELAS (*Ellinikos Laikos Apeleutherotikos Stratos*) is not more than an "active minority." But behind it stands the political force of EAM, which undoubtedly speaks at least for the whole working class of Greece. In the absence of any electoral test, the general strike called by EAM has proved this conclusively. The strike has been complete. In this respect the events in Greece provide a significant contrast to the earlier developments in Belgium, where the Communists' call for a general strike was disobeyed by large numbers of workers. The fact that the Greek dockworkers have stopped unloading food supplies in the Piraeus is certainly regrettable and tragic. But, as their decision has most of all hit their own starving folk, this gesture of desperation ought to stimulate more reflection than indignation. It indicates some very acute and widespread resentment which can hardly have been remedied by angry remarks about "murder gangs" and "the iron rule of ruffians."

What does the EAM represent in Greek politics? It is, broadly speaking, a bloc of the Left and of elements of the Centre. Its chief components are the Communist Party, the Agrarian Party, the Socialist Party, the Union of Popular

Democracy, the Trade Unions and a number of other Left Wing organisations. The Communists no doubt play an influential part. According to the estimate of the Socialist leaders of the movement, the Communist following forms about 20 to 30 per cent of the EAM, but its political weight is much greater than its numerical strength. Irreconcilable revolutionaries have undoubtedly been active in aggravating the present crisis, and obstructing conciliatory policies. Even so the leadership of the movement has been in the hands of Liberals who have come from Venizelos' party. Professor Svolos, chairman of the EAM, is the author of the Greek Republican Constitution of 1924. General Seraphis, the Commander-in-Chief of ELAS, is also a Venizelist officer, who served as chief of staff to General Plastiras, and took part in Venizelist uprisings. The political outlook of the EAM has been strongly influenced by the Liberal leaders. The EAM programme has been relatively moderate. It has stood for a progressive "Leftish" Parliamentary Republic, but not for Communist dictatorship. There has been no lack of latent friction between the "moderates" and the "irreconcilables" in the EAM. Recently in the heat of the battle the more militant elements have undoubtedly come to the fore; and British policy so far seems to have strengthened, not weakened, the unity of the EAM.

The EAM's most determined opponents are the Royalists and the former Metaxists, many of whom are now entrenched in the Populist Party. Their influence is anything but popular. The main strongholds of Royalism and Metaxism are the Civil Services and the officers' corps. Unfortunately, ever since General Tsolakoglou formed the Greek quisling administration, Royalism and Metaxism in occupied Greece have at least to the popular mind become almost synonyms for collaboration with the Axis. Only to a slightly lesser extent than in France, "legitimacy" in Greece has become anti-national and unpatriotic. True, the King and some of his Ministers have gone into exile, and kept their record clear. But such props of Royalism in Greece itself, as, for instance, the police and the gendarmerie, whose personnel has remained the same throughout the years of the Metaxas dictatorship and the German occupation until the present day, have become the main target of popular hatred. Royalism has thus joined in the new contest for power in a liberated Greece with the most severe political handicaps.

The antagonism between Royalism and the EAM is now aggravated by the fact that between these two camps no political tendency or party is strong enough to act as a steady balancing factor. The EAM is in some respects a continuation of the Greek Popular Front of 1936, to which the King replied with the Metaxas dictatorship. But there is one important difference between 1936 and 1944. In 1936 the old Liberal party was still the chief spokesman of Republicanism—the Liberals then possessed nearly half of the total number of seats in the Diet. But since then, Venizelos' Party has been broken up into a number of small splinter groups; and it no longer seems to be playing the central role in Greek politics. The downfall of Greek liberalism may have been due to various reasons. Venizelism without Venizelos could no longer command its old authority. Its leaders—of much smaller stature—were not capable of opposing the Metaxas tyranny with enough vigour and determination. Some of them acquiesced in the new régime, others resisted only passively. Still others sought to continue the Popular Front in the underground, where the weight of the illegal labour organisations was greater than that of the Left Liberal splinter groups. Thus the working classes inherited as a central plank in their political programme the Republicanism of the older middle-class Liberal groups. The result was that the Liberal party seemed to lose its chief political motive, and even perhaps its *raison d'être*. Only feeble remnants of the once powerful move-

ment tried for a time to lead an independent existence. One of them was M. Papandreou's Democratic Union, a tiny political group with no popular following. Confronted with the re-awakening of the Republican sentiment in the country, M. Papandreou has tried to adopt a neutral attitude, evading a direct answer to the "institutional" problem.

Republic or Monarchy?

From this brief and general survey the dilemma of Greek politics emerges quite clearly. In all probability the Republic can be revived only as a Republic of the Left. The alternative is not a Republic based on the Centre or the Right, but the restoration of Monarchy. The Monarchy must base itself chiefly on forces that have come to be regarded as anti-national. It can, therefore, reassert itself only as the dictatorship of a minority. This was already the case in 1936, a year after the restoration when the Royalists formed a minority in the Diet, and the King's reply was: Parliament is against me; away with Parliament.

Under such conditions the fears of the Right and the Left have inevitably become feverishly violent. The Right is haunted by the spectre of a Republic which may no longer be Venizelist but "Red." The Left's fear of the Monarchy is based not only on Republican sentiment, but also on the foreboding, based on recent experience, that the Monarchy will soon become a tyranny. M. Papandreou has been caught between two fears. He is not a Royalist; nor would he, standing alone, be capable of imposing any dictatorship on Greece. But his own weight in Greek politics is rather slight. In a broad coalition Government he was for a time the balancing factor. But should that balance be upset, should the Left be disarmed, and the armed forces of Royalism left intact, then M. Papandreou would certainly be swept away by the Royalist Metaxist Right, which has been mustering its forces behind his back.

Against this background the appeals to the Left that it should express its will "through the ballot and not by the bomb" might have been effective in one case only; if the forces of the Right were disarmed simultaneously with those of the Left. The Republicans in Greece know well that in their country the contraposition of the ballot box and the bomb has been somewhat unreal. In the past those who had the bombs "managed" the ballot; and as recently as 1936 Royalism asserted itself through force against an anti-Royalist Parliament.

The fear of the "Red Republic" on the Right is genuine enough; but it has undoubtedly been heightened with imaginative tales of sinister Communist conspiracies and plots. All evidence about the activities of ELAS suggests that its units may on occasions have taken justice into their own hands and wrought vengeance on collaborators or simply on political opponents; but ELAS and EAM have certainly been innocent of any conspiracy to prepare a *coup d'état* or a civil war. Ever since the first day of the fighting EAM and ELAS have not ceased to negotiate for an armistice, a thing that has never been done by conspirators who are really bent on seizing power through force. When, for instance, in the civil war in Spain did General Franco parley about laying down his arms?

The appointment of a Regent acceptable to all parties may possibly pave the way for peace in Greece; but only the disarming of all partisan forces can prepare the ground for a rather unfamiliar experiment in Greek democracy. The alternative is civil war à l'outrance, the result of which, with hatred and bitterness, full prisons and concentration camps, will be, in Greece as in Spain, the opposite of democracy.

Conscription Crisis in Canada

[FROM OUR OTTAWA CORRESPONDENT]

SHARP political turmoil over the conscription issue in Canada has had its roots in far deeper questions than whether or not 60,000 recruits who had been drafted for the army for home defence should be despatched overseas as reinforcements for the Canadian First Army. A sense of impatience with controls, a half-formed hope that the war is nearly over, at least in Europe, a throwing off of restraints which have curbed political controversy for more than five years—all these things were discernible. The issue which brought all these forces into heated conflict was conscription for overseas service.

The reasons why Canada, unlike the United Kingdom and the United States, has not had universal conscription in this war lie deep in Canadian politics and history, outweighing the obvious advantages of a general system of national service. When France fell in 1940, the Canadian Government enacted the National Resources Mobilisation Act. That it has subsequently been used extensively, through the selective service administration, to direct and transfer labour by the use of compulsion, is almost forgotten; what has mattered has been the fact that it has not been used to obtain men for military service. An opportunity to expand the conscription law occurred when Japan entered the war, and three extra divisions for the Pacific defences of Canada were authorised. The first step in conscription had been tentative—because of the extreme sensitiveness of public opinion to an issue which has caused serious trouble in the last war—and men had been called up for thirty days only and then placed in reserve. In 1942, this was quickly changed, so that draftees remained in service for the duration and were assigned to home defence. All this time, the policy followed by the Government, on the advice and with the encouragement of the general staff, was to retain the Canadian First Army, training in Britain for European campaigns, on a volunteer basis. General A. G. L. McNaughton, then army commander, was the chief exponent of this course.

The decision to maintain the overseas army as a volunteer force, while men drafted for limited service were assigned to home defence, made it possible for the overseas army to obtain draftees only if they voluntarily changed their status. Out of 975,000 men entering the Canadian armed forces since 1939, 150,000 of them were drafted, and of these 48,000 changed to volunteer status. Wastage through discharge and other reasons left the National Resources Mobilisation Act troops at a strength of 60,000 when Mr Ralston, the senior Minister of National Defence, returned from a visit to the European fronts in September, 1944, with a report for the Government that army reinforcements were being drained off and that a new force pool was needed without delay, or else the army would suffer a shortage by early in 1945. Heavier casualties than were expected in the campaign to take the Channel ports of France, and in the Schelde estuary, were mentioned. The prospective shortage was in infantry categories. Among possible courses of action canvassed were the transfer of trained men from other categories to infantry (since the Canadian First Army is highly mechanised and heavily armoured and possessed 200,000 reinforcements of other types); the breaking up of one division out of five; and the despatch of home defence draftees as reinforcements. The actual number of trained NRMA infantrymen was estimated at 8,000, a number capable of increase through further training.

Germany at War

Volkssturm Economy

OUT of the extreme disorder of military defeats, the withdrawal of armies and civilian evacuation from the threatened frontier territories, some sort of order has been restored. Millions of people have gone to work in underground factories or have been sent to new plants in the forests and mountains of Germany. Hundreds of thousands of old and infirm people continue to live in the cellars of their ruined homes, and a growing number of workers are being housed in emergency huts which lack even the most primitive form of sanitation.

Schoolchildren and their teachers have been distributed over areas which are relatively safe from air-raids, and in the towns a great number of schools have been closed. Civilian travelling is strictly confined to business purposes. Holidays from work and leave from the army have been cut down to the barest minimum. In towns, villages and countryside there are only two kinds of entertainment—the radio and the cinema. In the frontier regions air-raids frequently make it impossible for workers to return home after their shifts, and factory managements have been forced to provide night shelter for their workers.

There is hardly a large town left in Germany that has not been bombed, and this, more than any propaganda, has made the whole of Germany a theatre of war. Moreover,

Colonel Ralston recommended that available draftees, retained for infantry service, should be sent overseas. In 1942, during a prolonged debate on conscription, this eventuality had been foreseen by the Government, and a national plebiscite had given a heavy majority vote (except in Quebec) in favour of permitting the Government to send the draftees overseas on "conscription if necessary" basis. With Colonel Ralston's recommendation before him, the Prime Minister, Mr Mackenzie King, consulted General McNaughton, who had retired from the army command. General McNaughton advised him that the situation could be handled through a retention of the voluntary basis, and on November 2nd Colonel Ralston's resignation was accepted by Mr Mackenzie King. General McNaughton became Minister of Defence.

Public Opinion

Public information, in view of military security, was not sufficient for a final judgment to be passed on the point raised by Colonel Ralston—whether or not the need for draftees was urgent. But what became clear was that the Canadian public were no longer willing to temporise with an issue which had been the cause of endless and growing friction. A division of Cabinet opinion was obvious. Inflammatory remarks poured from conscriptionists, showering with astonishing violence upon General McNaughton. The plan, if it existed, to allow him a short trial period in which to obtain volunteers, broke down. A number of officers of the 6th Division, which contains many draftees, went to the length of voicing in the press their views, claiming that the draftees waited for the order to proceed overseas. In so doing, they incurred the risk of court martial for a violation of army regulations. This incident betrayed the violence of emotions aroused. Mr Mackenzie King, who had promised to inform Parliament if overseas conscription were required, announced that a session would be held.

Finally, a group of Cabinet Ministers—five or six, it is reported, from Ontario ridings where the conscription fury was hottest—presented to the Prime Minister a request for the conscription order which would release draftees as overseas reinforcements. Mr Mackenzie King yielded, and an order was issued to make available 16,000 draftees, representing two months' requirements of infantry reinforcements. Coming when the Mackenzie King Government had almost exhausted its five-year term obtained in 1940, the conscription crisis plainly requires a general election to clear the air. But the timing of the elections has been declared by the Prime Minister to depend on the course of the war, and a shortening of the European war would quickly transfer political controversy in Canada to other issues.

the fighting zones and the immediate communications leading to the fronts reach deep into the interior. German civilians and the millions of foreign workers employed in Germany are no longer watching the war from afar; the war is right among them.

From a political point of view, there can be no doubt that the leading groups of the Nazi party are still able and, above all, determined to continue the war. The economic problems which they have to solve are, however, something like squaring a circle. The shortage of labour, which has been a constant difficulty of the Nazi regime even before the war began, has now reached a point where no reserves are left. It is openly admitted for the first time that the few hundred thousands of elderly women who could still be sent to factories would make no difference. Along with the mobilisation of the Volkssturm, every available man and woman or boy and girl from the age of 16 onwards has already been sent to a factory. Girls and boys studying at commercial colleges are now employed in factories. Those secondary schools that were still open have been closed, and at universities, technical and art colleges there are hardly any students apart from disabled soldiers.

No estimate of the total number of workers employed in Germany is possible. In mere numbers, employment, even after the total mobilisation for the Wehrmacht, is probably equal to the level of 1943. But the efficiency of this multi-national mass of workers is below the standard

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of the first years of the war. This is clearly indicated by a new drive for increasing efficiency. But means and incentives for increasing efficiency are not there. Working conditions, the quality of raw materials, the technical efficiency of machinery and machine tools have been deteriorating over a long period. The wage and price stops cannot be suspended, and the new incentive has again had to be found in bonus payments in addition to wages. The Labour dictator, Sauckel, in collaboration with Dr Ley, the leader of the Labour Front, has formally abolished the distinction between skilled, semi-skilled and unskilled workers. Instead, eight different wages groups have been introduced, with a basic wage for each group. In addition to this basic wage, bonuses are paid as a general rule in accordance with individual output. This is perhaps simply a reflection of the levelling theory of the Volkssturm. Basic conditions of payment have been equalised. The result will naturally be that certain categories of workers will bring home larger wages. But, beyond his rations, the ordinary worker can buy nothing at all. Greater facilities for putting these wages into savings have therefore been provided, and there has been another prodigious increase in savings books.

Working hours have now been generally fixed at 60 a week. This means that the majority of workers are actually away from their homes, barracks or camps for 12 and even 14 hours a day. These long working hours must in the end defeat their purpose. There is certainly no possibility of maintaining, let alone increasing, output by compelling the workers to work for such long hours.

A war factory in Germany, and all factories are now engaged on war work, is a highly complicated affair so far as the management is concerned. The directors and works' managers have been reduced to a purely formal position, dealing mostly with the controlling authorities set up by the economic administration. The factories are actually run by a group of "engineers" who watch over the flow of workers, control each one's efficiency with stop-watch in hand, are concerned with economy in the use of fuel and material, and maintain the safety regulations. In sharp contrast to this complicated control stands a highly rationalised, and in parts extremely simple, working process, especially in the engineering industries. Here, again, both methods are at cross purposes. What is gained by rationalisation is mostly lost by interference from the complicated controls.

In contrast to the great mass of German and foreign workers stands a number of highly skilled engineers and research workers whose personal initiative must still be rated high. But there is no doubt that the mass of the

workers, in spite of differentiated food rations, are growing apathetic and work-shy.

The Levellers

The idea behind the reorganisation of Germany's economy, after the defeats of the summer and autumn of this year, was to create equal conditions for everybody in the Wehrmacht, in industry and in agriculture. The frequent transfer of large numbers of workers, the evacuation enforced by bombing and the dispersal of factories over the countryside had already levelled down different standards of living. This trend has now been deliberately emphasised by a massive comb-out of the political and economic bureaucracy. The broad basis of the Nazi hierarchy represented by the state bureaucracy has become smaller, but the active members of the Nazi party and the SA have been pushed into the foreground, particularly in the Wehrmacht. In other words, the political watchdogs of the Nazi party who are numbered by millions again dominate the scene in all spheres of life.

At the same time, a very determined recruiting and propaganda campaign has been begun among foreign workers and prisoners of war. Without these auxiliaries, or with serious disturbances among them, the industrial effort could not be maintained. They obviously form the greatest single source of the present precarious stabilisation.

It is extremely difficult to form a comprehensive view of everyday life in Germany in this sixth winter of the war. After the organisation of the Volkssturm battalions, all men aged between 16 and 60 are virtually under military discipline. In addition, the number of girls serving with Wehrmacht units or in the compulsory labour service must have grown to at least one million. The number of permanently disabled soldiers who are being trained for new jobs in industry or in administration is also very large. The men and girls in the Wehrmacht proper enjoy a privileged position in matters of food, clothing and housing. The working population in industry, trade and agriculture, the lower grades of the bureaucracy and the middle-aged housewives, as well as the working mothers with small children, who have no special privileges are in an extremely difficult position. Their main concern is food and clothing. The food rations are still sufficient to provide a minimum diet. In frontier districts, for example, emergency slaughter of livestock has made it possible to buy more meat in exchange for the so-called "Naehrmittel" cards, which provide semolina, pearl barley, lentils, etc. The black market in food-stuffs is relatively small and mainly confined to the higher groups of the bureaucracy. Extreme differentiation in food rations has obviously been a deterrent apart from the drastic penalties for dealings in the black market. The most valuable luxuries are cigarettes and tobacco. The ration is two cigarettes a day per person. It seems that cigarettes can buy anything that is still available. Even in the Wehrmacht they are scarce. In Western Germany life is more or less dominated by air-raids. But apart from a few country districts, no part of Germany has been entirely free from bombing. The relief and repair system, however, seems still efficient, and there is no sign yet that the medical services have not been able to cope with the casualties.

The most important thing, however, is that people are not left alone. Their working days are spent at factories. Housewives and elderly people meet at community workshops for homework, and the nights are frequently spent in community air-raid shelters. The few leisure hours that are available are usually spent in collecting rations or in trying to barter household articles. Coal, gas and firewood have been severely rationed, and most families are forced to spend their evenings in one room. In fact, life has become impersonal, all privacy has been broken down and between work and sleep there is precious little time left.

Books Received

- New Roads for Britain.* By George C. Curnock. The British Road Federation. 48 pages. 2s. 6d.
- The Common Interest in International Economic Organisation.* By J. B. Condliffe and A. Stevenson. International Labour Office. London: King and Staples. 135 pages. 6s.
- Greece.* Compiled by Kathleen Gibberd. British Survey Handbooks, No. 3. Cambridge University Press. 106 pages. 3s.
- Germany, Russia and the Future.* By L. T. MacCurdy. Current Problems, No. 23. Cambridge University Press. 140 pages. 3s. 6d.

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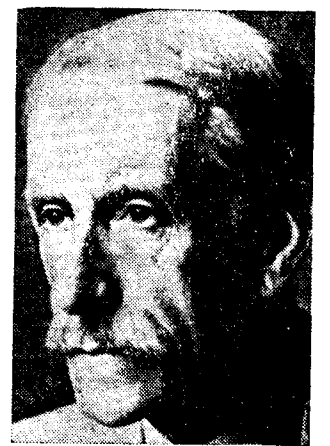
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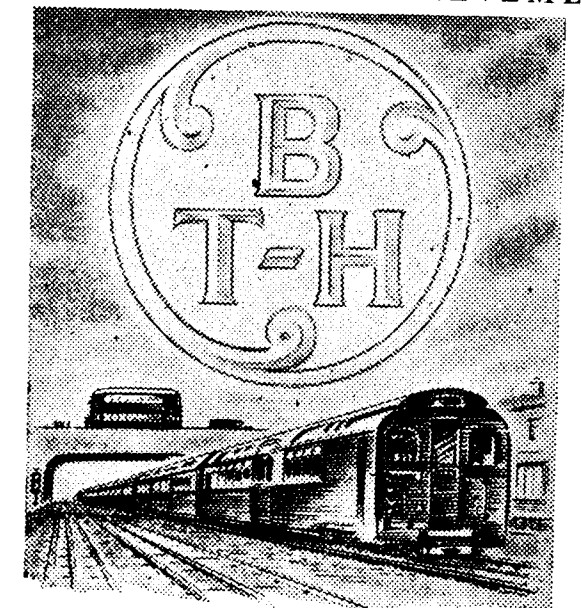


SIR FREDERICK GOWLAND HOPKINS, whose first discoveries led to today's wide knowledge of vitamins

it will be possible to provide vitamins for the starving people of Europe. In Greece, for example, where it is estimated that more than 75 per cent of all children of school age are seriously suffering from under-nourishment and vitamin deficiencies, synthesized vitamins, as an addition to staple foods, may well be the salvation of the people for generations to come.

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THE BUSINESS WORLD

Coal Finances

WITH the very natural concentration of public attention on the problem of coal production, the extremely important subject of the finance of the industry has been virtually passed over. Yet during the past two years not only the financial condition of the industry, but its financial methods, have undergone a revolution, and since these methods are now to remain in force until, at least, June, 1948, they call for more public interest, and perhaps concern, than has so far been expressed in them. It is now no longer true that the individual colliery undertaking covers its costs, or attempts to cover them, by the total of its proceeds from the sale of coal. A levy, now amounting to 12s. per ton, is made on every ton of coal sold commercially, and this passes through the medium of the Government's Coal Charges Account back to individual undertakings as a payment or subsidy against costs directly incurred on a whole range of expenditure, including not only payments made under the Guaranteed Week Scheme and recent increases in compensation payments, pneumoconiosis benefits, etc., but also wages (including holidays with pay) and profits. In the special case of Necessitous Undertakings, grants amounting to over £2,500,000 in 1943, are made from the account to an extent sufficient to keep some 100 necessitous collieries in operation, and cover their costs. By the working of the Coal Charges Account, over £100 million per annum—or about one-third of the total sales revenue of the industry—is now collected out of the price charged to the consumer and redistributed to producers.

The levy scheme began in quite a small way in 1940, when the coalowners themselves introduced an arrangement, more in the nature of an insurance scheme, whereby a small levy was imposed on all coal sold in order to make grants to collieries which had suffered as a result of war conditions, particularly the loss of export markets on the Continent. At the same time, the cost of keeping necessitous pits in operation was assumed by the industry through this fund. In 1941 it was extended to cover increased costs of timber, and also the newly-instituted guaranteed wage. It was still on an insurance basis, the industry taking the view that interference with production, such as breakdowns and shortage of wagons, sufficient to require the payment for "Bevin shifts," was the risk of the industry rather than of the individual colliery company.

The revolution in the working of the scheme came in 1942. In that year Lord Greene's Board of Investigation into Miners' Wages made recommendations which led not only to an increase of 2s. 6d. in the rate per shift (an addition to the wages bill of the industry of between £20 million and £25 million), but also to the establishment of a national minimum wage. This minimum was so low in relation to actual earnings that there were few cases where wages had to be made up to it, and it had, at first, no appreciable effect on the finances of the industry. But the increase in shift-rates raised a very serious problem for many companies and for the Government. The output per man-shift in the industry ranges from a little over half a ton to over two tons; thus the increased cost per ton of the Greene half-crown varied from 1s. 3d. to 5s. Had the Government permitted an increase in price sufficient to pay the additional wage-costs of the least productive undertakings, it would have meant an excessive tax on the consumer, and an inordinate increase in the profits of the more productive concerns. On the other hand, to have allowed the less productive pits to go out of production would have meant a serious loss of output, while to have allowed them to qualify for grants as necessitous pits would have proved very costly.

The levy machinery was therefore extended: forsaking its insurance basis, it became a simple scheme of financial pooling. The levy, which had remained at 2d. or 3d. per ton until the spring of 1942, and was only 7d. at the time of the Greene Award, was increased to 3s. 7d. per ton. All additional costs resulting from the wage increases were now made directly chargeable to the Coal Charges Fund. In

other words, the more productive pits, with an output of 2 tons per shift, paid in 7s. 2d. per shift, and recovered 2s. 6d. on wages account, while the least productive pits, with an output of only half a ton, paid in 1s. 9½d. and recovered 2s. 6d. on wages account. The rest of the levy was spent on other charges.

Later in 1942 an agreement was made between the Government and the colliery-owners under which the administration of the Coal Charges Account passed into public control, while at the same time the profits of each district were stabilised and guaranteed at a standard rate per ton fixed for each district. If in any district the ascertained profit fell below the standard, it was made up to the required figure by price allowances from the Coal Charges Account.

*

Between 1942 and 1944 it was found necessary to increase the amount of the levy on a number of occasions, partly because the fall in production and the consequent rise in costs increased the payments necessary to maintain guaranteed levels of wages and profits, and partly because certain small additional costs—such as the expense of the pneumoconiosis scheme, travelling allowances for transferred miners, and the short-lived and not very costly output bonus scheme—were charged up to the Account. In 1943 the levy was 5s. per ton, and by February, 1944, although no allowance had by that time been made for the increase in wages under the Porter Award of January 22nd, it amounted to 8s. per ton.

The recent increase, announced by the Minister of Fuel and Power in August, raised this figure to 12s. Of this increase, 2s. represented the additional cost of the Porter Awards, and the wages agreement of April 20th, which were paid out of the Account, and 2s. was intended to repay money borrowed from the Treasury and to make up other charges. In October, however, Major Lloyd George informed Parliament that the effect on the costs of the industry of the continued fall in production was such that practically the whole of the increase in the levy was being absorbed in the current working of the Account, and that a further increase in price might be necessary to repay its debts.

The present position is thus that some £45 million per annum is being received by collieries from the fund on account of wages, and something between £55 million and £60 million on account of other costs, principally the amount necessary to bring actual profits (often negative) up to the standard rates. Thus nearly one-quarter of the total wages bill of the industry is met not out of the current proceeds of each undertaking, but by a direct payment, colliery by colliery, equal to the actual costs incurred in respect of wage increases. This is not to say that the industry is being subsidised by the Exchequer; it supports itself out of the present (high) price charged to the consumer. But individual districts are subsidised by other districts, and, even more, individual undertakings are subsidised by other undertakings. On the average, 5s. per ton of the total wage cost is met out of the Account: this means that individual undertakings are drawing anything from 2s. 6d. to 10s. per ton, on account of wages, from a fund to which everyone contributes 5s. In addition, according to the Minister's statement that nearly the whole of the recent increase "will have to go to meet the ordinary running of the account," an average of over 6s. per ton will have to be paid to every colliery by means of district price allowances necessary to bridge the gap between actual pit-head proceeds and costs (including standard profits).

The system of pooling wages and costs, over which so much controversy raged in 1920 and 1921, has thus now come into partial operation, and to this extent there is justification in the complaints of the more productive districts, such as Nottinghamshire and Derbyshire, that their efforts are partially devoted to the maintenance of wages in

other districts. But this is inevitable in an industry in which wages account for over 70 per cent of total costs, and in which a national minimum wage has been imposed on districts which vary so widely in productivity. If the national minimum has come to stay, some such system will be necessary as long as the industry is run by a multiplicity of undertakings marked by great variations in productivity. Indeed, even under financial unification, there would still be hidden transfers between districts and between pits. The principal argument for large-scale amalgamations or complete unification is not that inter-district transfers would be unnecessary, but that the scale of transfers between individual undertakings would be reduced by the improvement or elimination of the high-cost pits which on grounds of the present shortage of coal are kept in production. The danger is that if the industry continues to be organised on the basis of several hundred separate undertakings, the less efficient pits will be kept in being by a combination of the 1930 quota scheme and the financial pooling arrangements of the Coal Charges Account.

*

As a war-time measure, the present scheme was probably inevitable under conditions of the financial independence of the separate companies. Any other arrangement would have meant either even higher prices to the consumer or the bankruptcy of, and hence loss of production from, the least productive mines. The principal criticisms of the present arrangement have been concentrated on one aspect of its working, namely, the guaranteed wage—that is, the system by which weekly earnings are made up to the minimum—which, in fact, accounts for less than 2d. of the total 12s. levy. It is alleged, and is almost certainly true, that some colliery companies abuse the system by charging repair or development work to the fund, and by sending men home, at the expense of the fund, when as a result of natural or unnatural occurrences, there is "no work available." Major Lloyd George has told the House of Commons that in the 36 weeks ended March 11th last some 1,600,000 shifts were lost (of which about one-seventh related to cases where men were put on other work) at the expense of the account, most of them, he stated, as a result of causes outside the control of the owners. That abuse exists no one in close touch with the coalfields would deny: its main effect is, however, the loss of production, and often the building up of the profits of the individual undertaking at the expense not of the consumer, but of other undertakings in the district. (The

suggestion that the excessive drawing of "Bevin" money from the Fund is a tax on the consumer is incorrect, for the illegitimate increase in the profits of the company concerned involves an increase in the ascertained profits of the district, and hence a reduction in the price allowance paid to the district from the Account).

It is as a possible peacetime arrangement rather than as a wartime measure that the Coal Charges Account calls for critical examination. When the national wages agreement was concluded between the coalowners and the miners in April last, the Government for its part undertook to maintain the present financial arrangements in force in order to make possible the maintenance of the present level of wages, including the national minimum, at least until June, 1948. If it be assumed that the national determination of wages has come to stay, it is highly probable that machinery on the model of the Coal Charges Account, whether run by the State or by the industry, will remain as long as the industry retains its present organisation. The most serious danger in its continuance is that it dissipates responsibility for efficiency. When an appreciable proportion of wage costs is borne not directly by the individual undertaking, but by a central or district fund, the responsibility on the individual management to secure the most efficient use of man-power is reduced. Attention tends to be concentrated on organising production in the way best suited to secure repayment from the Fund, rather than in the way best fitted to secure a high output. As long as this system remains there will be a large number of undertakings, not necessarily "necessitous," who will be drawing more from the Account than they pay into it. If economic laws controlled the industry these would be rooted out and closed down, except where on some special grounds, such as the quality of coal produced or the need to conserve mineral reserves, there was a case for their continuing. But it is a serious feature of the present uneconomic organisation of the industry that probably no one knows which these undertakings are.

Whatever form of control and ownership, short of unification, is finally prescribed by Parliament for the industry, it is generally agreed that the most urgent need is for a technical revolution involving greater mechanisation and radical improvements in the underground transport of existing mines, as well as a bold policy of new sinkings. A continuation of a levy scheme which shelters less productive and less efficient mines and penalises efficiency will promote neither.

Business Notes

Shipyard Dispute

The Minister of Labour has decided to take legal proceedings against the strikers at the naval shipyard, Walker-on-Tyne. Though he had taken the unprecedented step of sending personal telegrams to 127 workers who had been identified as being on exceptionally important construction work, instructing them to return by Wednesday morning, the men failed to obey. The Minister's action is taken under the Conditions of Employment and National Arbitration Order, and the cases will be heard next week. The cause of the dispute was the introduction of certain flame-panning machines towards the end of 1943 and the employment on these machines of semi-skilled labour. In spite of long-drawn-out negotiations between the representatives of the Shipbuilding Employers' Federation and the United Society of Boilermakers, no agreement was reached locally, the men insisting that they would only work on time rates and conditions unless the machines were operated and controlled by a member of their Society. The Government intervened, and on November 29th the Minister of Labour appointed Sir John Forster as an Industrial Court to investigate the causes of the dispute. On the same date the First Lord of the Admiralty sent a telegram to the employers, instructing them to withdraw the offending machines pending the results of the Inquiry. This was done, but still the men refused to return. On December 1st the executive council of the union declared that since the operation of the machines had been suspended and the semi-skilled workers withdrawn, the dispute was at an end and the men should return. But by a three to one majority the strikers still refused to do so, except on time rates. The interim findings of the Court of Inquiry, published on December 15th, established that work of national import-

ance was being held up by the dispute and that there was no good reason why the men should not now resume work on the terms and conditions existing before the outbreak of the dispute. Quite apart from its damaging effect on vital naval construction, this dispute raises very important issues for the post-war period. The men's refusal to obey their own leaders, or to accept the judgment of an impartial court, represents a threat to the whole structure of voluntary negotiating machinery on which the smooth transition from war to peace so much depends. The men may have genuine grievances, but there are constitutional ways of settling them. Moreover, the dispute is an example of trade union restriction at its worst and of an insistence on demarcation lines which can impede the attainment of maximum efficiency in the shipyards.

* * *

You Have Been Warned

Major Lloyd George has indulged in some plain speaking to the coal industry, and has given a clearer indication of where the Government stands than at any time before. In a speech at Stoke-on-Trent, on Monday, he warned the miners that unless output was substantially improved, the present wage level could not be maintained, and he warned the owners that Parliament will sooner or later be called upon to decide the future structure of the industry. To the industry as a whole he appealed for "wise and firm leadership," for a rate of output double the present rate, for maximum technical improvements, and for improved industrial relations. Neither side, he pointed out, had made sufficient use of the pit production committees, though where these had been genuinely operated, the results had been valuable. Much of what the Minister said, it is true, has

been said before, but the oftener these truths are repeated, the more chance there is that they will sink in. It seems, however, that there is no immediate chance of a Government pronouncement on the wider aspects of the coal industry's future, and that patience will have to be exercised for some months yet. The report of the Reid Committee of technical experts is expected shortly, as well as the result of the survey of coal resources in each region. One of these surveys, on Scotland, has just been published. It makes far-reaching recommendations for increasing output immediately from existing collieries, for developing the coalfield's resources, and reorganising its structure, possibly under a Scottish Coal Board. This report provides a valuable pattern for parallel surveys of other districts. Moreover, the joint sub-committee of the Mining Association and Mineworkers' Federation, whose appointment was announced last week, has not yet met. It seems a pity that there is no representative on either side of the Nottinghamshire or Derbyshire coalfields, which have reached a high level of technical efficiency. But if the committee faces its task in the spirit of Major Lloyd George's appeal, and does not founder on political differences, it may make a valuable contribution to the improvement of the coal position.

* * *

Gold Redistribution

The November issue of the *Federal Reserve Bulletin*, of which cabled summaries have reached this country, contains an interesting analysis of changes in the distribution of gold reserves over the first five years of war. During this period the United States' holding of gold fell by \$1,215 million to \$20,825 million, while the estimated holdings of other countries increased by \$5,590 million to \$14,385 million. The combined reserves of countries other than the United States have not only grown at a faster rate than during the 1920's but are more widely distributed. The detailed estimates give blanks for the United Kingdom, Germany, Italy and Japan, but the following reserves, presumably based on official data, together with the corresponding pre-war figures, are shown: France, \$2,000 million (\$2,709 million); Switzerland, \$1,035 million (\$549 million); Argentina, \$940 million (\$466 million); South Africa, \$780 million (\$249 million); Belgium, \$750 million (\$609 million); Netherlands, \$500 million (\$692 million); Sweden, \$455 million (\$308 million). The inference drawn from this redistribution of gold, and from the existing control of international capital movements and the promised resources of the International Monetary Fund, is that the post-war period should combine some degree of stability in exchange rates with freedom in international exchange relationships. But the formula for stable and free exchanges holds more ingredients than those listed in the *Federal Reserve Bulletin*.

* * *

Steel Merger Opposition

Sir William Firth, former chairman and managing director of Richard Thomas, has issued a statement calling upon shareholders to oppose the scheme for taking over Baldwins and giving his grounds for believing it is not in their interest. Very briefly, these are that too much is being paid for the assets to be acquired; that no benefit will accrue to Richard Thomas by taking over steel assets which are neither competitive with nor, in his view, complementary to its own; and that the merger means that Richard Thomas will be saddled with responsibility for taking a larger share in erecting new plant at inflated prices than would be the case if they remained as they are. He further suggests that the profits on which the terms are

based are reached after contributions to the Central Fund by Richard Thomas and, probably, after credits from it to Baldwins. There is nothing in the known facts which makes it reasonable to doubt the truth of these strictures, but they are, in very large measure, criticisms of the existing system rather than of the scheme which has been drawn up in the context of that system. Under a system of free competition it would be very unwise for Richard Thomas, which possesses the only reasonably efficient plant in the tinplate industry, to amalgamate with a firm possessing a large amount of out-of-date equipment in that industry. But neither the Government nor the steel industry believes in free competition or the determination of prices by the machinery of the market. Nor is there any evidence that a change in this attitude is in contemplation. If it were thought that a change were probable that would be an excellent reason for postponing the merger. In existing circumstances, it may well be that the terms offered to Baldwins are on the generous side. A more serious criticism of the scheme is that it transfers over one-third of the voting rights in a solid block to the Baldwins board. This will make it extremely difficult for an opposition to pass any ordinary resolution and quite impossible for them to pass one requiring a 75 per cent majority. The equity holders of Richard Thomas have to weigh these disadvantages against the fact that the merger will place the new company at the head of a closely-knit cartel of the tinplate industry. Alternatively, they might seek an amendment of the plan which transferred the new Richard Thomas shares to the Baldwins' shareholders and not to their board. Equally, the scheme might reasonably be reflected by the Baldwins preference holders on the ground that it produces a sharp reduction in the cover for their stock. Finally, all parties might very well decide that the future policy of the group is so vital that they are not prepared to accept an arrangement which fundamentally affects the nature of their investment without more information on the matter.

* * *

Argentine Railway Position

Last Tuesday's meeting of the Buenos Ayres Great Southern Railway was the occasion of a long statement by the chairman, Sir Montague Eddy, about his views of the position following the recent negotiations and the decree of October 31st. This statement confirms opinions already formed. The position is very greatly improved as against that ruling shortly before the negotiations, but is not very different from that existing some months earlier. The one solid achievement, the establishment of the proprietary right of the companies to their rate revenue, does not result in any immediate improvement of their net receipts. Further, it does not appear that this right has been established in law but only conceded as a necessary step to finding a *modus operandi*. Nevertheless, the Argentine authorities did scale down their claims very greatly and, while they refused the plea for joint working, they appear to have given some undertaking for the co-ordination of transport services and for some relief from road competition. This, however, is all in the future. The October decree, which authorised the increased rates, contained, *inter alia*, the statement that "it is the policy of the (Argentine) Government to contemplate equitably and impartially the position of foreign capital radicated in the country." Sir Montague places great reliance on this statement and everyone must sincerely hope that his optimism will be justified by events, but there exist strange differences of opinion as to what is equitable in any given circumstances. Finally, he was able to hold out no hopes of any material further improvement in the exchange position as regards company remittances, nor has there so far been received any indication from Argentina as to how the railways are to obtain sufficient funds to deal with necessary modernisation.

* * *

Catering Wages Commission

The Catering Wages Commission has covered a great deal of ground since it was set up under the Catering Wages Act of 1943, and its task, though by no means easy, has not proved so formidable as was forecast by those who originally opposed the Act. The Commission's first measure was to recommend in January, 1944, a Wages Board for industrial catering; this was given effect by an Order in March. The Commission's latest recommendation, published on December 15th, is for the setting up of a Board to cover licensed

establishments and their staff hostels or canteens. This Board would in the main cover public-houses, and the number of undertakings affected is estimated at 70,000. The Commission's report on its recommendations for a Wages Board for unlicensed establishments (which has now been accepted by the Minister of Labour) has just been published. This Board will cover such places as tea-shops, cafés, restaurants, snack bars, fried fish shops, and coffee stalls and their staff canteens or hostels. The Commission's enquiries established "beyond question" that there was no adequate joint voluntary machinery for regulating wages and working conditions in these types of establishment. But in framing proposals for statutory wage regulation, it had to

UNLICENSED NON-RESIDENTIAL CATERING ESTABLISHMENTS

Type of Establishment	No. of Establs.	Number of Workers Employed by Establishments Supplying Information						Total
		Under 18		18 and Over		Part-time		
		M.	F.	M.	F.	M.	F.	
Cafes and tea-shops . . .	18,877	555	8,322	3,937	29,260	1,849	20,010	63,933
Canteens (other than industrial & staff canteens) . . .	9,809	154	1,112	2,540	16,444	1,075	9,590	30,915
Coffee stalls . . .	524	10	60	154	500	47	289	1,060
Ice & pie shops	386	36	104	154	363	60	206	923
Fried fish shops								
(a)	10,783	441	1,560	1,561	6,470	1,249	7,663	18,944
Milk bars	461	18	443	120	1,364	101	755	2,801
Non-residential Clubs	3,383	151	203	1,137	3,303	312	1,643	6,749
Restaurants . . .	5,238	490	5,603	4,106	33,924	1,587	16,265	61,975
Snack bars . . .	2,264	87	1,198	607	3,320	309	2,474	7,995
Working men's dining rooms	2,547	109	813	732	4,912	179	2,055	8,800
Other catering establishments	8,743	299	2,719	2,884	23,460	1,016	10,006	40,384
(c)	63,015	2,350	22,137	17,932	123,320	7,784	70,956	244,479

(a) The Wages Board will not cover fried fish shops from which all sales are taken away for consumption off the premises.

decide whether it was better to set up a single Board for the catering trade as a whole, or separate Boards for its various sections. Opinion in the trade seems to be divided—some argue that as catering was a "congeries" of trades, it could not be subjected to uniform regulation, but others urge that it should be regarded as a single entity. In view, however, of the difficulty of securing adequate representation of all catering interests, and in order to avoid setting up unwieldy and slow-moving wages machinery, the Commission decided in favour of separate boards. Residential establishments, local authority, railway, Crown and theatre catering and travelling stalls are accordingly excluded from the Board's scope. Those types of establishment not already covered by the Commission's earlier recommendations will be dealt with in forthcoming recommendations. Perhaps the most interesting section of the Report is a statistical appendix, reproduced above, which, though admittedly incomplete, represents one of the first attempts to provide information about this very unorganised and unrecorded branch of the trade.

* * *

Directors' Statements

Three and a half weeks ago, when the price of the 12s. units was some 26s. 6d., the directors of McNamara and Company sent a letter to unit-holders stating that negotiations were in progress and advising them not to sell until they heard further. In the following three weeks the price rose steadily until on Friday of last week it touched 41s. 3d. Over last week-end the directors announced an offer from Transport Services of 30s. 6d. for the 12s. units. The price fell to below that figure, and it is widely suggested that the board had done more harm than good by their statement. It is always a matter calling for careful judgment how soon and how far a board should take shareholders into their confidence when negotiations are in progress. Their decision must be influenced, *inter alia*, by the extent to which they consider it possible to keep the fact secret. Very often this is not possible, and in those cases it seems that the proprietors ought to be told as soon as possible. In this case it is difficult to see what harm the statement has done except to those who elected to indulge in a gamble on the strength of a market rumour. The warning should have prevented holders from selling at any price between the level of 26s. 6d., ruling when the first statement was made, and the final offer of 30s. 6d. If the argument of those who oppose statements

is that the price would not have been run up to exaggerated figures but for the statement, then the worst that can have happened to a unit-holder is that he has failed to take advantage of the speculative buying which would not have materialised but for the statement. It certainly cannot be claimed, despite the actual wording of the original letter, that the board are to blame for that. The warning not to sell must be read in conjunction with the price then ruling, 26s. 6d. It cannot be regarded as suggesting that a sale should not be made after a rise in the quotation of over 50 per cent.

* * *

Tube Investments

The improved accounts published some weeks ago by Tube Investments have already added somewhat to the information contained in the consolidated balance-sheets and thus served to emphasise the strength of the company's position. The speech of the new chairman, Mr I. A. R. Stedeford, is also fairly informative. An increased demand for steel tubes for peace-time purposes is expected, but there is some danger that the integration of the cycle industry will lead to a fall in offtake of particular types of tube, and to provide against this the group is entering that trade itself. It has also entered into arrangements with High Duty Alloys, which ensure supplies of material and effect a demarcation in the manufacturing field, presumably with the object of reducing competition with the group's light alloy side. Shareholders may be rather surprised to learn that a survey, which is being made of all factories, suggests that the cost of bringing them to maximum efficiency may

absorb very nearly if not entirely the liberal reserves which prudently have been set aside in past years for this purpose.

[In this connection Mr Stedeford puts forward a very moderate plea for some relief from taxation on retained profits.] Reserves are established to be used, and the fact that this group intends to use them as soon as possible must be considered a bull point. It would, however, be interesting to know whether the sum which may be exhausted in the process is merely the £2,250,000 of special depreciation and contingencies reserve or some part of the remaining reserves which exceed £3,000,000. Any disappointment felt at the large scale of the modernisation programme in contemplation will be compensated in part by the news that reconversion problems are not great, and that delay in manufacture for peace-time uses will arise rather from the time spent in conversion by customers than from the group's internal problems. There should, however, be a number of immediate outlets at home and abroad as soon as labour and materials are made available. The group has already sent a mission to South America, and is sending others to the Dominions (excluding Australia, where it has its own organisation), to Europe and to the Near East. It has also high hopes of large business in Russia. All these matters are, however, dependent upon some relaxation of controls and regulations, some of which is overdue. One can agree with Mr Stedeford that it seems of doubtful utility to spend £45,000 per annum in maintaining security police at the factory gates of the group.

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These people could almost certainly be more profitably employed elsewhere.

Building Apprentices

The Ministries of Works and Labour have started a timely drive to recruit apprentices to the building industry, thus giving effect to the second part of the Training White Paper of February, 1943, which forecast a National Apprenticeship scheme. Under the scheme, boys of 15 and over are to be trained for a period of five years under the supervision of skilled craftsmen. Local apprenticeship committees have been set up and they will make the necessary arrangements for training boys in the various crafts with local building firms, which will act as apprentice masters. The Government will arrange for the supply of the necessary building materials, and the whole scheme will come under the Building Industries National Apprenticeship Council. Boys will be engaged on actual building work, and will be paid wages in proportion to the craftsmen's rates for their district (in the first year they will receive one-quarter of the skilled man's rate, rising to three-quarters in the fifth year). The aim is to recruit about 25,000 apprentices a year. Some idea of the proportion of workers required for the various crafts can be gathered from the composition of the skilled labour force immediately before the outbreak of war. In August 1939, of a total number of 522,760 craftsmen, 29.3 per cent were carpenters, 27.4 per cent painters, 21.2 per cent bricklayers, 8.7 per cent plumbers, 7.5 per cent plasterers, 4.4 per cent masons, and 1.8 per cent slaters and tilers. There should be a good response to the Government's appeal for apprentices, for the urgency of the housing programme should offer prospects of stable employment for many years to come, and parents need not fear blind-alley jobs, while building undoubtedly offers attractions to technically-minded youths. The apprenticeship scheme is of course only one part of the Government's plans for raising the building labour force to 1½ million in ten years, but it is a very essential part. It is important not only that the recruitment should proceed rapidly, but that apprenticeship schemes should be suffi-

ciently flexible to permit of adjustments to meet changing technical conditions, and not perpetuate rigid craft boundaries.

Coffee Difficulties

The Ministry of Food has raised the price of Kenya coffee for the 1944-45 crop by £11 10s. per ton to £110 to compensate for increased production costs. In Latin America, which supplies some nine-tenths of the world's coffee, production costs have also risen heavily recently. The only important outlet for Latin-American coffee since 1940 has been the United States, where (since rationing) consumption is over 50 per cent larger than in good pre-war years. Coffee prices in the United States are controlled by the Office of Price Administration, which has consistently refused to meet requests by Brazilian producers and the Inter-American Coffee Board for higher prices. Last autumn, when Brazilian exporters interrupted their coffee shipments because selling prices in Santos were higher than the United States ceiling, the Brazilian Government promised the United States, as a result of diplomatic representations, that shipments would be kept at a monthly rate of one million bags until the end of the year. No arrangements have yet been made for next year, but producers intend to ask for higher prices. On the other hand, the United States Government declares that it would rather restore coffee rationing than break the price-line. Meanwhile the drought of recent months has played havoc with the current Brazilian crop, and production in Latin America will not be much larger than demand in the United States. There is a danger that coffee will become scarce when Europe re-enters the market (it used to absorb two-fifths of world supplies). The easing of the stringent Brazilian control system alone would not decisively alter the immediate supply outlook, since the trees require time to recover from the effects of the adverse weather conditions of the last three years.

SKF

Aktiebolaget Svenska Kullagerfabriken (SKF), the Swedish Ball and Roller Bearing Company, is actually an

international trust with numerous subsidiaries in many countries of the world. The trust is an interesting example of specialisation in modern industry and owes its existence since 1907 to the invention of the self-aligning ball-bearing by Dr Sven Wingquist. By international agreement, ball and roller bearings have been standardised, which made the world-wide expansion of the company possible. Before the war the trust maintained roughly 200 sales agencies catering for at least 150,000 industrial customers. At 10,000 different places, stocks of ball and roller bearings were kept. In 1938 the trust employed a total number of workers amounting to 27,237. In Sweden the number of employed workers numbered 9,165, in British subsidiaries 2,414, in French subsidiaries 2,415, and in the United States 1,859. Some of the largest subsidiaries were established in Germany and Japan, and in the years preceding the outbreak of war increases in production and sales were strongly influenced by the re-armament programme in these two countries. Direct exports of bearings from Sweden to Germany were small, amounting to perhaps 3 per cent of the total German production. These exports were cut by 50 per cent at the beginning of 1944 and were completely suspended last October. The SKF manufacture bearings whose diameters range from 10 millimetres to 1,400 millimetres, that is to say from ½ of an inch to about 55 inches. In 1925 the trust delivered 25 million bearings, in 1938 deliveries had increased to 75 millions and in 1943 the estimate ran into roughly 100 million delivered bearings. Yet the Swedish trust enjoys by no means a monopoly position in the world. General Motors in the United States of America maintained their own bearing manufacturing company. In Germany the Opel motor car company manufactured all bearings in their own factories. In Great Britain, the United States of America and in Germany independent companies specialised in ball bearings of various kinds. The Swedish mother concern has made active preparations for a larger post-war demand. The steel works of the trust at Hofors have been expanded and new ball-bearing factories came into production last year. In Germany, France and Italy considerable capacities for the manufacture of bearings have been destroyed by bombing; and there is no doubt that after the war the ball and roller manufacturing industries will find their markets completely changed.

Similarly, it is lack of information about the efficiency of large multiple stores and small independent traders that is the main obstacle to their harmonious co-development. Mr Lucas said:

There is a far too high percentage of inefficiency in small-establishment trading, and the efficiency which should go with the large establishment is to-day not being passed on to the consuming public.

Again it is very necessary that returning ex-Servicemen should have access to independent but well-founded advice on the prospects in the various branches of distribution. Freedom without knowledge is a dubious advantage, and one that might lead the ex-Serviceman into a tragic waste of opportunities and savings. It would be difficult to better Mr Lucas's verdict on the controversy over Government control. After emphasising the fact that the Government's overriding responsibility is the safeguarding of the interests of the consumer, he said:

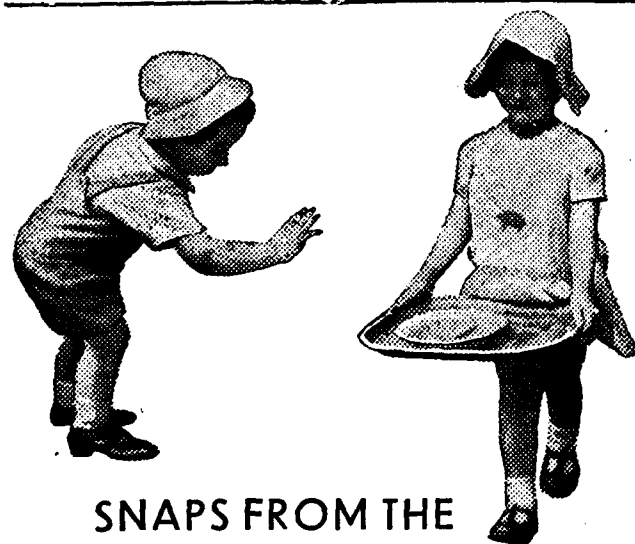
Government control over all industry and trade will be in inverse ratio to the manner in which industry and trade face up to their national responsibilities.

The Board of Trade is contemplating a census of retail shopkeepers. It is to be hoped that this will be a first step in the preparation of adequate statistical information covering the whole field of distribution.

Poultry Policy

The poultry stock has been reduced by nearly half since 1939 in England and Wales, and by a quarter in the United Kingdom as a whole. Early this month the Government made its announcement on farm price policy for the next four years, and the egg and poultry industry was included. Mr Hudson said that expansion in the poultry industry was to be encouraged to the fullest extent permitted by the feedingsituation. In fact, an increase in the poultry ration is to take place next month. Last week Mr Hudson followed up his earlier and more general statement by informing the House of Commons of two practical measures to be taken towards the improvement of the poultry breeding stock. A Poultry (Stock Improvement) Advisory Committee is to be set up to keep the industry under review, to advise on existing measures designed to encourage the production of high quality breeding stock, and to suggest further steps to that end. On April 1, 1945, the Ministry of Agriculture is to take over responsibility from county councils for the accrediting schemes for poultry breeders and hatcheries, and the advice of the new Committee will be available on this subject. The improvement of the health of the poultry stock is fundamental to the future of the industry. Although the general level of health of the foundation breeding stock may well be higher at the end of the war than in 1939, it is unlikely to be as good as it was at the end of the last war. The improvement in health can be associated with the growth in accreditation, and centralised control could serve to accelerate it. Both measures are encouraging signs of the interest taken by the Government in the establishment of a sound and healthy egg and poultry industry. The next

(Continued on page 852)



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A Census of Shops

During the war the distributive services have experienced great changes. Some of these changes have been inevitable; others have been introduced as temporary improvements in a system long overdue for reform. Distribution is a highly important aspect of the economic life of the community and one that has been sadly neglected by recent Governments. One result of this neglect is that there are no satisfactory statistics dealing with the matter. At a meeting of the Sales Managers' Association, last week, Mr George W. Lucas made a speech, remarkable for its candour and common sense, in which he showed that lack of information is a root cause of the many difficulties of the distributive services. The claim that the public is itself to blame for wastefully luxurious distributive methods (exemplified by overlapping roundsmen) may be true only if the public is kept in ignorance of the cost involved.

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RECORD BALANCE SHEET FIGURES

THE MARQUESS OF ZETLAND'S VIEWS

The 119th annual general meeting of the Proprietors of The National Bank of Scotland, Limited, was held, on the 14th instant, in Edinburgh, the Most Hon. the Marquess of Zetland, K.G., P.C., G.C.S.I., G.C.I.E., the Governor of the Bank, presiding.

The Governor, in the course of his speech, said: With larger resources available, profits amount to practically £265,000, an increase of £40,000. Adding £89,000 brought forward from last year, the sum of £354,000 is disposed of as follows:—Dividends (net), £98,000; contingent fund; £75,000; heritable property account, £15,000; officers' pension scheme, £70,000; staff widows' fund, £5,000; leaving £91,249 to be carried forward. It will thus be observed that no less than £165,000 is again applied, as was done last year, to funds which strengthen the bank's position still further.

A glance at the balance-sheet in your hands will show the changes which have occurred since November 1, 1943, the figures at that date being set alongside for convenience of comparison. Deposits at £64,000,000 are higher by £4,000,000. Notes in circulation again show an increase, on this occasion one of £900,000, making the outstanding figure of £9,151,000. On the other side, first-line liquid assets total over £22,000,000, the percentage to the liabilities of deposits and notes together being over 30.

If we add, as we are entitled to do, other liquid assets in the form of £1,800,000 bills discounted, which are almost entirely British Government Treasury Bills, and £8,500,000 of Treasury Deposit Receipts, we have the very large amount, £32,300,000, of liquid resources, representing over 44 per cent. of the liabilities already mentioned. In addition, I would mention the holding of British Government securities standing in the books at £34,000,000, a figure well below market value, and containing a large proportion of short and medium-dated stocks. In concluding these remarks on the balance-sheet, I would only say further that the totals of liabilities and assets at November 1st stand at almost £80,000,000—£79,843,000 to be exact—a record in the bank's history. These figures bear striking testimony to the strength of the position—*one, I may add, without laying myself open to a charge of undue complacency, with which the directors and shareholders have every reason to be satisfied.*

POST-WAR TRADE AND INDUSTRY

Let me now return for a few minutes to those wider issues to which I made a brief allusion in my opening remarks. In years gone by it has been customary on these occasions to make a short survey of the main trends of Scottish trade and industry which it has been a function of the bank to finance. During the past few years, with enterprise in the industrial field rigidly controlled and directed to a single end, such a review has become an unprofitable, if not indeed an impossible, task. But, if we are still unable to survey the past, we can now take at least a glimpse into the future, for both here and in America a corner of the curtain beyond which it lies hidden has just been lifted with a declaration of policy in the economic field which may well stand out for future generations as a landmark of immense significance in the economic history of mankind.

I may perhaps be permitted therefore to make a short excursion, as I have done sometimes in the past, away from the solid ground of facts and figures with which banking is primarily concerned, on to the less solid ground of theory and surmise on which the shifting systems of the political economists seek to maintain a precarious foothold.

In my address to you 12 years ago, I

attributed the economic disorganisation, which then shook the world, in large part to a chain of events, of which the main links were as follows: (1) a policy of excessively high customs tariffs on the part of the chief creditor nations, followed inevitably by (2) a disastrous flow of gold into the vaults of their banks resulting in the sterilisation of a large part of the monetary gold supply of the world, which, in its turn, was equally inevitably followed by (3) a calamitous fall, in terms of gold, in the prices of primary products, resulting in (4) a corresponding fall in the purchasing power of the customers to whom we looked for the disposal of the products of our industries, followed again by (5) unemployment on a vast scale and a still further decline in purchasing power on the part of the consumer.

The vicious chain did not indeed end even there, but I should be straying too far from the business of banking if I were to follow it further in its baleful ramifications, and in any case I have traced it far enough to enable me to draw the salutary lesson which it teaches us—namely, that the prosperity of the world, like the peace of the world, is one and indivisible, and that policies designed to promote economic autarchy possess in high degree the qualities of the boomerang and return in the fullness of time to strike at those who have unwisely sponsored them. And it is with all the less diffidence that I draw the lesson by reason of the fact that the declaration to which I have referred as a landmark in the economic history of mankind, makes it clear that it has not been lost on those in control of the destinies of the two main sections of the English-speaking world.

AN EXAMPLE OF ECONOMIC CO-OPERATION

The principle of lend-lease is, in itself, a striking example of economic co-operation, but lend-lease is devoted to a single purpose and inevitably carries with it restrictions upon trade which would be intolerable in normal circumstances, and it is one which in any case will cease to operate with the cessation of hostilities. And looking to the future, a far greater significance attaches to the request to Congress by the State Department at Washington that the Johnson Act forbidding loans to war-debt defaulting countries be repealed and a policy of world tariff reduction be supported. If those two principles, and the others embodied in the six point programme put forward by the United States Government, are generally followed, I have little doubt that an era of unexampled industrial and commercial activity awaits us.

It is scarcely necessary for me to point out, if my forecast prove to be well founded, how great a field will open out before the banks for the discharge of their own indispensable part in the mobilisation of the world's resources. Neither in face of the figures which your board have been able to lay before you, have I any hesitation in adding that your own bank has both the means and the will to respond to the demand.

The prospect is an alluring one, but we must not allow our contemplation of it to blind us to the fact that its fulfilment lies in the future. The war is not yet over, and there are still, possibly, many months before we shall be free to devote ourselves to the uninterrupted work of reconstruction.

The Governor, having paid a warm tribute to the work of the managers, officials, and the staff, concluded by moving the adoption of the report and the payment of dividends at the rate of 16 per cent. per annum, less tax, on the consolidated capital stock and of 5 per cent. per annum, less tax on the "A" stock.

The resolution was carried unanimously.

TUBE INVESTMENTS, LIMITED

RECORD SALES TURNOVER

CHAIRMAN'S STATEMENT

The twenty-fifth annual meeting of Tube Investments, Limited, was held at Oldbury, Birmingham, on the 15th instant. Mr I. A. R. Stedeford, the chairman and managing director, presided.

The following is an abridged summary of the chairman's statement to the members: The accounts now include a statement showing the profits of the subsidiary companies which, for the period under review, appear at £2,345,038. After making the necessary provisions the available balance of profit, with the amount brought forward from last year, is £1,075,689. The directors have created a reserve for research and development of £300,000 and recommend a dividend stabilisation reserve to be opened with £250,000 and the general reserve to be increased by £100,000 to £1,000,000.

The improvement in the trading profits over the previous year has no particular significance, being mainly due to the incidence of capital employed as computed for the purposes of excess profits tax. The sales and turnover is a record for the company and one which is likely to remain unbroken for a long time. The company's war effort, upon which much depended, will rank as one of many fine examples of what can be achieved in time of crisis by private enterprise, this time functioning through a group of companies under a unified control.

Referring to the increased dividend, making 22½ per cent. for the year, the Chairman said: I shall not attempt to forecast the future beyond saying that the strength of the company is such that it should be able to weather the storms to come and to secure its full share of the available trade in the industries in which it is engaged.

POLICY OF MODERNISATION

It is the policy of the company that each of the factories, which comprise some 30 in number, shall be modernised and established on the basis of maximum efficiency. Neither effort nor money must be spared in completing this task which carried through upon an adequate scale may be found to absorb the liberal reserves set aside in past years for this purpose.

Industry looks to the Chancellor for encouragement to pursue vigorously its plans for its own rehabilitation by an early declaration of the date from which the concessions he has promised industry in connection with expenditure of this kind will become effective.

RECAPTURE OF EXPORT TRADE

The company has laid its plans for the recapture of their export trade. In preparing its plans industrial enterprise has found much that is perplexing and obscure. How do we stand in this respect compared with other countries engaged in the same total war and if we have been at a disadvantage has our position now been fully remedied? Some pronouncements of Government spokesmen, though expressive of good intentions, have been somewhat nebulous in character and disquieting in effect.

No serious problems of "re-conversion" so far as the company's own factories are concerned is anticipated. Nevertheless it is improbable that they can resume normal production until industry generally has been "re-converted" and the public's buying power restored. This transitional stage is likely to be fraught with many difficulties and no one can forecast either its duration or its effect. But this period will pass and we might then have before us as a country and perhaps as a company our greatest opportunity.

The directors' report and accounts submitted were adopted.

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

RECORD BALANCE SHEET

INCREASED PROFIT

EARL OF MAR AND KELLIE'S ADDRESS

The annual meeting of the shareholders of the Commercial Bank of Scotland, Limited, was held at Edinburgh on the 14th instant. The Earl of Mar and Kellie (Governor of the Bank) presided.

In submitting the report the Governor said:

After my unavoidable absence through illness from the annual meeting a year ago I am very pleased to be able to meet the shareholders again and to submit for their approval a report and balance sheet which continues to show steady progress.

I am particularly pleased to be here on this occasion, for this year marks the one hundredth anniversary of the laying of the foundation stone of this building as the head office of the bank.

The bank had only been established for 34 years when the then directors considered it desirable, to meet the needs of a steadily increasing business and to provide an ample margin of accommodation for the future, to take what was for them a very important decision in leaving the Old Town and establishing themselves in a completely new building in a rapidly developing area. Their decision was arrived at, as is recorded in the old minutes, after very full consideration and in full appreciation of their responsibility; as the minute states, "even to a distant futurity."

At the time this step was taken the total assets of the bank amounted to approximately £5,000,000, and we are now considering a balance-sheet which for the first time exceeds the £100,000,000 mark, and having in view that our head office building, re-equipped as it was a few years ago, still satisfactorily meets our requirements, the wisdom of the decision arrived at so long ago has been amply justified.

THE BALANCE SHEET

Turning to the balance sheet you will find substantial increases under nearly all heads. The note circulation has increased by over £800,000 and stands at the high figure of £9,464,000. It is the case that he steady increase in the circulation over the war years has been occasioned principally by full employment and high wages, but there is evidence from time to time of notes being accumulated in the hands of the public beyond normal requirements and the risk of loss which this involves cannot be too often stressed.

Deposit and other credit balances have reached the record figure of over £8,000,000, an increase in the year of £6,681,000. Our deposits have increased steadily over the years, although in common with other banks the rate of increase has been substantially accelerated during the war period. It is satisfactory to note that the increase is well-spread throughout our branch organisation.

On the assets side the first five items representing cash, balances with other banks, money at call and short notice, and British Government Treasury Bills and Deposit Receipts make a total of £35,790,000, or approximately £4,000,000 more than last year. To that is added the amount of our investments, which you will see are almost entirely in the form of British Government Securities, and at a value of over £54,000,000 are almost 4,000,000 more than last year. These readily realisable assets produce a total of over £88,000,000, equivalent to 95 per cent. of our liabilities to the public in respect of notes in circulation and deposits. Our securities have been carefully selected as to maturity dates and you will have noticed that it is stated in the report at the aggregate market value is in excess of the figures appearing in the balance-sheet.

Bills discounted and loans and advances

together amount to just over £9,000,000, which is a further reduction of £669,000 on the year. The circumstances of war-time finance and the realisation of stocks have resulted in a steadily reducing figure of advances, and although the liquidity of this item has thereby been amply demonstrated we look forward to the time when a much larger proportion of our resources will again be required by our customers in productive enterprise and general trade.

Property accounts show no important change.

THE YEAR'S RESULTS

As to the results of the year's operations the greater resources employed produced an increase in profit of rather over £31,000 at £352,463, which you may consider not unsatisfactory looking to the low level of our general advances to which I have referred. Out of that profit the directors have allocated £75,000 to reserve fund; £50,000 to the fund for deferred repairs and renewals to property; £50,000 as an addition to the funds of the pension trust, and £20,000 to the widows' fund. You will observe that the reserve fund now amounts to £3,525,000 as against the paid-up capital of the bank of £2,250,000.

Interim dividends on the "A" shares of 7½ per cent., and on the "B" shares of 5 per cent., less income-tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent. for the year), and 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income-tax, be approved. After payment of these dividends and allocations the carry forward to next year's account amounts to £70,868.

THE STAFF

Out of a total pre-war male staff of 1,352 no less than 846 have gone on active service, of whom 48 have lost their lives and 18 are prisoners of war. I am sure you would desire to join with me in expressing our sympathy with the bereaved and with the relatives of those still in the hands of the enemy. 25 members of the staff have received decorations or have been mentioned in despatches, and our list of honours is headed by the Victoria Cross recently awarded to Flight-Lieutenant Cruickshank, Royal Air Force, whose gallantry, recently recognised by the bestowal by His Majesty of the highest award, was beyond all praise.

It is worthy of note that two Victoria Crosses awarded to citizens of Edinburgh in succession were won by members of the staff of the bank; the last having been awarded—unfortunately posthumously—to Lieutenant David Stuart McGregor towards the close of the last war.

THE OUTLOOK

It is our sincere hope that before another general meeting we shall see peace again restored. When that day arrives a new series of problems will require to be approached with energy and foresight. The development of export trade will be of paramount importance and the establishment and extension of lighter industries in Scotland will require all possible encouragement. These problems are being carefully considered by this bank, which I think I may claim has a traditional record of helpfulness to the business community, and will, I am sure, have even greater opportunities in the days that lie ahead.

The Governor then moved the adoption of the report and the motion having been seconded by Mr Wood was put to the meeting and carried.

AVON INDIA RUBBER COMPANY, LIMITED

SATISFACTORY RESULTS

MAJOR R. F. FULLER'S STATEMENT

The fifty-fifth ordinary general meeting of the Avon India Rubber Company, Limited, was held, on the 19th instant, at Melksham, Wilts.

Major R. F. Fuller, D.L., the chairman, presided.

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

In submitting the directors' fifty-fourth annual report and accounts to the shareholders of the company, I do so again with satisfaction. Before making provision for taxation or for contribution under the War Damage Act, the net profit for the year just ended is £299,812, which compares with £328,851 in the previous year. The falling off of £29,039 is fully accounted for by the expense of the conversion to, and the increased cost of, the use of synthetic in place of natural rubber. In spite of the many difficulties, which do not appear to grow less as the war progresses, the amount of essential work accomplished by your company has been wholly maintained. I believe members will share my satisfaction with the result of the year's work of the company, both in the quantity and quality of its manufactures and in the amount of profit earned.

POINTS IN THE ACCOUNTS

The new form of accounts introduced last year—when a special effort was made, in the limited space available, to provide adequate information, clarity and details of liability and provision for taxation—met with your full approval and is repeated this year. Therefore comparison of this year's with last year's figures is particularly easy and it would seem unnecessary for me to take you through each item. I will, however, call your attention to one or two main points:—

The book value of fixed assets is this year £511,225, an increase of £11,081 on last year. Cash in hand is about half, at £26,095; but on the other hand stocks in hand are increased by £37,747. As formerly, there is no item included for patents, goodwill, etc.

On the liability side, there are, as before, no prior charges. Trade creditors, ordinary trading provisions and the total sum set aside for taxation are shown separately, and the substantial excess of total floating assets over current liabilities and provisions, amounting to £177,728, will be noticed.

PROFIT AND ALLOCATIONS

Turning to the profit and loss account, the sum available for appropriation is £331,402 8s. 9d., but, after allowing for taxation £263,810, war damage contribution £3,140, the year's dividend on the 6 per cent. preference shares £7,500 net, and the interim dividend at 3 per cent. paid on the ordinary shares in June last £4,452 net, the balance remaining is reduced to £52,499. Your directors now recommend (1) contribution towards staff pension fund £4,000, (2) final dividend on ordinary shares of 4 per cent., plus 3 per cent. bonus (making 10 per cent. for the year) £20,778 18s. 10d., less income-tax at 10s. in the £, £10,389 9s. 5d., leaving a balance to be carried to the next year of £38,109 18s. 3d., against £31,590 3s. 9d. brought in.

It is perhaps of passing interest to mention that the amount carried forward, being net, is sufficient to pay the net preference dividend, calculating at the current rate of income-tax, for the next five years.

It may also be mentioned that the total E.P.T. to September 30, 1944, amounts to £878,455, which indicates the extent of the heavy burden of taxation borne in recent years.

The company continues to be served efficiently and loyally by its staff and work-people of all grades. The current year has opened satisfactorily, and your company continues to be fully employed.

The report and accounts were adopted.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

POST-WAR POSSIBILITIES

SIR WILLIAM GOODENOUGH'S VIEWS

The ordinary general meeting of the stockholders of Barclays Bank (Dominion, Colonial and Overseas) was held, on the 28th instant, at 29, Gracechurch Street, London, E.C.

The following is an extract from the statement by the chairman (Sir William M. Goodenough, Bt.), which was circulated with the report and accounts:—

The death of Colonel the Hon. Denys Reitz has come as a shock to the great circle of his friends and admirers, not only in South Africa, but in this country, a circle which, if I may say so, has been greatly enlarged on account of the unique character and quality of his books, which have been the source of so much interest and pleasure to a wide public. I cannot attempt on this occasion to do justice to his outstanding personality, but every one of us here will deplore his passing.

It is also with very deep regret that I refer to the death in June last of Lord Essendon. He was elected to our board in 1936, and his wide experience and knowledge of so many branches of commerce and finance were of great value to us.

MR GILLET'S RETIREMENT

In March last Mr A. B. Gillett, at his own request, relinquished the deputy chairmanship, but I am happy to say that he will remain on the board, and I take this opportunity of paying tribute to the great services he has rendered to the bank since the time of the amalgamation in 1925. He has been succeeded as deputy chairman by Mr J. S. Crossley, who was elected to a seat on the board in February last on retiring from the general management. Sir Bernard Henry Bourdillon, G.C.M.G., K.B.E., has been elected to the board, after a distinguished career in Government administration within the Empire, and we are fortunate in having the benefit of his services.

Mr R. B. Edwards has been appointed chairman of our Cape Local Board in succession to Mr G. R. Paterson. I much regret to report that Mr Paterson has felt it necessary to resign owing to failing health. He was for some time general manager in South Africa before joining our Cape Local Board, and during his long career has rendered devoted and valuable service. Mr A. W. Paterson, who had been for some years a local director of the bank in East Africa, retired and came to England last year, but he has decided to return to Nairobi and I am glad to say that he has rejoined our local board in an advisory capacity. I am also pleased to state that His Excellency Ahmed Neguib El Hilaly Pacha has been re-appointed as an advisory local director of the bank in Egypt.

FURTHER EXPANSION

Turning to the balance sheet, the figures again show further expansion. Current, deposit and other liabilities stand at the record figure of £282,175,976, or £34,402,377 higher than in the previous year, while cash in hand and money at call have increased from £87,285,289 to £102,028,404. Investments at £94,593,274 are £11,664,048 more, while advances are £3,631,782 higher at £34,066,571. The board have made the same allocations as last year to our reserve fund, which has accordingly been increased by £500,000. The proportions in which the funds of the bank are distributed amongst the various classes of assets are almost identical with those of last year. I feel, however, that it is only right to point out that these figures are in very large measure the direct result of war conditions. We should not expect to see the same tendency continued for

long after the end of the war. In some territories there has been a further sharp upward movement in prices during this period, and the question of effecting those adjustments which may ultimately prove necessary may be one of some difficulty.

FINAL STAGES OF WAR

Looking back over the course of the war, now, we hope, approaching its final stages, we may well feel thankful that our widely dispersed branches overseas have not received more damage during these past five years. We have been fortunate indeed in that not one of them has been over-run by the enemy. We can also be grateful for the fact that we have been able to be of service to the authorities during the war in so many overseas territories, and to the members of our Fighting Services themselves, particularly in the Mediterranean area and in the Middle East. I am glad to mention, too, that in many parts we have rendered similar service to our American Allies and to the Forces of so many of the United Nations. Looking forward, I think we may confidently feel that this bank will be able to play a useful part in assisting post-war development throughout Africa, in the West Indies, in the Middle East and elsewhere.

In recent years, the Colonial policy of this country has been subjected to criticism, much of which has been both misleading and unfair. No one will pretend that mistakes have never been made, but the questions involved are frequently highly complex, and their solution is not helped by uninformed criticism. We must realise that our ideas, our institutions, and ways of life, cannot be easily transplanted to other lands and to other peoples whose tradition and environment are essentially different from our own. If they are to flourish, they must be allowed to take root and in some cases growth will be slow. A lively interest in the Empire, and perhaps particularly in our Colonial territories, by people at home, will, I believe, contribute more than anything else towards a solution of these problems. The war has unquestionably had the effect of increasing public interest in these territories, and the means of development have already been greatly facilitated through the medium of air transport. I think it is true to say that rapid and efficient transport and communications are essentials without which economic development cannot make headway. It is only recently that these have at last come within our reach, but the chance, of which we should take the fullest advantage, has now arrived, and it will be for us to use it wisely when the end of the war permits.

SYMPATHETIC INTEREST ESSENTIAL

Many plans for Colonial development are being considered and discussed, but I think we should do well to remember that they cannot in themselves provide an effective substitute for the intelligent and sympathetic interest of the people of this country; nor is it possible by any artifice or contrivance of Government to create mechanism to replace the initiative, enterprise and enthusiasm of the individual.

It is idle to speculate about the future, but it would be a singularly unimaginative mind that could not grasp something of the potentialities of air transport for Africa and other parts of the Empire, and the effect of its power to bring together isolated territories, formerly separated by many days, if not weeks, of travel, and now within a few "flying hours" of each other. These opportunities bring problems in their train, but we must face them with resolution, as the pioneers of the Colonial Empire faced their problems in days gone by.

Never before, perhaps, in history has our country had the opportunity to do so much to improve the lot of so many as will come to us when the war is over. Economically backward peoples within the Empire have received a stimulus from the war which has changed the way of life and widened the outlook for many of them. Our bank, we believe, will have a great cause to serve in the years which lie ahead.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

RECORD PROFIT

The eleventh ordinary general meeting of this company was held, on the 12th instant, in Dublin.

The following is an extract from the statement of the chairman.

The balance sheet deals with a total of £1,189,972, as against £963,370 at last year's meeting. During the year under review the resources of the company have been employed to moderately better advantage than in the previous year. The principal change as compared with the previous balance sheet is an increase from £60,000 to £270,000 in the company's commitments on foot of guarantees.

Investments, appearing in the balance sheet at £696,140, constitute the largest item on the assets side. Taking the quoted securities at the most recent market prices, and the non-listed securities at cost, the aggregate value of our investments is substantially in excess of the present ledger valuation, even before deducting from the latter the amount of the investment reserve.

Both our gross profit and net profit for the year, at £62,074 and £53,574 respectively, are the highest in any year since the commencement of business, despite the fact that we had no underwriting profits last year. It is satisfactory to record that after deducting a comparatively small sum representing profit on realisation of investments during the latest year our net earnings would still be higher than in any previous year.

There remains a profit balance to be dealt with of £34,639. Resolutions will be submitted to you allocating this sum as follows:—To dividend at the rate of 2½ per cent (less tax) on the paid-up capital, £12,695; to investment and other reserves, £15,000; leaving to be carried forward £6,944.

The report and accounts were adopted.

J. BROCKHOUSE AND COMPANY, LIMITED

GOOD PROSPECTS

The forty-seventh ordinary general meeting of this company was held, on the 20th instant, at West Bromwich.

Mr H. B. Burton (the chairman) said that the past year had not been without its difficulties, chief of which had been the shortage of labour, but the balance-sheet would, he thought, be considered very satisfactory. The majority of their subsidiary companies had contributed their full share to the success, both by their profits and their reputation for high-quality products together with efficient service. Their branches had again operated very satisfactorily.

As to the future, their interests and prospects in the post-war era were based on broad foundations, as they manufactured for many different trades—in all of which there was scope for development—and were therefore able to explore many markets. They had a reputation second to none, built up over a great number of years, which must help in getting a full share from those markets. Many of their works would be able to turn over to peacetime products immediately.

Mr J. L. Brockhouse, M.A. (managing director), said that the main factor exercising the mind of all industrialists was the impending change to peacetime activity. In the main, this firm was more fortunately placed than many, as most of their factories had been engaged on work similar to their peacetime production.

He did not anticipate that the combine as a whole would lack orders; in fact, there was every indication that in the period following the war they would likely to be heavily booked. They had many established trades, principally in the building, domestic and transport fields, and in addition they had many new developments.

The report was adopted.

GUY MOTORS, LIMITED

VERY SATISFACTORY POSITION

MR SYDNEY S. GUY'S SPEECH

Presiding at the twenty-ninth annual general meeting of Guy Motors, Limited, at Wolverhampton, on the 14th instant, the chairman, Mr Sydney S. Guy, said:—

This is the sixth year in which the accounts have had to be presented under conditions of war, and under the circumstances the information I can give you is still somewhat limited.

It has been pointed out to me on a number of occasions that the items freehold land and buildings, and particularly plant, machinery, tools, etc., standing in the balance-sheet at approximately £130,000 do not in any respect adequately represent the extent of our organisation, and might lead one who has not seen the factory to conclude that it is of comparatively small proportions. I must admit that these comments are perfectly fair on the balance-sheet figures, but it is the result of the heavy amount of depreciation which has been written off over the years. Whilst prices to-day are obviously inflated, I can say that even in the immediate pre-war years the value was several times higher than the book figure.

You will see that the figure of stock is down some £128,000. This is entirely brought about by the deduction made for payments on account by the Government for work-in-progress, which vary considerably from time to time, and this, of course, affects also the figure of total assets. The actual stock is almost identical with last year, and the turnover has been at the same high level.

Turning to the profit and loss account, there is a reduction in the item depreciation and maintenance of buildings, plant, machinery, etc., of some £12,000, which is almost entirely due to the fact that through the shortage of man-power we have been unable to carry out all the maintenance work which we should like to deal with. However, it does justify your directors' action in reserving in previous years for this eventuality and in building up a reserve of £22,500 under this heading.

DIVIDEND MAINTAINED

The net profit has slightly increased compared with the previous year, and your directors recommend for the eighth year in succession a dividend of 15 per cent. on the ordinary stock and the allocation of the balance of profit as set out in the report.

During the year the company has, apart from military vehicles, continued, under the instructions of the Government, large-scale production of double-deck buses, and approximately two-thirds of the bus operators of this country, including most of the leading corporations and companies, have been supplied with Guy chassis. Several hundreds of these vehicles have now run over 150,000 miles, many under the most difficult conditions created by the war, and are giving general satisfaction.

It will be appreciated that owing to Government restrictions on the use of certain materials the vehicles are all of austerity type. They are heavier than would otherwise be the case, and do not provide the same degree of comfort and finish in the body work (which is not supplied by your company).

It is the declared policy of the company, when supplies are available, to give all operators an opportunity of obtaining improved parts which in almost all cases will be interchangeable with the old, so that they can bring their vehicles up to date in accordance with the then latest design and, in the post-war years, have a fleet of Guy vehicles in which a high degree of standardisation and interchangeability has been obtained, with consequent advantage in lower maintenance and operational cost.

HIGH STANDARD OF SERVICE

I am pleased to be able to say that, in spite of well-known difficulties, a very large

number of our customers inform us that our servicing arrangements, and more particularly the supply of spare parts, have been maintained at a very high standard and are unsurpassed by any other motor manufacturer.

We recently received a letter in which an important customer writes that he "would like to place on record his surprise and gratification that we were able to supply from stock a cylinder block for a 1922 Guy vehicle, and that some time before he had a similar experience in the supply of a cardan shaft." He says "taking into consideration the great age of this vehicle, we consider that the ability of the Spares Department to supply these parts reflects great credit upon the foresight and judgment shown by the management." We feel that to receive a request for service to a vehicle twenty-two years old in itself justifies our slogan: "Guys for Life and Low Running Costs."

POST-WAR TRADE

The company was one of the very few vehicle manufacturers which in immediate pre-war years, at the request of the War Office, sacrificed some of its civilian business to give priority to the design and production of military vehicles, in which the company has had some twenty-five years' experience.

This foresight on the part of the War Office reflects great credit on those responsible, for it made it possible for this company to change over within two or three months and to devote itself wholly to a largely increased production of military vehicles.

For this reason, if for no other, it is

CROMPTON PARKINSON LIMITED

CHAIRMAN'S SPEECH

At the annual general meeting held on the 15th instant, at the Waldorf Hotel, London, the chairman, Mr Frank Parkinson, M.I.E.E., after a brief reference to the accounts and directors' report, said:

"The Government has wisely decided to pledge the country to the policy of full employment and social security for all. I welcome this act of faith in the future of British industry. Industry must play its part in eliminating waste and inefficiency and in penalising idleness.

Those of us who have eyes to see can now observe the impressive ground plan of a new Britain which should arise when the turmoil of war has passed. It might be useful to consider what part an industrial company such as ours will be able to play in this future. The fundamental fact must be stressed that the community can only distribute the wealth it creates. We hear much planning as to how we shall distribute that wealth, but relatively little attention is devoted to the more difficult subject of how we can create it. Yet in a country like ours, which of necessity must export, the question of truly economic production—the most efficient use of our man-power and resources—must be the keystone of the success of any plan.

EFFICIENT CO-OPERATION

Your company's success depends, and will continue to depend, upon its ability to serve its customers with the highest grade of product at reasonable prices. This can only be achieved by good direction, ample capital, efficient management, and complete co-operation between all workers, in the task of creating wealth by raising the output per worker.

The relationship between your company and its workers has never been on a sounder basis than it is to-day, and I look forward with confidence that our management and workers will continue to co-

operate and secure increasing production efficiency. When that has been achieved there must be strict equity in the distribution of the rewards for such success. It is our aim to convince each worker that he will get a fair deal in that respect and, at the same time, a full opportunity to realise to its utmost his earning capacity, with advantage not only to himself, but to the community.

EXPORT TRADE

The problem of re-establishing our exports is rightly exercising the minds of all who have to find overseas markets, to enable our country to pay for necessary imports. Apart from coal, we must import most of the raw materials required by our industries, and, in addition, certain goods and foods, to enable us to enjoy a reasonable standard of life.

This situation calls for the utmost wisdom possessed by industry and statesman-like direction from the Government. It cannot be solved by individual industrialists or groups, but will demand the most intelligent co-operation between industry and the Government. If we make full use of the advantages which we as a country enjoy as a very large buyer of imports, and if our industries raise their efficiency to the highest level, there will be ground for confidence in the future of our export trade.

I am sure you will all wish to join with your board in expressing sincere appreciation of the excellent services rendered by our executives, staff and all workers during five years of arduous and difficult conditions."

(Continued from page 847)

problems centre round methods of distribution and marketing.

Brazilian Bonds

There is now only one week to run before the expiry of the option granted to holders of all Brazilian bonds coming under the scheme of a year ago to accept either the "A" or the "B" plan. Except in the event of an extension of the option, which seems improbable although the market still thinks it possible, those who have taken no action by December 31st will be deemed to have accepted plan "A." That is to say they will retain the whole of their nominal capital; they will obtain no cash payment in respect of partial surrender, and they will receive in future a relatively low rate of interest. Broadly speaking, this is the better option to take in the case of bonds with a low market value per cent, but the merits of the case have still to be studied for each individual stock. Only in those cases where it pays to accept plan "B" should any action be taken, for those who would take plan "A" in any case might as well retain what little benefit can accrue to them from the contingency that the date of final acceptance may be extended. Presumably, those who have not already sold wish to retain an interest in Brazil. If they do not, they should not now sell as dealers are unwilling to assume the responsibility of getting the formalities of acceptance completed before the end of the year and prices are correspondingly reduced. Until quite recently the only real market has been in the unassented bonds. Once the option has expired better markets will gradually be established in the converted stock, but the indications are that they are likely to narrow, except at those times when sinking fund buying causes a fair demand.

Co-operative Amalgamation Rejected

Although the shareholders of the Co-operative Wholesale Society approved amalgamation with the Scottish Co-operative Wholesale Society by the overwhelming majority of 5,414 to 303, the meeting of the Scottish CWS shareholders turned it down by 442 votes to 209. Some opposition to amalgamation was known to exist in Scotland, but the large vote against it was both a surprise and a disappointment to English co-operators. The reasons influencing the Scottish decision have not been indicated, but it would be regrettable and short-sighted if the Scots had allowed their native pride to interfere with a project which could only have beneficial results for the co-operative movement as a whole. The failure comes at the end of

lengthy negotiations. It had been hoped to bring off the merger as a fitting crown to the co-operative movement's centenary celebrations. As it is, relations between the CWS and the Scottish CWS are unlikely to be strengthened by last Saturday's vote. An opportunity has been lost to the co-operative movement to enlarge its influence which may not arise again for many years.

Shorter Notes

The terms are now available for the conversion of the largest single block of municipal loan stock with an optional maturity next year, the £28,600,000 of London County Council 4½ per cent 1945-85. Almost half the total is to be repaid outright and conversion is offered up to a total of £15 million into a 3 per cent stock repayable 1962-67 issued at 99. This gives the stock a maximum life about one year greater than that of the last preceding offers and it is satisfactory to find that, in this case at least, some concession is being made to the fact that the borrower is the capital city and the issue of a size to guarantee a reasonably free market.

The question to the President of the Board of Trade on the matter of the British Celanese dividend declaration has drawn a reply which must be most satisfactory to all those who have been working for improvement and particularly to the Stock Exchange Committee. Mr Dalton not only stated that he had asked the Cohen Committee to take account of the incident, but expressed the strongest disapproval of failure to comply with the recommendation of the Stock Exchange Committee. This should greatly strengthen their hand in this matter, and perhaps in others, and is a very welcome recognition of the value of the wise use of extra-legal control by a private institution.

The Ministry of Food hopes to arrange, subject to shipping conditions, for monthly shipments during next year, of wines 3,000 tons and 50 tons of brandy from both Australia and South Africa. The maximum retail price of port and sherry type wines will be 12s. 6d. a bottle, and 8s. 9d. for table wines. The price of brandy has not yet been fixed. The Ministry is also to issue supplementary licences for barley on January 1st to whisky distillers. The production from this allocation, together with that made in October, will amount to about a third of 1939 production. The allocation will give distillers a start towards the expansion of exports of whisky, which averaged some £11,500,000 annually during 1935 to 1939.

GOVERNMENT RETURNS

For the week ended Dec. 16, 1944, total ordinary revenue was £42,383,000, against ordinary expenditure of £109,391,000 and issues to sinking funds of £300,000. Thus, including sinking fund allocations £10,179,408, the deficit accrued since April 1st is £2,384,574,000 against £2,323,665,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Dec. 18, 1943	April 1 to Dec. 16, 1944	Week ended Dec. 18, 1943	Week ended Dec. 16, 1944
ORDINARY REVENUE					
Income Tax	130,000	473,189	553,118	10,514	12,195
Sur-tax	80,000	19,431	16,888	940	950
Estate, etc.	100,000	69,896	76,228	2,180	2,360
Duties	19,000	12,220	9,511	100	482
Stamps	500,000	349,129	355,809	7,560	9,902
N.D.C.	1,000	238	160	...	14
E.P.T.					
Other Inld. Rev.					
Total Inld. Rev.	200,000	946,241	1,035,336	21,834	25,903
Customs	564,900	392,497	415,821	11,187	13,405
Excise	472,900	335,205	350,200	3,605	2,800
Total Customs & Excise	1,037,800	727,702	766,021	14,792	16,205
Motor Duties	27,000	5,253	5,650	...	117
P.O. (Net Receipts)					
Wireless Licences	4,850	2,690	2,740	...	...
Crown Lands	800	710	720	...	...
Receipts from Sundry Loans	7,350	4,541	5,215	22	39
Miscell. Receipts	24,000	54,889	62,621	642	119
Total Ord. Rev.	3,101,800	1,742,027	1,878,303	37,290	42,383
SELF-BALANCING P.O. & Brdcastg.	112,370	78,250	82,950	1,850	2,200
Total	3,214,170	1,820,277	1,961,253	39,140	44,583

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Dec. 18, 1943	April 1 to Dec. 16, 1944	Week ended Dec. 18, 1943	Week ended Dec. 16, 1944
ORDINARY EXPENDITURE					
Govt. & Man. of Nat. Debt	420,000	281,123	306,838	3,150	3,972
Payments to N. Ireland	9,000	5,004	5,733	...	...
Other Cons. Fund Services	7,000	3,857	4,306	7	370
Total	436,000	289,984	316,876	3,156	4,341
Supply Services	550,139	376,617	393,822	10,155	10,050
Total	986,139	666,601	710,698	13,311	14,391
SELF-BALANCING P.O. & Brdcastg.	112,370	78,250	82,950	1,850	2,200
Total	1,098,509	744,851	793,648	15,161	16,591

A change has been made in the method of showing excess of Post Office Expenditure over the Post Office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £103,175 to £2,589,619, the other operations for the week (no longer shown separately) raised the gross National Debt by £1,525,554 to £21,980 million.

NET ISSUES (£ thousands)	
Post and Telegraph	200
Emergency (Temporary Accommodation) Act, 1944	100
War Office Trade Guarantees	20
Total	320

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Ten-der	Tap	Public Depts.	Bank of England		
1943						
Dec. 18	1210-0		Not available			
1944						
Sept. 16	1430-0		" "			
" 23	1430-0		" "			
" 30	36 95-3		449-8	21-0	1582-0	5748-1
Oct. 7	1430-0		Not available			
" 14	1430-0		" "			
" 21	1440-0		" "			
" 28	1450-0	2300-0	497-0	0-8	1705-0	5952-8
Nov. 4	1460-0		Not available			
" 11	1470-0		" "			
" 18	1470-0		" "			
" 25	1470-0	2305-5	513-8	27-5	1700-5	6017-3
Dec. 2	1470-0		Not available			
" 9	1470-0		" "			
" 16	1470-0		" "			

TREASURY BILLS

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1943					
Dec. 17	90-0	198-2	90-0	20 1-68	17
1944					
Sept. 15	110-0	220-4	110-0	20 2-47	31
" 22	110-0	207-2	110-0	19 11-60	54
" 29	110-0	228-3	110-0	19 11-70	25
Oct. 6	110-0	227-1	110-0	20 0-27	31
" 13	120-0	227-0	120-0	20 0-30	35
" 20	120-0	227-5	120-0	20 0-16	34
" 27	120-0	223-3	120-0	20 0-69	37
Nov. 3	120-0	211-3	120-0	20 0-62	41
" 10	110-0	206-1	110-0	20 0-43	35
" 17	110-0	207-5	110-0	20 1-83	30
" 24	110-0	232-4	110-0	20 0-72	23
Dec. 1	110-0	221-7	110-0	20 1-33	32
" 8	110-0	219-1	110-0	20 1-03	28

On December 15, applications at £99 15s. 0d. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 28 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Monday were accepted in full. £110 millions of Treasury Bills are being offered on December 22. For the week ended December 23, the banks will be asked for Treasury deposits to the maximum amount of £120 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 1½% BOND SUBSCRIPTION

Week ended	N.S.C.				3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
	£	s.	d.	p.	£	s.	d.
Oct. 10	4,030	1,753	7,667	...			
" 17	4,356	1,768	7,144	...			
" 24	4,377	1,812	3,449	...			
" 31	4,445	1,745	5,037	...			
Nov. 7	4,624	2,258	6,683	436			
" 14	4,048	1,973	4,511	4,140			
" 21	5,028	1,851	3,882	1,872			
" 28	4,064	1,814	4,759	3,832			
Dec. 5	4,570	1,708	4,415	8,012			
" 12	4,124	1,697	8,352	10,445			
" 19	...	...	3,531	5,191			
Totals to date	1,278,898*	773,697*	1,814,424†	33,927‡			

* 264 weeks. † 207 weeks. ‡ 7 weeks. Including all Series. Interest free loans received by the Treasury up to Dec. 19th amounted to a total value of £69,727,414. Up to Nov. 25th principal of Savings Certificates to the amount of £191,770,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½s. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

Date	Gold		Silver	
	Fine Tola	100 Fine Tolas	Rs. a.	Rs. a.
Dec. 14	66 11	126 8		
" 15	66 9	125 15		
" 16	67 0	127 4		
" 18	70 8	132 0		
" 19	71 2	132 2		
" 20	69 10	128 10		

BANK OF ENGLAND RETURNS

DECEMBER 20, 1944

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation...	1242,036,914	Other Govt. Securities...	1238,091,031
In Bankg. Department...	8,204,804	Other Secs. Silver Coin...	887,971
			5,898
		Amt. of Fid. Issue...	1250,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)...	241,718
			1250,241,718

BANKING DEPARTMENT

£		£	
Props. Capital...	14,553,000	Govt. Secs. ...	248,872,764
Res. ...	3,263,890	Other Secs. : Discounts & Advances...	2,480,957
Public Depts. ...	5,136,305	Securities...	13,326,601
			15,807,558
Other Depts. : Bankers ...	198,205,117	Notes ...	8,204,804
Other Accts. ...	53,608,880	Gold & Silver Coin...	1,882,066
	251,813,997		274,767,192
	274,767,192		

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

COMPARATIVE ANALYSIS

	1943		1944	
	Dec. 22	Dec. 6	Dec. 13	Dec. 20
Issue Dept. :				
Notes in circulation	1081-0	1203-7	1225-7	1242-0
Notes in banking department	19-2	46-6	24-5	8-2
Government debt and securities*	1099-2	1249-2	1249-2	1249-1
Other securities	0-7	0-8	0-7	0-8
Silver Coin	0-0	0-0	0-0	0-0
Gold, valued at s. per fine oz.	0-2	0-2	0-2	0-2
Deposits :				
Public	7-3	9-7	9-5	5-1
Bankers	169-0	181-6	181-0	198-2
Others	53-7	56-7	51-5	53-6
Total	230-0	238-3	242-0	256-9
Banking Dept. Secs. :				
Government	210-3	200-9	217-6	248-9
Discounts, etc.	1-6	2-4	1-4	2-5
Other	15-8	13-8	14-2	13-3
Total	227-7	217-1	233-2	264-7
Banking depart. res.	20-3	48-7	26-5	10-1
%	8-8	19-6	10-9	3-9

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,150 million to £1,200 million on August 2, 1944.

PROVINCIAL BANK CLEARINGS

	£ thousands		Aggregate from Jan. 1 to	
	Week ended	Dec. 18, 1943	Dec. 16, 1944	Dec. 18, 1943
Working days:				
Birmingham	6	1,335	2,495	106,453
Bradford	6	1,820	2,794	94,226
Bristol	6	496	726	32,283
Hull	6	438	503	28,533
Leeds	6	850	797	54,964
Leicester	6	806	819	40,323
Liverpool	6	3,920	5,358	228,416
Manchester	6	2,358	2,791	410,062
Newcastle	6	1,564	1,411	77,336
Nottingham	6	307	413	21,736
Sheffield	6	787	754	45,731
Southampton	6	92	144	6,410
12 Towns	6	14,763	18,005	114,647
Dublin*	6	7,386	8,595	359,281
				914,830

* Dec. 11, 1943, and Dec. 9, 1944.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

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INDUSTRY AND TRADE

The "Economist" Sensitive Index.—There was no change in the index during the week ended December 20th. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

Labour for Footwear Industry.—At a meeting he'd recently between representatives of the Federation of Boot Manufacturers, the National Union of Boot and Shoe Operatives, the Board of Trade (Footwear Control) and the Ministry of Labour, methods of finding labour urgently required in the boot and shoe manufacturing industry were discussed. All withdrawals of labour from the industry, except of young men becoming liable for military service, have been suspended since May this year and any skilled workers who become available are placed in the industry. Workers who become redundant at munitions factories and who have had previous skill and experience in boot and shoe manufacture are to be returned to their former employment. These steps will not, however, provide the labour required in all districts. Arrangements are therefore being made to secure, where possible, the release from their present employment in the munitions and other industries of skilled ex-operatives who are willing to return to the foot and shoe industry.

The President of the Board of Trade has appointed a Committee to advise the Controller of Footwear (under his chairmanship) on matters connected with the industry.

Aluminium Hollow-ware.—The Board of Trade is issuing licences for the manufacture and supply of aluminium hollow-ware by any manufacturers who can make capacity labour available now for this production without detriment to war work on which they are engaged. Licences are issued, spun or drawn stewpans, kettles and steamers corresponding to certain specifications; and also for a specified range of plate utensils.

Organisation of Cotton Doublers.—The employers' side of the cotton yarn doubling trade has never been adequately organised, and at a meeting of representatives of firms held in Manchester last week it was decided to form an Association to secure co-operation throughout this section of the cotton industry. There are some 200 cotton yarn doubling firms with nearly 3,000,000 spindles. The mills are spread over a wide area: Yorkshire, Lancashire, Cheshire, the Midlands and Scotland. It is understood that the new organisation will co-operate with the several sections of cotton spinners in price fixing after the war. It may also be able to assist in sorting out the irregularities in the wages of cotton doubling operatives.

BRITISH WHOLESALE PRICES

		Dec. 5, 1944	Dec. 19, 1944			Dec. 5, 1944	Dec. 19, 1944			Dec. 5, 1944	Dec. 19, 1944
CEREALS AND MEAT		s. d.	s. d.	TEXTILES—continued		s. d.	s. d.	MISCELLANEOUS		s. d.	s. d.
GRAIN, etc.				COTTON—continued				CEMENT, best Eng. Portland, d/d site, London area			
Wheat	No. 1 N.Mt. 496 lb. f.o.b. St. J.	50 8	50 8	Cloth, Overall Cloth, 38" in.	52 x 50, 22's & 16's.	65 6	65 6	in paper bags or jute sacks 20 to ton—(a).			
Eng. Gaz. av. per cwt. (e)		13 9	14 0	Drill, 30 in., 80 x 46,	12's & 10's.	94 3	94 3	6-ton loads and upwards per ton		51 0	51 0
Flour per 280 lb.				FLAX (per ton)				CHEMICALS—			
Straights d/d London		40 0	40 0	Livonian ZK		Nom.	Nom.	Acid, Oxalic, net.....per ton		60/0/0	60/0/0
Barley Eng. Gaz., av. per cwt. (e)		24 11	25 1	Pernau HD		Nom.	Nom.	Tartaric, English, less 5%..lb.		3 6	3 6
Oats (e)		16 6	17 6	HEMP (per ton) —Manilla, spot		Nom.	Nom.	Ammonia, Sulphate.....per ton		9/11/6	9/11/6
Maize, Argentine, per ton		10/0/0	10/0/0	" J2 "		Nom.	Nom.	Nitrate of Soda.....per ton		15/5/0	15/5/0
MEAT—Beef, per 8 lb.—				JUTE (per ton)				Potash, Sulphate.....per ton		18/15/0	18/15/0
English long sides		5 4	5 4	Daisiee 2/3 c. and f. Dundee		39/10/0	39/15/0	Soda Bicarb.....per ton		11/0/0	11/0/0
Imported hinds		6 0	6 0	Common 8 lb. cops. (per spindle)...		5 5	5 5	Soda Crystals.....per ton		5/7/6	5/7/6
Mutton, per 8 lb.—English		5 2	5 2	10 1/4 Hessians, per yd.		0 7-75	0 7-75	COPRA (per ton) —S.D. Straits		Nom.	Nom.
Imported		5 2	5 2	8 1/4 Hessians, per yd.		0 5-96	0 5-96	c.i.f.			
Pork, English, per 8 lb.		8 0	8 0	10 1/4 Calcutta Hessians, spot,		58 0	58 0	HIDES (per lb.)			
BACON —(per cwt.)—Wilts, cut side		142 0	142 0	Dundee, 100 yds.....		45 0	44 9	Wet salted Australian, } 40/50 lb.		0 7 1/2	0 7 1/2
HAMS —(per cwt.)—Green		147 0	147 0	" No. 1 delivered.....		45 0	45 0	Queensland.....		0 8	0 8
OTHER FOODS				WOOL (per lb.)				Cape, J'burg Ord.....		0 10 1/2	0 10 1/2
BUTTER (per cwt.) —All Grades,				Selected blackface, greasy.....		14 1/2	14 1/2	Dry Capes, 18/20 lb.....		0 6 1/2	0 6 1/2
First hand		151 4	151 4	Lincoln wethers, washed.....		37 1/2	37 1/2	English & Welsh Market Hides—			
CHEESE (per cwt.)				Selected blackface, greasy.....		37 1/2	37 1/2	Best heavy ox and heifer.....		0 6 1/2	0 6 1/2
House Produced.....		99 2	99 2	Australian scd. fleece 70's.....		29 1/2	29 1/2	LEATHER (per lb.)			
Imported.....		99 2	99 2	Cape scd. average snow white.....		24	24	Sole Bends, 8/14 lb.....		1 9	1 9
COCOA (per cwt.)				N.Z. scd. 2nd pieces, 50-56's.....		24	24	St. ribbed smoked sheet.....		1 3	1 3
Accra, g.f.....		45 0	45 0	MINERALS				Shoulders, Insole to Welting.....		2 4	2 4
Grenada fine.....		81 0	81 0	COAL (per ton)				Bellies.....		1 10	1 10
EGGS (per 120) —English		14 9	14 9	Welsh, best Admiralty.....		43 4	43 4	Dressing Hides.....		2 4	2 4
LARD (per cwt.) —Imported		64 0	64 0	Durham, best gas, f.o.b. Tyne.....		38 11	38 11	PETROLEUM PRODUCTS (per gal.)			
POTATOES (per cwt.)				IRON AND STEEL (per ton)				Motor Spirit, England & Wales.....		1 10	1 10
English.....		5 0	5 0	Pig, Cleveland No. 3, d/d.....		128 0	128 0	(b) Kerosene, Burning Oil.....		1 0 1/2	1 0 1/2
SUGAR (per cwt.)				Bars, Middlesbrough.....		360 0	360 0	Vaporising Oil.....		1 1	1 1
Centrifugals, 96%, prpt. shpm.				Steel, rails, heavy.....		290 6	290 6	(b) Automotive gas oil, in bulk,		1 7 1/2	1 7 1/2
c.i.f. U.K./Cont.....				Tinplates (home i.c. 14 x 20).....		29 9	29 9	ex road tank waggons.....			
REFINED LONDON				NON-FERROUS METALS (per ton)				Fuel oil, in bulk, England and			
Granulated, 2 cwt. bags.....		49 10	49 10	Copper (c)—Electrolytic.....		62/0/0	62/0/0	Wales.....		0 10 1/2	0 10 1/2
Granulated, 2 cwt. bags, domestic		30 11	30 11	Tin—Standard cash.....		300/0/0(f)	300/0/0(f)	Furnace.....		0 11 1/2	0 11 1/2
consumption.....		30 11	30 11	Lead (d)—Soft, foreign, cash.....		25/0/0	25/0/0	Diesel.....		45/0/0	45/0/0
West India Crystallised.....		47 6	47 6	Spelter (d)—G.O.B., spot.....		25/15/0	25/15/0	RUBBER (per lb.)		1 6	1 6
Tobacco (per lb.)				Aluminium, ingots and bars.....		110/0/0	110/0/0	St. ribbed smoked sheet.....		1 6	1 6
Indian stemmed and unstemmed.....		1 0	1 0	Nickel, home delivery.....		190/0/0	190/0/0	SHELLAC (per ton) —TN Orange..		205/0/0	205/0/0
Rhodesian, stemmed and un-		1 2	1 2	Antimony, English, 99%.....		120/0/0	120/0/0	TALLOW (per ton) —London Town		43/10/0	43/10/0
stemmed.....		3 6	3 6	Wolfram, Empire.....per unit.....		2/15/0	2/15/0	VEGETABLE OILS (per ton net)			
TEXTILES				Platinum, refined.....per oz.....		9/0/0	9/0/0	Linseed, raw.....		62/0/0	62/0/0
COTTON (per lb.)				Quicksilver.....per 76 lb.....		68/10/0	68/10/0	Rape, crude.....		85/0/0	85/0/0
Raw, Mid-American.....		12-75	12-75	GOLD (per fine ounce)		168 0	168 0	Cotton-seed, crude.....		52/2/6	52/2/6
Giza, F.G.F.....		15-05	15-05	SILVER (per ounce)				Coconut, crude.....		49/0/0	49/0/0
Yarns, 36's Ring Beams.....		24-08	24-08	Cash.....		1 11 1/2	1 11 1/2	Palm.....		42/5/0	42/5/0
42's Cop Weft.....		23-06	23-06					Oil Cakes, Linseed, Indian, ex-mil		11/2/6	11/2/6
60's Twist (Egyptian).....		33-00	33-00					Oil Seeds, Linseed.....		31/7/6	31/7/6
Cloth, per 100 yards.....								Bombay.....		30/0/0	30/15/0
31 in. Printer, 64 x 64,		43 3	43 3					Calcutta.....			
36's & 42's.....		58 5	58 5								
Cambric Shirting, 32 1/2 in.											
72 x 60, 24's & 24's.....											

* Nominal. (e) + 7s. per ton net paper bags, jute sacks charged 1s. 9d. on return. (f) Higher Pool prices in some zones. (g) Price is at buyer's premises. (h) Including import duty and delivery charges. (i) Average for weeks ended Dec. 2 and Dec. 16. (j) Price at which Ministry of Supply supplies consumers delivered works.

AMERICAN WHOLESALE PRICES

		Dec. 5, 1944	Dec. 19, 1944			Dec. 5, 1944	Dec. 19, 1944			Dec. 5, 1944	Dec. 19, 1944
GRAINS (per bushel)		Cents	Cents	MISCELLANEOUS (per lb.)		Cents	Cents	MISCELLANEOUS (per lb.)—cont.		Cents	Cents
Wheat, Chicago, Dec.		167 1/2-167 3/4	167 3/4	Cocoa, N.Y., Acme.....		8-61	8-61	Rubber, N.Y., smk'd. sheet.....		†	†
Winnipeg.....		†	†	Coffee, N.Y., cash—				Sugar, N.Y., Cuban Cents, 96		3-74 1/2	3-74 1/2
Males, Chicago, Dec.		113 1/2	113 1/2	Rio, N.Y.....		9 1/2	9 1/2	deg. spot.....			
Oats, Chicago, Dec.		70	69 1/2	Santos, No. 4.....		16 1/2	16 1/2	Sugar, N.Y., 96 deg., No. 4, f.o.b.		†	†
Rye, Chicago, Dec.		112-112 1/2	112 1/2	Cotton, N.Y., Am. mid., spot.....		20-30	22-34	Cuba.....			
Barley, Winnipeg.....		†	†	" Am. mid., Jan.....		21-65	21-80	Moody's Index of staple com-		249-4	249-4
MEATS (per lb.)				Cotton Oil, N.Y., Dec.....		14-31	14-31	modities, Dec. 31, 1931=100..			
Copper, Connecticut.....		12-00	12-00	Lard, Chicago.....		†	†				
Tin, N.Y., Straits, spot.....		52-00	52-00	Petroleum, Mid-cont. crude, per		117	117				
Lead, N.Y., spot.....		6-50	6-50	barrel.....							
Spotter East St. Louis, spot.....		8-25	8-25								

† Trading suspended.

† Nominal.

THE ECONOMIST

ESTABLISHED 1843

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

Noble Negatives

THE British have been having a bad time in the United States of recent weeks. The outburst of criticism and abuse has been one of the most violent and sustained of the war years. The trouble started with British policy in Italy, where the much-misunderstood (and quite inadequately explained) ban on Count Sforza brought a moralising rebuke from the State Department. The fat was really in the fire with the outbreak of fighting in Greece, and the Prime Minister's latest speech on Poland redoubled the fury. Those who blamed the Greek policy for being too anti-Russian, and saw in it a sinister proof of British "balance of power" policy, blamed the Polish policy for being too pro-Russian and too clear a sign of a sinister "spheres of influence" bargain. With these the main occasions of offending, the old familiar complaints have been added in full measure. Britain is stealing a march on the poor repressed American exporter. Britain has no intention of fighting the Japanese. Britain is not really fighting in Europe—it is even a subject of complaint that Rundstedt did not select the British-held front for his break-through. Britain is imperialist, reactionary, selfish, exclusive, restrictive. Britons spend half their time imitating Lord North and the other half of their time aping Dr Schacht.

All this is painfully familiar. The only novelty in the present epidemic is the evidence that the American Government itself—or at least some parts of it—is more anxious to provide ammunition for the malcontents than to correct their wild misstatements. While the outbreak

lasts there is nothing that the British representatives in America can do about it. But each time there is one of these outbursts it becomes harder simply to grin and bear it. In the sixth year of an exhausting war, in which the British people have received many kicks and lost all their ha'pence, not much tail twisting can be borne in silence. If only to act as a safety valve, and prevent worse happening, some very plain speaking is long overdue, and perhaps a journal whose general approach to the problems of the world is so obviously Americanophil as is that of *The Economist* is the right place for the plain speaking to appear.

Hypocrisy is a common Anglo-Saxon failing—indeed, a failing of the rich and comfortable all over the world—and the British have many times made themselves cordially disliked by it. But that does not exempt them from feeling resentment when they are the objects of other people's hypocrisy. What makes the American criticisms so intolerable is not merely that they are unjust, but that they come from a source that has done so little to earn the right to postures of superiority. To be told by anyone that the British people are slacking in their war effort would be insufferable enough to a people struggling through their sixth winter of black-out and blockade and bombs, of queues and rations and coldness—but when the criticism comes from a nation that was practising Cash-and-Carry during the Battle of Britain, whose consumption has risen through the war years, which is still without a national service act—then it is not to be borne. The latest turn

taken by criticism is that British policy in Greece and Poland has killed the Atlantic Charter—and this comes from the country where both political parties were ready to promise, in the hope of securing the electoral vote of New York State, that they would force a wholly Jewish State on the Arab majority in Palestine. Or, it is complained that the British are seeking a sphere of influence—when anybody with any knowledge of facts or appreciation of probabilities can see for himself that nothing is being, or could be, sought by the British half as dominating and exclusive as the sphere of influence created by the Monroe Doctrine. Again, criticism of the British for playing “balance of power politics” (whatever that may mean) comes from the very mouths that call for the annexation by the United States of all the convenient naval bases in both oceans. It is complained that the British return neither gratitude nor promise of repayment for Lend-Lease—yet the Lend-Lease Act itself declares that nothing shall be given that is not necessary for the defence of the United States.

How can the ordinary Englishman be expected to listen without mockery to all the lofty moral generalities that are proclaimed in America, when he hears them against such a background? Neither in Greece nor in Poland, neither in India nor in Palestine are the American pronouncements combined with any willingness to get down into the dust of the arena and attempt to work out, within the limits set by human imperfections, a policy that will be both right and feasible. The ordinary Englishman remembers Woodrow Wilson's statement that the United States is the only idealistic country in the world—and he also remembers that the only Great Power that made any effort to achieve Wilson's ideals in hard practice was Great Britain. With every outburst of righteous indignation in America, the ordinary Englishman gets one degree more cynical about America's real intentions of active collaboration, and one degree more ready to believe that the only reliable helping hand is in Soviet Russia.

This is the popular, the instinctive reaction. Policy however, should not be based on emotions and instincts but on cool calculation. At what the Americans call the “policy-making level,” the effect of each of these recurrent spasms of Anglophobia is to raise, each time more seriously, the question of the extent to which British policy can safely be shaped in reliance on American collaboration. Just how much British safety can be gambled on American good will? In the political sphere, is it right to refrain, in the hope of obtaining American support for a general and universal system of security, from making special arrangements to assure British security? In the economic sphere, is it right to surrender the means of safeguarding British interests, as Bretton Woods and the American commercial proposals would have us do, in the hope that American policy will be stable and sound? In general, how much purpose is served by painful attempts to adjust British policies to American wishes? It is plainly right to pay some price for an American policy of genuine collaboration. But is the price we are asked to pay too high for what we are likely to get? These are the questions that are inevitably asked. They can be answered only by asking two more. How much more shall we get by trying to please the Americans? And how much less shall we get by going our own way?

The opinion was expressed in these columns immediately after the recent election that it was a defeat for the isolationists rather than a victory for genuine collaboration. It was not to be expected that confirmation would be so quickly forthcoming. Perhaps the most significant event of the last few weeks has been the readiness of Senator Ball, the extreme advocate of “internationalism,” to make common cause with Senator Wheeler, the unrepentant isolationist, and to threaten “withdrawal from Europe,” if American wishes are not immediately complied with. Collaboration, it appears, is not a policy to be pursued in America's own interest, but a reward to be offered to European nations so long as they are good, and withdrawn

when they are bad. If so, it is not a policy that can be relied upon.

Moreover, it is important to realise that “collaboration” is universally defined in America as meaning only membership in the security council and its related organs and subscription to their funds. It does not imply anything at all about the policy to be pursued within these bodies. In so far as the question of policy has been raised at all in the current discussion, it has normally been to make it clear that there can be no promises, no commitments, no “automatic” obligations. A complete victory for Senator Ball's internationalists could still mean that the American delegates could go to the international meetings, as Philip Guedalla once said of the Baldwin Government, like inverted Micawbers, waiting for something to turn down. Nothing in fact has yet happened to show that American policy has emerged from the state that Mr Lippmann calls “noble negatives”—and unfortunately the negatives are of more direct practical relevance than the nobility.

There is still a great deal of wishful thinking in Britain, even in the highest quarters, to the effect that good behaviour on our part will procure some great prize, such as an Anglo-American alliance, or an American guarantee, specific or general, of British territorial integrity, or at least a promise to put down aggression wherever it may appear. It is as well to be brutally frank: there is no more possibility of any of these things than of an American petition to rejoin the British Empire. All that has yet been decided is that the noble negatives will be uttered inside the conference room instead of from outside. If all other nations were of impeccable character and behaviour, it is doubtful whether the present generation of Americans would promise any more. And given the rough and tumble of international life, it is most improbable that we shall get any more by trying to be good.

How much less are we likely to get by going our own way? In great crises, nations see their interests clearly, and if the ultimate extremity of 1940 should ever repeat itself, American action would be the same. No nation surely ever tried harder to keep out of war than the United States between 1935 and 1940, but to no avail. No country surely ever blotted its American copybook more carefully than debt-defaulting, appeasing Britain, and yet we were given the aid we needed. It is true that there is a great difference between Lend-Lease and Cash-and-Carry, but whether in some future crisis we are offered the one or the other will depend infinitely more on the circumstances of the time than on anything that it done now. There is, of course, some risk of stirring up in the American memory a resentment so fierce that, after many years, it would still outweigh manifest national interest. But the risk is smaller than will be run by sacrificing to the dwindling chances of real American co-operation what we believe to be essential interests of our own.

What, then, is the conclusion for British policy towards America? Clearly it is not that any quarrels should be picked. Quite on the contrary, every reasonable precaution should be taken to avoid giving offence. Nor should the hope, slender as it may be, of encouraging a genuine American collaboration be abandoned; on the contrary, it should be fostered by every reasonable means. But it is not reasonable so to fashion the peace settlement that it will entirely collapse if the hope is disappointed—that is, to have no alternatives to a dependence on American aid. And it is not reasonable to suppress legitimate British interests simply because they offend American susceptibilities. Let there by all means be a continuance of the policy of friendship and co-operation, and even of patience and forbearance under provocation. But let an end be put to the policy of appeasement which, at Mr. Churchill's personal bidding, has been followed, with all the humiliations and abasements it has brought in its train, ever since Pearl Harbour removed the need for it. Henceforward, if British policies and precautions are to be traded against American promises, the only safe terms are cash on delivery. And, if Americans find this attitude too cynical or suspicious, they should draw the conclusion that they have twisted the lion's tail just once too often.

Condition of the People

A HUNDRED years ago, a young and ardent revolutionary, Friedrich Engels, wrote a book on “The Condition of the Working-Class in England in 1844.” In the closing days of this year, it seems appropriate to attempt a review, however sketchy, of working-class conditions in 1944. Although this year is not representative, the conditions of wartime full employment, with swollen pay packets, shortages of consumer goods and upheavals of population, cannot be taken as normal. Indeed, to draw any detailed comparison between conditions in 1844 and 1944 would be a waste of time, since there can be no comparison between two incomparables. When Engels wrote his book, the total population of the British Isles was less than 20 millions. People lived and worked under primitive, barbarous conditions; herded together like cattle in their tenements, they were illiterate, half-starved, filthy and diseased. The only relaxations were liquor, horseplay and sex. Typhus and the yellow fever spread through the infested dwellings, but the toll of life was no matter because workers were plentiful and cheap. It was not surprising that the infant mortality rate was as high as 155 per thousand, nor that the average expectation of life in the labouring class in Liverpool was only 15 years. Not for nothing were the 1840's known as the Hungry Forties.

All that is a nightmare of the past, a chapter in the history books. If Engels were to return to life he would be amazed at the changed status and standards of the working population. He would find the 47-hour week established in industry, and the payment of guaranteed weekly minimum wages; the system of factory inspection and regulation of working conditions; and nation-wide schemes of social insurance and pensions. He would marvel at the spread of public education and health, at the extent of state intervention and social legislation, and in this age of popular newspapers, cinemas, radio and electricity, at the wide range of goods and services available to workers. Engels would be impressed by the strength of organised labour to-day, and at the growth of the co-operative movement which was born in 1844, though he would be disappointed to find that the revolution he so confidently predicted had not yet been attempted by the British proletariat. But he would find some things that were familiar in the working-class quarters of the large ports and industrial cities. There are still dark Satanic mills in Lancashire and the West Riding; London still has its East End, Glasgow its Gorbals, and Manchester its Ancoats.

The social investigator of the 1940's is faced with the twofold difficulty of abnormal conditions and a paucity of statistical information on which to base his conclusions. There have been many social surveys, but these nearly all relate to the 1930's, which, as a period of heavy unemployment, cannot compare with present conditions, when there are fewer than 100,000 unemployed. The available facts suggest that as a whole the working-class of this country is a great deal better off to-day than at any time in the past century. An analysis of the recent Budget White Paper shows that the share of the national income represented by wages increased from 38.2 per cent in 1938 to 41.1 per cent (excluding the pay and allowances of the Forces) in 1943, and that the working-class share of total personal incomes after tax (that is incomes up to £500 per annum) had risen from 79 per cent in 1938 to 83 per cent in 1942. This leads to the conclusion that not only have the workers gained absolutely in the war years, but that there has been a tendency for workers' incomes to rise into the higher groups, thus further blurring the dividing line, indistinct in any case, between the middle and lower classes, while taxation has driven the higher income groups into the middle ranges. The war has also tended to widen the gap between skilled and unskilled workers. For the six million workers

covered by the Ministry of Labour's periodic survey, average weekly earnings in January, 1944, were 95s. 7d., compared with 53s. 3d. in October, 1938, an increase of 79 per cent. A large part of this increase, however, especially in the engineering industry, is accounted for by longer hours (the average hours worked increased by 46.5 per cent over October, 1938), payment of bonuses, the spreading of earnings and upgrading of unskilled workers, and other factors likely to disappear under peacetime conditions. Wage-rates as such only increased during this period by about 32 per cent. But the survey excludes miners, who now have a £5 a week minimum, and agricultural labourers, who were recently awarded a 70s. weekly minimum.

It is difficult to estimate how far this increased purchasing power has been effective. The cost of living index has been kept stable through the policy of subsidising essential food-stuffs, and this has undoubtedly been instrumental in maintaining real wages, though the prices of goods outside the subsidised range, such as furniture and household equipment, have been allowed to soar. There is little up-to-date information on working-class expenditure. The recent White Paper on the War Effort showed a sharp decline in personal expenditure on consumer goods, but it did not distinguish between the expenditure of different income groups. Nor is there any information about the number of families which conform to Rowntree's “Human Needs” standard. This standard allowed a man, wife and three children a weekly expenditure, at 1935 prices, of 53s. 2d., of which 17s. 10d. went on food. An attempt to bring this standard up to date by the Oxford Institute of Statistics, in the light of wartime prices and restrictions, reckoned the necessary minimum expenditure on food for such a family at 37s. 14d., or twice Rowntree's figure.

The war, however, even if it has limited spending capacity, has had the effect of concentrating it on essentials and has certainly led to improvements in working-class nutrition. It is indeed an ironic reflection that it should need the economics of scarcity to achieve such a result. The rationing system ensuring the fair distribution of foods in short supply, the development of communal restaurants and works canteens, the expansion of school feeding schemes and the vitamin schemes for young children, have played an important part, but, above all, it is due to regular incomes and employment. Sir John Orr reported in 1936 that families with an income per head of under 20s. a week, which did not allow their diet to reach desirable nutritional standards, amounted to one-half of the population; but in a wartime survey he found that the proportion of the under-nourished had been reduced to one third, and that the worst third were better fed than in the previous survey. Better nutrition is one of the main causes of the maintenance of the nation's health in wartime and the improvements in vital statistics. In England and Wales in 1943 the infant mortality rate, at 49 per 1,000 live births, was the lowest on record; a record low maternal mortality rate was reached and there were fewer stillbirths than at any time before. On the other hand, tuberculosis, in spite of the great reduction, is still a serious social illness.

But whatever the improvements in health and nutrition, the problem of the rich and the poor, the inequalities of wealth, have not been eliminated. Disraeli's “two nations” still exist. The most recent estimate of the distribution of property, that of Mr H. Campion, shows that in 1936, out of a total of £15-£17 millions of private property (including land, houses, all types of industrial capital and foreign investments), approximately 85 per cent was held by 1.8 million persons, or 7 per cent of the total adult population. Moreover, three-quarters of the adult population possessed less than £100 worth of property, and 1.5 per cent of the adult population had property of £10,000

and over. These estimates show that, whatever levelling-up at the bottom may have taken place and however the relative share of the middle classes in property may have increased, the property structure of society has not altered fundamentally. Mr R. Titmuss, in his "Birth, Poverty and Wealth," showed that before the war, the infant mortality rate among middle and professional classes was 33 per 1,000 live births, compared with 77 among unskilled labourers. The class divisions are even sharper in education. The calculation that only 2 per cent of the population go to public schools, yet 57 per cent of the Members of Parliament come from public schools, is a striking illustration of the existence of privilege.

It is from improvements in housing, above all, that improved standards of living can be expected, since environment is the all-important factor. The war has made things worse and not better. There has been no overcrowding survey since that of 1936, which showed that the overcrowding proportion was as high as 17.2 per cent in Shoreditch and 20.6 in Sunderland against Oxford's 1 per cent and Bournemouth's 0.3 per cent, but there is no reason to suppose that an up-to-date survey would show any improvements. Indeed, the reverse is likely, since with the interruption of normal house-building and of slum clearance programmes and with the effects of bombing, congestion has become acute.

Unsatisfactory sites of houses and villages, insufficient supplies of water, unsatisfactory provision for drainage, grossly inadequate provision for the removal of refuse, widespread absence of decent sanitary conveniences, the persistence of the unspeakably filthy privy midden in many of the mining areas, gross overcrowding and huddling the sexes together in the congested industrial towns and villages, occupation of one-roomed houses by large families, groups of lightless and unventilated houses in the older burghs, clotted masses of slums in the great cities. . . .

This is not a passage from Engels; it is an extract from the report of a Royal Commission on Housing in Scotland in 1917, quoted in the 1944 report of the Scottish Housing Advisory Council, with the comment that "these evils have been only slightly mitigated by housebuilding between the two wars." As many as 405,000 houses in Scotland still have no independent water-closets and no sanitary conveniences of any kind. Conditions in Scottish mining areas, according to the recent report on the Scottish coal-fields, "can only be described as deplorable."

It is not surprising that people born and bred in such conditions should have low standards. The facts disclosed in the evacuation survey "Our Towns" in 1943 can only be understood against the demoralising background of slum conditions. Public opinion was, understandably, appalled at the descriptions, unemotionally related by trained social workers, of the dirty and verminous children,

ridden with scabies and other skin diseases, with disgusting sleeping and feeding habits, of the negligence and recklessness of their parents. It showed how ignorance and poverty were exploited by all kinds of money-lenders, clothing clubs, insurance touts, quack doctors and vendors of patent medicines.

Many of the families such as those described in "Our Towns" or by Mrs. Paneth in "Branch Street," it may be argued, are the problem families, of interest to the psychiatrist rather than to the sociologist. They belong to the "submerged tenth," the ranks of the unemployables and the "irreducible minimum." They are as far removed from the respectable, thrifty artisan class as they are from millionaires. The proportion of people living below the poverty line is steadily diminishing, and in many cases, their conditions are the result of their own follies and non-co-operation. This may be true in some cases, but there are also very many families living even now, if not in actual poverty, at any rate on the borderline. The unskilled labourer, with a large family to support, finds it difficult to maintain a decent standard, however much he may wish to, while accident or sickness may drive him into debt and thus be on the poverty line. The reduction by over half in the number of people seeking public assistance between 1938 and March of this year suggests that such cases are diminishing—though it is also due to the transfer of many needy cases from the rates to the Assistance Board, and charitable societies can still report many instances of distress. Some of this is occasioned by purely wartime circumstances and the inadequacy of the serving-man's dependants' allowances. There is also considerable hardship among old-age pensioners as the Assistance Board's records show. So long as families and individuals are on or near the poverty level there can be no room for complacency.

"Progress," said Herbert Spencer, "is not an accident." It is, or should be, conscious policy, and that policy should be directed towards raising the level of the lowest-paid, and establishing a national minimum subsistence standard, below which no individual could fall as a result of economic circumstances outside his control. The year 1945, which should bring the end of the war, will provide an unparalleled opportunity for progress towards these aims. The Government is now pledged to introduce far-reaching reforms in education, health, housing and social insurance, and is planning to bring in family allowances and to regulate the wages and conditions of the lowest-paid workers. Whatever Government is returned to power it will be committed to this programme of social reform. But to say that there has been progress since 1844 is not enough; the question is whether the advances in social conditions have been commensurate with technical and scientific progress or the nation's productive capacity, and the answer, on all the evidence, can only be in the negative.

The Air After Chicago

THROUGHOUT the Allied and neutral world, delegates—with the one exception of the Russian delegates who never arrived—are returning from the conference on international air transport held at Chicago. With them they bring agreements that will do much to shape the development of commercial air traffic in the years ahead. The conference has achieved real advances in technical matters which, when they can be fully implemented, will make international flying very much safer, more reliable and more straightforward than ever it was before the war. Secondly, an interim organisation, its life limited to a 3-years span, has been elected and set to work in Montreal. It follows, in function and structure, the broad outline of the permanent international organisation which is the third achievement of the Chicago Conference. Beyond this, the five weeks of discussions achieved only an agreement to disagree, formally recognised by attaching to the main agreement two separate appendices on the much-discussed "freedoms of the air." One, for the benefit of the British and others

of like mind, is limited to the first two freedoms, which permit all nations to fly over other nations' territory ("the right of innocent passage") and to stop for non-traffic purposes (e.g., for refuelling). The second, now signed by some seventeen states, including the United States, China, Sweden, Afghanistan and most of the Latin American states (but not including either Argentina or Brazil) includes the remaining three of the five freedoms. These are the right to set down and pick up payload coming from or destined for the aircraft's country of origin, and the much controverted "fifth freedom," which permits operators to carry traffic between two foreign points as part of a continuous service, one end of which is in the aircraft's country of origin. Signature of the first appendix by Great Britain is, in one way, misleading, since it understates the British position, which has consistently claimed a universal grant, not of two, but of four freedoms as a basis for negotiation for regulated application of the fifth. The refusal of the United States to admit the need for such regulation led,

eventually, to the present deadlock. The reasons underlying it have by now been fairly fully reported and fairly widely understood and need not be gone into here. What is most necessary now is not to rehash the arguments on each side, or to re-examine the curious tactics which led to the deadlock, but rather to enquire what the next moves should be for British civil aviation. How does Britain get into the air after Chicago?

★

The poverty of British aviation in transport planes has been so often stressed that there is growing up a belief that competition with well-stocked American airlines, already in full operation within the limits imposed by the war zones, will be well-nigh impossible. The explanation, given in the American press, of the British claim for international air regulation—that it was the defensive action of a weak-handed player—seems to have contributed to a pessimistic outlook in this country. There is a real danger lest the American refusal to admit the British claim be accepted in Great Britain as a trumping not of our best, but of our only, card.

It is true that aircraft production in the United States is now nearing half the total productive capacity in the whole world, and that the American production of civil transports is virtually the whole of the world production. It is further true that American airlines, taken over almost bodily by the Transport Command of the US Army Air Force, are gaining invaluable experience in operating virtually the same routes as they will operate in peacetime. In spite of reiterated declarations on the part of the American delegates that the United States would not use its position as "universal provider" of surplus transport aircraft to discriminate against other nations, it is hard to see how it can avoid doing so. The temptation to hold such a bait before plane-hungry states, even without explicitly using it as a direct bargaining weapon, will be almost irresistible. Certainly, it is a possibility to be allowed and prepared for. The United States will aim at concluding as many bilateral agreements as possible in implementation of the policy it favours, and will be greatly aided by the enterprising policy of the State Department in appointing Civil Air Attachés to as many countries as have an interest in international air transport. There will be no lingering at the starting point in Washington.

This makes it the more necessary that the British Government should not be laggard in developing its own ideas about the organisation of international civil aviation. The chief reason for urging this is not to widen the differences that already exist between the two countries but, on the contrary, to foster agreement. The Interim Council set up at Chicago has been directed to study the problems of "fifth freedom" regulation and to report, with recommendations, as soon as possible to the full Assembly. Without some actual experience of the two

alternative systems to work on, the Council cannot properly do its job. It is only by showing that the British system (if it may be so called for convenience) works and works well that there is any hope of convincing American opinion that a universal multilateral convention embracing the whole world is to be preferred to the short-run advantages America might be able to win, in sharp bargaining, through her possession of unlimited numbers of civil transports.

It is therefore essential that no time should be lost in negotiating "four freedom" agreements with as many countries as possible, starting with the countries of the British Commonwealth and those countries of Western Europe which share with Great Britain the problem of long imperial communications—France, Belgium and Holland. There is nothing in the Chicago Convention to prevent countries from sharing in their internal and intra-imperial traffic, provided that the arrangement is not exclusive. It ought to be possible to arrange this at least among the British countries (Australia proposed it as a second-best to internationalisation), and possibly among the Western European countries as well. Beyond these two groups, there are the countries which have concluded, or will conclude, "five freedom" agreements with the United States. This does not, of course, prevent them from concluding agreements on a different basis with Great Britain, but the problems of adjusting the two systems where they touch each other will require careful consideration.

In such a process of agreement-making there is, however, one difficulty. The essence of the "four-freedom" system is that it provides for control of routes and frequencies. It might be possible to conclude "four-freedom" agreements with the schedules left blank, but it would be a pointless procedure which many countries might consider a waste of time. It therefore becomes essential that decisions be taken almost at once on the routes, the frequencies and the starting dates of the services to be flown. This, of course, will be difficult, though not nearly so difficult as is often maintained. It must be done if the British doctrine of civil aviation is not to go by default.

★

The great unknown is the number of aircraft that will be available—not only for British use but for export to other countries which need them but which, for obvious reasons, will not like to find themselves in a position where the sole source of supply is the United States.

In the present circumstances, British airlines are faced with Hobson's choice. Really suitable first-class British commercial types able to compete with anything produced elsewhere simply do not exist. The popular conception of the gestation period of a multi-engined commercial aircraft is marvellously optimistic; five years from first design to full production is not an outside

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estimate at this stage. Admittedly, the partially adapted types, such as the Avro York or the Handley-Page Hermes, are excellent pieces of work in their way. But even they and their contemporaries are not likely to be available in really adequate numbers unless British commercial aviation is going to be suicidally limited in its expansion.

Hobson's choice, in fact, boils down to converted bombers or nothing—that is, in the crucial transition period, before specially designed commercial types can reach full production and while the deliberations of the Interim Council will be determining the final shape of international rules of air transport. The primary disadvantages of the converted bomber (including some aircraft used by Coastal Command) from the point of view of the airline operator are its running-costs and its lack of comfort. Its great advantages are its speed, its proved reliability and the large numbers in which it can quickly be made available. Speed, in a disturbed world, rapidly re-adjusting itself to peaceful commerce, will clearly be an immense asset, and will largely offset, from the travellers' point of view, lack of the attractive luxuriousness of a plane specially designed for passenger traffic. Of the three main requirements of an air service—reliability, speed and comfort—comfort, or at least luxurious comfort, is definitely the third in most passengers' minds. An air service run with converted bombers is clearly very far from ideal; but it is even more clearly better than nothing—and better than a service run with somebody else's second-best products. In any case, where mails and high-value cargo are concerned comfort need not be a criterion of efficient conversion.

The most important disadvantage of the converted bomber will be its uneconomic running-costs. It is this factor which would normally rule it out for civil operation. But the cost alone should not be allowed to rule it out in the vital transition period. The dilemma in which British civil aviation finds itself is a by-product of the war. It is therefore, so long as the difficulties last, a fit object for temporary subsidy, calculated to reduce the running costs of converted bombers to the level of specially designed civil transport.

The third major concern of British civil aviation policy is with its domestic organisation. The debate between the chosen instrument and free competition is too intricate to be canvassed here. The major argument for the chosen instrument is the necessity, in an imperial system, of running some services at a loss and recouping the losses out of the more profitable services. The major argument

for competition is the need for efficiency and surprise. The political weight of the arguments is very nearly balanced, creating a situation which is usually solved, in this country, by a compromise. The compromise might be sought by treating BOAC wholly or partly as a holding company, which would go into partnership, in a number of operating companies, with the other interested parties, with the shipping companies for the longer routes and with the railways for the shorter European routes.

But in any case the first requirement now is a decision, a clear decision and a firm decision, so that the work of organisation and preparation can begin in earnest. The future of civil aviation can hardly be painted on too large a canvas. For Britain, the political reasons for stimulating the greatest possible volume of civil flying are obvious. Indeed, they are twofold: not only is there the need to knit together a Commonwealth that will become ramshackle if all its parts can move more readily to foreign countries than they can to each other; there is also the need for a prosperous civil aviation industry as a support and training ground for the Royal Air Force. But these political objects are not the only reasons for thinking big in civil aviation; there are purely economic reasons also. The demand for all forms of transport, when they are new, is far more elastic than is usually realised. The appreciation of this simple fact made the fame or the fortune of George Stephenson and Henry Ford as well as of a whole succession of shipping magnates; the world is constantly being astonished by its own desire for mobility. It may well be even more true of the air than it has so often been of other forms of transport that the provision of cheap and frequent services will by itself create the traffic to fill them. It is at least well worth while to find out, rather than to leave it to others. In the interim period, the policy of British civil aviation should be to fly every route for which any sort of aircraft can be found (there will be no shortage of pilots). It is no good talking of one route to South America, for example, when twenty different criss-crossing routes may easily prove to be too few. It will be far better to overshoot the mark than to undershoot it.

There is some substance in the complaint that the Government has acted as a wet blanket on the whole subject. This may not have been the intention, but delay in making decisions, and ambiguity in them when they come, have had that effect. Lord Swinton's advent will make a difference, if he will apply to the subject some of his energy and driving power and not allow himself to be enmeshed in the intricacies of high policy. The best way to get into the air is to take off.

NOTES OF THE WEEK

Negotiations in Greece

The arrival of Mr Churchill and Mr Eden in Athens was the signal for an attempt to bring all the parties in Greece together to discuss conditions for an armistice. The delegates met under the chairmanship of the Archbishop of Athens, and at the opening meeting Mr Churchill addressed the conference, disclaiming any British interest in Greece beyond the country's independence and reconstruction and declaring that the negotiations would be left to the Greeks themselves. Then the British leaders—Mr Churchill, Mr Eden, Mr Leeper, Field-Marshal Alexander and General Scobie—withdraw, and the conference continued to alternate between recrimination and discussion for two days. Then it adjourned *sine die*, with one point only agreed, the setting up of a Regency. The Archbishop of Athens is, however, empowered to convene another meeting when he thinks fit, and it is to be hoped that the negotiations will not be allowed to drop. Here the responsibility of the British statesmen is great. The conference broke down because, on receipt of EAM's terms, several delegates walked out. They were not ready even to consider them. Reports from Athens suggest that the Right Wing groups now rely on British arms to back their intransigence,

and every time Mr Churchill repeats that, whatever happen, Athens and Attica will be cleared, the enemies of EAM take heart. In such a mood, their desire to discover a genuine compromise may be entirely fictitious. The situation is clearly very awkward for the British. Unless a compromise is reached, they are in the invidious position of backing the Right against the Left, and the fact that this is their position encourages the Right to extremism. The firmest pressure and the sternest warnings will probably be necessary to compel the Right wing groups to return to the conference table. The British leaders should not hesitate to use either.

The question remains whether there is any will to compromise on the Left. It is significant that after so much emphasis has been laid on the widely federal and representative character of the EAM, two out of their three delegates at the opening conference should have been Communists, who are certainly a minority, whatever the percentage of the Greeks backing EAM as a whole. However, the terms they presented should be a possible basis for negotiation. They demanded the dissolution of the gendarmerie and of the National Guard formed since

fighting began. They asked that the Sacred and Mountain brigades should be disbanded and that the officers of the new National Guard should be acceptable to EAM. Most of these items have figured in EAM's minimum demands ever since the fighting started. In their reply of December 22nd to General Scobie's conditions of armistice—the withdrawal of ELAS from Athens and the Piræus and the disarmament of ELAS supporters in the city—they made disarmament of the Right a pre-condition of their withdrawal and they demanded the setting up of a satisfactory coalition government. The EAM terms presented to the Conference elaborate the meaning of a "satisfactory coalition Government." It is a coalition that would give EAM 40 to 50 per cent of the Cabinet, the posts of Minister of the Interior and of Justice and the Under-Secretaryships of War and Foreign Affairs. On the face of it, these demands are not unreasonable. But the problem is whether EAM means by them to capture the Greek state before elections and to use their powers at the Ministry of the Interior and in the National Guard to liquidate their opponents. Once again, it is a question of confidence, and, unhappily, each week of fighting adds to the likelihood that confidence cannot be restored on either side. It is to be hoped that, in this situation, Mr Churchill and Mr Eden will continue their task of mediation and bring the leaders together again. If a settlement should prove completely impossible, then perhaps Mr Churchill's suggestion of an International Commission to govern Greece until elections can be held may prove the only solution.

Men for the Army

The Cabinet's decision, announced on the eve of the Christmas holiday, that an extra 250,000 men must be found "to nourish and sustain our armies in the line" is not, it has been stressed, the result of the military reverses on the Western front. It is, rather, a form of insurance policy on the part of the High Command, which is determined to be assured of sufficient reserves of man-power to meet all the contingencies of battle. The nation's manpower is to-day fully stretched—the peak of mobilisation was reached already in 1943—and there are now no untapped reserves from which to draw. The extra men will therefore have to be found by readjusting the existing manpower pattern. Some of the requirements will be met by transfers to the Army from the Air Force and the Navy, while men already in the Army in more or less sedentary jobs will be placed on more active service. The process described by Mr Churchill as "combing the Army's tail to sharpen its teeth" may be expected to be applied with some rigour. Clerical and other administrative jobs will largely be filled from the ranks of the ATS, and a fresh appeal is being made for volunteers from among women who are not in reserved occupations, such as nursing, or engaged on essential munitions work from which they cannot be released. The normal call-up of youths who reach the age of 18 should provide a substantial number of recruits, while the policy of transferring workers, below 35 years of age, who become redundant in munitions factories, will be extended. A further source of recruitment will be men released from civil defence services. These classes should meet the bulk of the new needs, but, as well, sufficient numbers of officers and N.C.O.s to train the new recruits will have to be found. In any readjustment of manpower, it seems certain that the labour force of the basic industries and services will be maintained, and that no men will be withdrawn from mining, agriculture or transport. The less essential industries and services, Group III of the recent White Paper on the war effort, have already been severely depleted; they lost one-third of their labour force between 1939 and July, 1944. The net effect on industry may be to reverse temporarily the trend towards peace-time production and the relief of consumer goods shortages. In the sixth winter of war, the public will accept the ruling "military needs first" in the same spirit as it has accepted all earlier demands. The Government's announcement, reflecting the determination to "finish the job," should make a deep impression on opinion abroad, not least in the United States.

Provisional Hungarian Government

On Christmas Eve, while Marshal Tolbukhin's armies were encircling Budapest, a Provision Hungarian Govern-

ment was set up in Debrecen in eastern Hungary. The new Government has been constituted on the model of the other Governments in the Balkan satellite countries now under Soviet control. It is a queer coalition of the local Darlans and the parties of the Left. The Premier of the Hungarian Provisional Government is General Béla Miklos, who was Chief of Staff under Admiral Horthy. His colleagues in the Government are Agrarians, Social-Democrats and Communists. The new Government has been elected by a Provisional National Assembly which claims to have been chosen by the rural communities in the Soviet-held parts of the country. As it is highly unlikely that the Soviet Command would have allowed fully fledged elections to be held, especially at this stage of the campaign, it must be assumed that the Debrecen Assembly consists of nominees of the political groups willing to co-operate with the Russians. Their relative strength cannot even be guessed. But in Hungary as elsewhere, the collapse of the regime associated with the Axis is certain to have let loose a strong wave of social radicalism. Yet the Manifesto of the Debrecen Government proclaims that "private property will be the basis of Hungary's social order" and promises "immunity to private initiative." However, the first reform initiated by the new Administration is distribution of land among the peasants. In the Danube basin, Hungary is the only country whose large and semi-feudal landed estates were not broken up after the last war. In Hungary, as in Poland, the Russians hope to establish their influence by destroying anachronistic social conditions in the countryside and by winning the gratitude of the peasantry. Their prospects of achieving this would have been very great indeed, had it not been for the fact that the Red Army in the Danube basin has no alternative but to live off the land. With Russian help the peasant receives new land, but at the same time he must hand over his produce to the Russian quartermaster. With this balance of profit and loss, he is likely to welcome the new state of affairs with mixed feelings.

Pact With Ethiopia

The new Pact with Ethiopia seems to have met all the objections which decided the Emperor earlier this year



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to terminate the Anglo-Ethiopian Treaty signed in 1942. The chief Ethiopian grievances were the limiting of foreign advisers to men of British nationality, the control of the Ethiopian army by the Commander-in-Chief, East Africa, the maintenance of British military occupied areas along great stretches of the Ethiopian frontier, including the town of Dire Dawa, and, finally, the operation of the Djibouti railway by the British authorities. These provisions added up in the Ethiopians' eyes to a pretty complete state of tutelage, and since the financial aid offered to Ethiopia—£3,000,000 in three years—seemed to be very ungenerous in comparison with the restrictions imposed in return, the Emperor was led, after an abortive attempt at re-negotiation, to compel the British Government to parley by denouncing the whole settlement. Lord De la Warr was sent out to Ethiopia soon after the Emperor's decision was announced, and has been successful in concluding a new agreement. Under it the British renounce their monopoly in the matter of advisers. The Emperor may now turn to any friendly nation. They have given up some of the military areas, although control will be maintained along the Somali frontier where British Somalis enjoy grazing rights. The Djibouti railway is to be run by Ethiopian officials, and although the Ethiopian army will continue to be trained by a British military mission, financed by Britain, it will come under the orders of the Ethiopian Minister of War. The British offer of £3,000,000 remains open,* but so far the Emperor has refused the condition that the money should be spent by a development board made up of British and Ethiopians. It is impossible to feel altogether easy about the whole episode. It is true that the Ethiopians are naturally intensely sensitive on the question of sovereignty and independence. But their fears of British interference are so strong that they suggest some heavy-handedness somewhere in the handling of British policy. And was not the economic assistance in any case too small either to touch Ethiopia's problems of reconstruction or to warrant so complete a degree of supervision? It may be that if British policy had been at once politically more generous and economically less cautious, a more cordial relationship might have been preserved.

National Income for the Layman

The concept of the national income, and the statistical estimates of its magnitude, underlie most of current economic discussion, and are beginning to be made the bases of public policy. This is one of the developments of the war period, arising out of the admirable Budget White Papers which have appeared every year since 1941, and the effects on both theoretical and applied economics are likely to be not far short of revolutionary. But the layman has difficulty in grasping what it is all about, for the technical terms are no less frequent and the traps for the unwary no less numerous than in other forms of specialised knowledge. The textbooks, since they date back before the development of the new technique, are of very little use (Professor Hicks's "The Social Framework" is the chief exception). A Child's Guide to the National Income is, therefore, badly needed, and it is this need that a recently published pamphlet* is presumably intended to fill. The authors could hardly be more authoritative, since one of them is employed in the Offices of the War Cabinet and the other in the Central Statistical Office. All those who use national income estimates (and their name is legion) should read the pamphlet. Unfortunately, this authority is, to some extent, its own undoing. The enquiring layman will certainly find all the information he needs, and in a very small compass. But whether it is presented in a form that he will find easy to understand is more doubtful. The pamphlet reads a little like those over-compact books of instructions that come with the more complex parlour games, and which can be fully understood only by long practice. Perhaps the authors can be persuaded to write a much longer book, in which they can make their points at leisure, while some less authoritative hand attempts the simple explanation. Something of the quality of a child, after all, has to go into the writing of a Child's Guide. On the substance of the pamphlet, two comments can be made. In the first place, the authors might have given the reader more help and encouragement in translating the money figures into "real" terms, which are the only sound basis for policy. Secondly, in accordance with what is becoming standard British prac-

* "National Income and Expenditure." By J. E. Meade and Richard Stone. Oxford University Press. 36 pages. 2s.

tice, nearly the whole discussion is in terms of net figures, without much mention of the gross estimates, which are those most used in America and most relevant for the majority of war problems. The reason lies in the absence of any close British estimates of expenditure on (or provision for) the maintenance and replacement of capital. Is not this the chief statistical lacuna still to be filled?

The Fourteenth Army

Lord Munster has produced his report on the Welfare of Troops in India and South-east Asia with commendable promptness. It makes clear that the widespread anxiety felt in this country about the Fourteenth Army—how it lives and relaxes—is not without real foundation. The sixteen recommendations with which the report closes draw specific attention to chronic shortages of supplies; inadequate and unclean camps, billets and transport services; a general lack of films, radio-sets and entertainment; and, more important, a shortage of trained doctors and nurses. All this, with slow and costly mail and telegraphic communications and difficulties over pay, adds up to a sorry state of affairs for the men out east. There is, by now, a more realistic appreciation at home of the appalling natural conditions under which the Fourteenth Army does its work. But few people realise that over most of the vast area of operations local resources are quite inadequate for the jobs of providing welfare on the scale needed and so richly deserved. Until the war in the West is over, life in the Far East will inevitably remain "sub-standard," but there is much that can be done now to repair its worst deficiencies. In the House of Commons last week Mr Churchill stated that the time has come "when the influence of the whole Government must be brought to bear on this important problem"; and he gave the welcome news that he had appointed Lieutenant-General King as his personal representative in India and SEAC for welfare matters. If the strongest efforts of the Government and the Indian authorities are co-ordinated in this matter there are good hopes that conditions for the Fourteenth Army will become more tolerable. It is the duty of Parliament and the press to keep the Army in the forefront of public attention.

Back to the Philippines

With the Americans firmly established on the island of Leyte and advancing rapidly across the island of Mindoro, the liberation of the Philippines has fairly begun. It is, of course, impossible to judge the general situation in the Philippines until the large islands, Mindanao and Luzon, have been liberated, but it is not very likely that the Americans will encounter the kind of political problems associated with liberation in Europe. It is true that when the Japanese occupied the Philippines early in 1942, very many members of the Philippine Government did not follow President Quezon first to General MacArthur's headquarters in Australia and then to Washington. The President's secretary, Jorge Vargas, had been left behind as head of an emergency Cabinet. He immediately accepted Japanese control and set up an autonomous administration under the Japanese commander-in-chief and Shozo Murata, the political head of the Japanese military government. On October 14, 1943, the Japanese granted the Philippines "independence," and a government was set up under a former member of Quezon's Cabinet, José Laurel. Meanwhile, Philippine institutions had been re-modelled on the Japanese version of Nazism with a puppet Assembly and a single party. It is unlikely that this regime has done anything but destroy whatever popularity the Japanese may have enjoyed before. The Philippines have continued to be a base for Japanese military activities and the economic situation has deteriorated very seriously. Cut off from their export markets in Britain and the United States, the Philippine Islands have had to reorientate their economy towards self-sufficiency at a much lower level of prosperity. All this political and economic regimentation has continued under the nominally independent government and can have left the Philippines with few illusions about independence conferred by the Japanese. Meanwhile, on June 29, 1944, in a joint resolution, the American Congress adopted a policy of granting independence to the islands and also providing for the acquisition of American bases. On the same day, another joint resolution set up a Philippine-United States Rehabilitation Commission to prepare for the economic reconstruction of the Philippines. Finally, as an

earnest of American intentions, the Philippine President, Mr. Osmena, accompanied General MacArthur to Leyte. It is unlikely that his administration will meet much difficulty either from the puppet government or from local resistance leaders.

What Price a Forest?

The two debates on the adjournment on the Tuesday before Christmas turned out to be something of a school for scandal. Besides the imputations against British Overseas Airways Corporation, which were answered later in the week in the House of Lords, the propriety of certain dealings of the Forestry Commission were questioned. The allegations, which had been brewing in question-time for some weeks past, were that the Forestry Commission had, in fact, been conniving at the price-fixing policy of the nursery trade association. An individual case was cited in which an MP applied to the Forestry Commission to buy some of its large stocks of young seedling trees, kept, it was explained, against the end of the war and the sudden demand to be expected from the release of labour for private planting. The Commission replied that it was unable to supply him itself, but referred him to three private firms. The seedlings were finally sold to him by the English Forestry Association and were consigned, not from them, but from the South Wales station used by the Forestry Commission. Sir George Courthope, chairman both of the Forestry Commission and the private firm in question, was asked to explain the 140 per cent difference between the price charged to the firm by the Commission and that charged by the firm to the purchaser. His explanation rested on a long-standing gentlemen's agreement by which surplus stock raised by the Commission should be sold to the nurseries at agreed wholesale prices. Wartime restrictions of all kinds had led the trade to raise very substantially their retail prices while still obtaining very surplus stock from the Commission at reasonable cost. By that time, it was considered too late for the Forestry Commission, however much it disapproved, to establish a competing distributing agency selling at much lower prices, and, according to Sir George, not only too late but also "undesirable." There is no reason to suppose that Sir George himself is guilty of using his dual position to his own advantage; his personal character is not under suspicion. What can and must be contested are the grounds of his defence, and chiefly his declaration that competition by a State Commission against a price-fixing ring is "undesirable." Public opinion, were it aware of the facts and consulted on the issue, would most likely take exactly the opposite view—that it was highly desirable that public money spent on the Forestry Commission should be used to protect the consumer rather than to support a ring of organised producers. What is ominous about this episode, unimportant in itself, is the light it sheds on the economic life practices that are accepted as normal in the economic life of the country to-day—a tight ring and excessive profits of the country to-day—a tight ring and excessive profits among the private traders; connivance at monopoly by the state; and one of the ring-leaders acting as custodian of the public's interests. If these things be done in the green tree, what shall be done in the dry?

The Cost of a Child

Now that a Bill to establish a universal system of children's allowances is being drafted, it is appropriate to compare the amounts proposed with the sums already being paid in respect of children either directly from the state or through contributory schemes. The Government proposes that a cash allowance of 5s. a week should be paid in respect of the second and each additional child in a family, and that when the breadwinner is drawing benefit the same amount will be payable for the first child. But since a child will not be eligible for an allowance after he has left school or, if still at school or apprenticed, after the 31st July following his sixteenth birthday, the "first" child does not mean the eldest child but the first eligible child; consequently, in a family of four children, aged 15, 13, 11 and 9 respectively, only two allowances will be payable if the eldest child has left school and the father is earning and only three if the father is on benefit. This is the principle that applies under the existing contributory schemes. It will be seen from the table that if no account is taken of the allowances to be paid in kind, the Government's proposals are very much in line with the allowances already

being paid under the contributory schemes. The second and each additional child of a widow will be better off; so will the third child of an unemployed man on benefit only. The sick will be distinctly better off, because at present if they have no other resources their children have to be maintained out of the rates. Orphans will receive 12s. instead of 7s. 6d. The "first" child of a totally disabled industrial casualty will, under the new workmen's compensation proposals, receive 7s. 6d. instead of the 5s. proposed under the general scheme—a somewhat incomprehensible anomaly. Those receiving war pensions will presumably keep their higher children's allowances. Income tax payers will benefit, because Sir John Anderson has forecast that income tax relief for children will be maintained after family allowances have been introduced.

The Government's proposals for family allowances in cash and kind are not intended to provide full maintenance for a child. How much that actually costs depends on each family's standard of living, but how much it is officially assumed to cost can be deduced from two sources—with very different results. The first is the allowances given in respect of their children to those receiving national assistance, which, it will be seen, vary with the age of the child. The second source is the payment collected in respect of unaccompanied evacuees. The billeting allowances shown in the table are not officially regarded as the cost of main-

WEEKLY CHILDREN'S ALLOWANCES UNDER EXISTING SCHEMES

	First Child	Second Child	Each Additional Child
	s. d.	s. d.	s. d.
Children of members of H.M. Forces:			
(a) Officers	14/0-31/6*	14 0	14 0
(b) Other ranks	12 6	12 6	12 6
Children of war victims:			
(a) Temporarily injured civilians	5 0	5 0	5 0
(b) 100% disabled:			
(i) Officers	£30 p.a.	£30 p.a.	£30 p.a.
(ii) Other ranks	7 6	7 6	7 6
(c) Killed:			
(i) Officers	£36 p.a.	£36 p.a.	£36 p.a.
(ii) Other ranks	11 0	11 0	11 0
(d) Orphaned children of:			
(i) Officers	£60 p.a.	£60 p.a.	£60 p.a.
(ii) Other ranks	13 6	13 6	13 6
Children of widows	5 0	3 0	3 0
Orphaned children	7 6	7 6	7 6
Children of unemployed:			
(a) Drawing benefit	5 0	5 0	4 0
(b) On assistance: §			
Aged under 8	6 0	6 0	6 0
" 8-10	7 6	7 6	7 6
" 11-15	9 0	9 0	9 0
" 16-21	12 6	12 6	12 6
Children of industrial casualties:			
(a) 100% disabled	5 0	5 0	5 0
(b) Dead	A lump sum is payable up to a maximum of £700 for an adult dependent with children under 15		
Children of the sick	Nil	Nil	Nil
Unaccompanied evacuee children:			
Aged under 5	10 6	10 6	10 6
" 5-9	11 6	11 6	11 6
" 10-11	12 0	12 0	12 0
" 12-13	13 0	13 0	13 0
" 14-15	14 0	14 0	14 0
" 16	16 6	16 6	16 6
" 17 and over	17 6	17 6	17 6

* Varies according to the officer's rank, junior officers getting a larger allowance.
 † The same amounts are given in respect of the children of gainfully-occupied civilian casualties and members of the civil defence services.
 § The same rates apply to children maintained by supplementary pensioners.

taining children, because it is considered more expensive to maintain a child away from his own family. But parents are asked to contribute according to their means up to a maximum of 6s. a week, which happens to be the

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minimum figure shown in the table for national assistance. Actually, the average sum collected from the parents in respect of evacuated children is under 3s. a week, so that the state is already contributing at least 50 per. cent of the cost of maintaining them.

National Eye Service

The deferment of full dental and eye services from inclusion in a national health scheme was explained in the White Paper on the grounds of a shortage of dentists and ophthalmologists. A sub-committee of the BMA has now proposed a draft scheme for a National Eye Service which has as a fundamental principle the separation of eye-testing and the sale of spectacles; it maintains that opticians should become "medical auxiliaries" to ophthalmic surgeons, acting either as sight-testers or simply as dispensers of spectacles under the general direction of the surgeon. Such a scheme would raise the status of opticians to a more professional level, but those who took advantage of it would lose the lucrative advantage of running a general "optical" shop. Nevertheless, the BMA scheme is along the right lines. In spite of opticians' protestations that their system of qualification enables them to diagnose eye disease as well as errors of vision, a reliable diagnosis can only be made by the full-time ophthalmic surgeon. The chief difficulty in implementing the BMA scheme is that opticians outnumber ophthalmologists by seven to one. The first steps, therefore, should be to establish special eye centres, at which ophthalmologists, working with the assistance of opticians, could examine patients reasonably quickly and at reasonably low cost. Unless attention from an ophthalmologist can be secured at a fee that is not greatly in excess of the optician's low charges, the public will not welcome the change. Even working with help from opticians, ophthalmologists are still far too few for the immediate introduction of a National Eye Service along the BMA's lines. The medical profession has the responsibility for producing enough ophthalmologists for its scheme to be implemented. As long as the service of a qualified eye-surgeon remains, physically and often financially, beyond the reach of the mass of the public, it is chimerical to talk of closing the opticians' shops which they patronise.

Trouble in Mauritius

Very rarely does Mauritius appear in public, but if ever publicity for this little-known colony were needed it is now, on the publication of the report of the commission of inquiry into the disturbance which occurred there in the spring of 1943. The report, unfortunately, was published in Mauritius and is not on sale in this country so that unless they are taken up in Parliament there is a danger that the scandals it reveals will remain unheard of. Only a few of them can be cited here, but, in brief, the commission—it was a local body, which gives added weight to its criticisms—found that the relations between employers and workers are bad; that working and living conditions are bad; that wages are shockingly low and minimum wages not adhered to; that the cost of living allowance lags far behind the rise in the cost of living; that the administration of the colony is weak—the Labour Department in particular is unsatisfactory—and that a number of Government officials and of the police conducted themselves improperly; and that both the local government and the Colonial Office have been inexcusably dilatory in taking action on recommendations made to them, of which the most notable were made by the Colonial Office's own Labour Adviser, Major Orde Browne, who visited the island in 1941. He summed up the condition of the people as follows:—

The picture is, therefore, of a poorly paid, undernourished, sickly population, capable only of such a limited output of work that an increase of wages offers little promise of improved performance. Such a position must obviously be equally disastrous for the employer and worker.

And his recommendations were aimed primarily at improving working and living conditions as a prelude to raising the island's standard of living. Yet the commission found that in the great majority of cases no action has been taken to give effect to these recommendations, and where action has been taken it often only means "further consideration is being given" or "a report has been called for"—for instance, the Government "is actively considering" raising the age of employment for children from 10 to 12 years. The Colonial Office and colonial governments can often justifiably plead the war as an excuse for delaying reforms.

But nothing can excuse the open victimisation and the appalling sium life revealed in this report.

The Gold Coast's Constitution

The new constitution for the Gold Coast, details of which were given in an article in *The Economist* of October 14th, page 500, was the subject of a short debate in the House of Lords on December 20th. There was little criticism of the reform, except that it was so unexpected and had passed undebated in the House of Commons in spite of the fact that it involved an important change of policy. As Lord Hailey pointed out, there are two methods of combining efficient government with an advance in self-government in the colonies: the first is by the retention of an official majority in the legislature, and the second is by the grant of an unofficial majority but with certain reserve powers retained by the Governor. The first method probably allows government to be more efficient because legislation can be enacted in exactly the form desired. The second allows it to be more popular. Hitherto, it is the first system that has prevailed in Africa, but the Gold Coast is to have an unofficial majority, for eighteen of the thirty members of the new Legislative Council will be elected. This in itself is a good reason why the new constitution should be discussed in Parliament. Another is that though it is an important step forward, in some respects it does not go far enough. There is a danger, pointed out by Lord Ammon and frankly recognised by the Duke of Devonshire in his reply, lest in giving people power to talk without at the same time giving them power to act, they are driven into perpetual opposition in order to find an outlet for their energies. As soon as possible, therefore, the people of the Gold Coast should be given some sort of training in administration. On the other hand, it is a difficult territory to promote towards self-government, for it is composed of three very differing parts, and there is always the difficulty that the backward people of the Northern territories may retard the politically conscious Africans of the Gold Coast Colony or that the latter, if given too much responsibility too soon, may submerge the rest. The new constitution, in fact, provides an admirable example of the problems to be solved in the progress of the colonial empire towards independence.

Community Centres

The lack in many areas of proper social, educational and recreational facilities for "leading the good life"—or indeed for leading any active life at all out of working hours—has led to an increasing demand for the provision of community centres. The need is especially great in villages and in new housing estates, where the lack of social consciousness often prevents the use or development of suitable facilities. The report of a committee set up by the Ministry of Education* wisely emphasises that the purely social activities of a community centre should come first both in time and importance so as to foster a sense of community and good neighbourliness. Equally wisely, the committee stresses the social value to every centre of a really good canteen. Only when there is some sense of community can specific activities, such as drama, music or sport, flourish at the centre. Nevertheless, the centre should clearly be built as a whole, and should include facilities for every type of likely activity. This means that their provision will be costly. Existing centres, which are comparatively few, have been set up mainly through the efforts of voluntary organisations, and naturally vary greatly in their standards and aims. In view of the committee's report, it has been decided to make provision of community centres a statutory responsibility and to delegate it to the local education authorities. Many centres will probably continue to be provided by grant-aided voluntary bodies and by housing authorities, who already possess appropriate powers. The Education Act, 1944, offers financial assistance to local education authorities for building and maintaining community centres, but the Committee suggests that at least the warden's salary should come from public funds, although the centre's specific activities should be self-supporting. It is important that the members of a community centre should contribute as much to its running costs as is within their means and that they should elect a council for its day-to-day management. Only through the personal interest and attention of their members can these much-needed centres thrive and flourish.

* Community Centres. HMSO, 1944, 9d.

AMERICAN SURVEY

Advice and Consent

The Senate finally confirmed all six of the State Department nominations before the end of the session, even Mr McLeish, the target of much dissatisfaction, securing 43 votes to 25. Oddly enough, the greatest hurdle was provided in the form of a filibuster, not by the Republicans, but by three good New Dealers, Senators Pepper, Guffey, and Murray, who earlier had joined with Senator La Follette in demanding the withdrawal of the whole list. Their opposition gave way only with a personal assurance from Mr Roosevelt that the new appointees would be removed if they failed to administer a liberal foreign policy. According to one commentator, this episode attests the formation of a left-wing "Young Turk" movement in the Democratic party designed to bring pressure for a "people's peace," but the result seems chiefly to have been the provision of a nucleus for a motley crew of obstructionists. The new spirit of intransigence is very marked. The St. Lawrence Seaway project was sharply defeated despite a last-minute appeal by Mr Roosevelt. The resistance sprang largely from the attempt to submit the measure as an amendment to the Rivers and Harbours Bill; and it is evident that the Senate is on its guard to prevent the substitution of executive agreements for treaties, particularly as this might be applied to the creation of an international security league. The movement to abolish the two-thirds majority rule on treaty ratification appears to have rallied, rather than silenced, upholders of the *status quo*.

The New Congress

The new Congress, elected in November and due to assemble early in January, promises, at least in its upper branch, to provide more support for the Administration than that just disbanded. It will inherit from its predecessor a mass of incomplete legislation, including the Rivers and Harbours Bill; a bill to make it clear that it is the States, not the Federal Government, that control insurance; the amendment of the Civil Aeronautics Act; and the creation of a permanent Fair Employment Practices Commission. Measures like those for a Missouri Valley Authority, and for the St. Lawrence Seaway, which failed to pass in the last session, will be given another opportunity; and a number of new measures will be presented. These will probably include the Dumbarton Oaks plan, the Bretton Woods Agreement, National Service legislation, the broadening of Social Security, and revision of the War Surplus Property Act. On the issues of foreign policy, the new Congress will be quite definitely more progressive than the old, the new line being marked by such changes as the absence of Mr Hamilton Fish from the House and the presence of Mr Fulbright in the Senate. On domestic issues, too, the efforts of Mr Hillman's Political Action Committee may have produced some shift to the Left, though a good half of the Democrats are probably still Conservatives by nature. Mr Roosevelt recently repeated that he was continuing to steer a course "a little left of the centre." The debate on the State Department nominations shows, however, that this provides no immunity from either left or right; and both wings show a disconcerting ability to coalesce in opposition to the White House.

Disquiet on the West

Events on the Western Front have made unnecessary the continued search for new means to bring home to the public, and particularly to war workers, the fact that the war is not yet won. The over-optimism of the summer and early autumn, for which official statements are not altogether innocent of responsibility, has melted in the glare of headlines announcing the worst American rebuff since the loss of the Philippines or even—as one over-excited commentator put it—since 1812. This is a moment when the notorious volatility of the American temperament may have its compensations. Thoughts of further reconversion to civilian

production have been shelved. The War Production Board has announced a new long-range munitions programme based on the assumption that no definite end to the European fighting can be foreseen. Existing production schedules are being raised; there are even plans to construct new trench mortar factories which cannot go into production before August. The demand for a National Service Act has been revived by journals as far apart as the *Herald Tribune* and the *Journal American*; and it is thought that the new Congress at this eleventh hour may give serious consideration, if not to a full-fledged plan of labour conscription, at least to means of drafting labour from surplus to scarcity areas. In the public mind there is bewilderment and dismay at the power of the new German offensive, and the presumed failure of Allied intelligence. The most ironic note has been struck by Mr Raymond Gram Swing's cautious speculation whether it was altogether prudent to have authorised General MacArthur's return to the Philippines at a time when the German capacity for making war remained so great. The diversion of supplies from the Pacific to feed Europe is a familiar grievance in the United States; to see it reversed is a measure of the disquiet over events on the Western Front. But it would be a great pity if the demand for a post-mortem obscures the fact that it is too early to indulge in disunity. In a few quarters it is being pointed out that the Germans are exploiting, and hope to increase, the lack of unity among the Big Three; the offensive has already had the effect of raising doubts about the effectiveness of Russian efforts in Eastern Europe. Such recriminations, as well as the threats of "withdrawal from Europe," are luxuries which cannot be afforded until the Allies are decisively established on that Continent—if then.

"Moral Waxworks"

As the great debate on foreign policy is renewed, there are some unhappy echoes of 1919-20, and the Versailles Treaty discussions. Over-eager mourners assist at the premature obsequies of the Atlantic Charter. Perfectionists describe themselves as driven to cynicism. There is something a little suspicious in the readiness of some of these debaters to be disillusioned. The assumption is that their faith in international partnership was a fragile plant if it could be withered by the first cool breeze. The position is being dangerously oversimplified. The tableau which is presented, of an idealistic America eager to bring into being a world security plan, but thwarted by the wickedness of Europeans intent on the pursuit of power politics, of alliances, and spheres of influence, is all too congenial to the public. It belongs to the "moral waxworks" of American tradition; and Mr Walter Lippmann is one of the few commentators of note to counter this great revival of a favourite folk legend. Mr Lippmann has pointed out that it is not possible for Britain, Russia, and France to trust their future to the American policy of "noble negatives"; and that it was unrealistic to postpone territorial adjustments until after the war or to expect nations twice overrun by German armies to wait for the United States Senate to approve the final treaty before protecting themselves against fresh aggressions. It is Mr Lippmann's view that pacts such as the Russo-British and the Franco-Russian treaties form the most solid basis for the eventual security league; and, moreover, that such arrangements are the only way in which the Americans can achieve their aim of disarming Germany for a generation without assuming the intolerable burden of keeping a large American army of occupation in Europe. But the Lippmann line does not appear to be reflected in Washington, least of all in the Senate, where internationalists like Senator Ball have used language almost indistinguishable from that of the Wheelers and Nyes in denouncing "power politics" and in warning people that the Senate may never accept the Dumbarton Oaks agreements. The Isolationists, who may have changed their coats but not their hearts, are making the maximum mischief out of this situation. With traditional emotions and ancestral prejudices aroused there is need for a new leadership to rally public opinion if the gains of the

last three years are not to be lost, something more than Mr Roosevelt's cautious declaration that the objectives of the Atlantic Charter still represent "something pretty good to aim at."

Opening the Closed Shop

One of the less-publicised results of the November election was the decision in Florida and Arkansas to outlaw the closed shop in union contracts. An amendment to the state constitution to this effect was submitted to the voters in each of three states, but in the big war-industry state of California it was defeated. The "right to work" amendments ran to the effect that

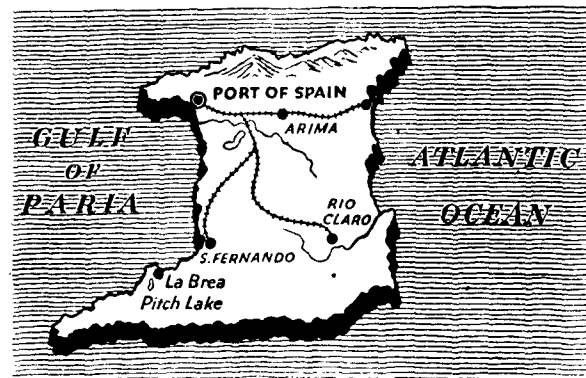
No person may be refused employment because he is or is not affiliated with a labour organisation, but this pretence of non-partisanship has deceived no one except, perhaps, a few of the voters. In Arkansas, even the maintenance-of-membership clause (that is, insistence that any employee who joins a union should maintain his membership), which has been the favoured device of the War Labour Board for stabilising industrial relations, was outlawed; and in this state the campaign for the amendment was chiefly carried on by the Christian American Alliance, which has sponsored a large volume of anti-labour legislation in the past. The fate of the amendments is not being accepted as final in any of the three states. In California, where labour was strong enough to defeat it, another proposal, said to be "a hundred times worse," is being circulated by an organisation known as "Women of the Pacific" and its chairman, Mrs Selvin, who considers it her mission to save the Pacific for the "American plan of the open shop." Labour organisations are preparing to fight the results in Arkansas and Florida, carrying the amendment, if necessary, to the Supreme Court for a decision on its constitutionality. Any court decision reached before the end of the war may follow the precedent of Wisconsin, where a similar law has been suspended on the ground that the war powers of the federal executive take precedence over state law during the emergency. After the war it is by no means certain that

the Supreme Court will uphold labour's contention that the Wagner Act invalidates state legislation against the closed shop. What is clear is that the decision, whichever way it goes, will have its most profound repercussions in the South, where, despite rapid industrialisation, labour is still comparatively weak, and where the pattern of labour relations is still fluid.

Sixth War Loan

Mr Morgenthau announced last week that the sixth war loan drive had been oversubscribed, in all, by over \$5 billion; and that both the quota for individual savers and that for banks and insurance companies were met with margins to spare. Sales of "E" Savings Bonds, designed for the small saver, appear to have been disappointing, but that may be because the goal was set too high. The same cannot be said of the drive as a whole, which aimed at a total \$2 billion less than that of the Fifth War Loan campaign. The drive, which ended on December 16th, was, however, the third in eleven months; and with subscriptions to the previous five loans totalling \$38 billion, it perhaps seemed prudent not to set the sights too high at a time when there was widespread optimism about an early end of the war. Certainly in view of the heavy spending on luxuries and entertainments, the goal of \$5 billion for individual savers does not seem excessive. In the last drive it was set at \$6 billion, and this was oversubscribed. These savings figures seem large, but they must be related to a year's civilian spending of \$97 billion. This time the Treasury extended the restrictions, which earlier campaigns showed to have been necessary. The purchases of commercial banks are not to be counted in the totals; a wide variety of issues was offered, from 25-year bonds to one-year certificates of indebtedness; and a new note was struck by enlisting the aid of commercial and savings banks to cut down the speculative "free-riding" which marked the last drive in some localities. Banks receiving orders for bonds deemed excessively large were requested to withhold the subscriptions and send details to their Federal Reserve Bank.

No. 4 — TRINIDAD



THE Island of Trinidad was discovered by Columbus in 1498 and is said to have been named by him after the three conspicuous peaks, now known as "The Three Sisters." Trinidad first became British territory in 1797, during the Napoleonic Wars. It is famous for its Pitch Lake from which Sir Walter Raleigh caulked his ships in 1595.

Sugar, cocoa and other tropical products are exported and in recent times the development of the petroleum industry has greatly increased the wealth of the Island. Its population exceeds 500,000 and the average annual value of its external trade for the years 1935/39 was over £12,000,000.

The first branch of the Bank in Trinidad was opened in Port of Spain in 1837, followed later by a branch at San Fernando in the oilfields district on the South-West Coast. Those concerned with trade in the West Indies, Africa or the Mediterranean are invited to communicate with:—

BARCLAYS BANK
(DOMINION, COLONIAL & OVERSEAS)
LONDON, E.C.3



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1 When you dictate a cable by telephone listen carefully while it is being read back to you. Casual checking leads to errors which have to be corrected by more cables.

2 Allow your correspondents ample time to reply before enquiring about your cables. Remember that Government cables must be given priority over others in war.

3 Don't mislay cables sent to you. This causes your correspondents to cable for a reply and thus congests the Empire's circuits with unnecessary traffic.



THE WORLD OVERSEAS

The Working-Class Under Fascism

(From a Correspondent recently in Italy)

ON November 4th last there appeared on Roman bookshelves a slim volume entitled *The Working Class Under Fascist Domination* (1921-43). Its author is Matteo Matteotti, the son of that Giacomo Matteotti for whose murder Mussolini is responsible. And of all the numberless books and papers and pamphlets that have flooded the bookstalls since the liberation of Rome, this brief paper seems to be the only one that speaks directly, and with facts, for the sufferings of the Italian working class since 1921. Set it alongside the record of the easy-going, well-fed Roman bourgeoisie; alongside the hypocrisy of all those Liberal-Catholic groups whose members lived peacefully—but for their fear of Russia—under Fascist administration until it was safe to proclaim their loyalty to the Allies; alongside the prosperity of the big industrialists—and it is easy to see that it was not the middle-class, nor the Church, nor the monarchy (those tried liberals of Savoy) who suffered from the black-shirted terror—but the workers and the peasants. After reading it anyone who had experience of the Italian Army in action will find it easier to understand why the morale of the men was so often wretched and why they seemed so seldom to care if their side won or lost.

Up to 1935, the year of the war in Abyssinia, the figures are well known, being easily obtainable in the annual *Compendio Statistico Italiano*. In his summing-up, which is calm and complete in its condemnation, the author arraigns Fascism under three main headings: the steady increase of unemployment (from 156,400 in 1925 to a figure which after 1932 never fell below one million), the alarming increase of industrial casualties (from 134,336 in 1921 to well over half a million in 1942—exactly comparative figures lacking), and the equally steady and alarming fall in the quantity of foodstuffs consumed by the working-class, a phenomenon about which plenty of statistics can be quoted.

But more interesting, because elsewhere unobtainable, are the parts of the paper that deal with the war years. There is a great deal of paper printed about prices remaining stable; but prices nevertheless rocketed upwards out of sight and did not return to earth (nor have they yet). Wages of course, cannot be raised; for there is a war on, and everyone wants to show a spirit of sacrifice.

The wages of the absolute majority of the entire working class of our country (industrial and agricultural) have been increased only from 40 to 80 per cent. in these four years of war, while a minority of several hundreds of thousands, even if they have succeeded in getting the level of their wages up to 120-150 lire a day, cannot say they have done better than an increase of 150-200 per cent to offset what has been a more than ten-fold increase in prices for the period 1939-43.

Real wages sank to unthought-of levels. Many individual cases are quoted. Ansaldo at Genoa increased its capital on March 29, 1943, from 250 to 500 million, between 1939 and 1943 its ordinary share-price went from 38.25 lire to 254 lire; prices in general in Genoa are said to have risen by 800 per cent; but the general level of wages at Ansaldo's increased in the four years by about 20 per cent. At the Vivaldi naval shipyards the basic level of wages rose from 3.05 lire per hour in 1939 to 3.40 lire in 1943. Skilled workers at the Gallieni-Vigano in Milan obtained wage increases of about 30 per cent during the course of the war, whilst prices rose by more than 800 per cent. In the shipyards Odero Terni Orlando of La Spezia, skilled workers out of a total of about 4,000 workers had wages raised from 2.47 lire in 1939 to 3.42 lire per hour in 1943, whilst the rest had wages raised over the same period from 2.14 to 2.92 lire per hour. It is the same story in Turin and other industrial centres. Agricultural workers fared even worse.

It is not until the great strikes in Milan, Turin and Genoa of March and November, 1943, that some effort

can be seen to remedy this appalling state of affairs. Both strikes resulted in a general rise in wages: in the first case they rose from 14-20 per cent for office-workers and 20 to 30 per cent for factory workers, and in the second there was a general rise of 15 per cent on previous levels, together with certain provisions for the reparation of air-raid damage, the aim being to establish a minimum weekly wage (cf. *Corriere della Sera*, November 25, 1943, quoting minima as follows: workers 14-15 years old, 110 lire weekly; 16 to 18, 150 lire; 18 to 20, 200 lire; and over 20, 230 lire. For women 14 to 16, 100 lire; 16 to 18, 120 lire; over 18, 150 lire). Prices, meanwhile, rose between March and November, 1943, to levels often over 1,000 per cent of the 1939 level, thus wiping out most of the benefit. Allied bombing and the German occupation meant heavy unemployment.

No Protection

Apart from the question of the level of real wages, it must be remembered that there was a general and marked degeneration of the whole *curriculum vitae* of the average worker. Not only were overtime rates steadily cut down, the fabric of protective legislation was destroyed and in its place there was erected the dictatorship of the employing and governing oligarchy. The right to strike was abolished. Stoolie unions (corporations) were set up in architectural atrocities along the quiet streets of Rome. All question of limiting hours of work went by the board.

From official figures there were, in September, 1925, 500,945 workers out of a total of 1,798,429 (in 22,096 factories and workshops) working more than 48 hours per week. In 1928 another set of statistics gave 138,376 workers in 5,456 factories and workshops out of a total of 908,790 workers as doing more than 48 hours work a week. Figures become unreliable after the Abyssinian War; but many individual cases are cited which show that conditions became steadily worse. In Milan, during the period 1937-42, a high percentage of workers at Falk, Pirelli, Marelli, Gallieni, Isotta-Fraschini and in many other factories are said to have worked regularly from 10 to 12 hours per day. Restrictions on Sunday work were ignored or got round. The legal allowance of six days holiday-with-pay for each industrial worker was defeated by the regular practice of discharging workers shortly before their year's work was completed and taking them on again later. At Ansaldo's, in Genoa, hundreds of workers in 1943, engaged in making armoured cars, etc., had had no holidays for eighteen months. Together with excessive hours of work in one industry went half-employment or less in others.

The reality of this is shown by official figures (*Annuario, 1937, Confed. Fasc. degli industriali*) that give 19.1 per cent of a total number considered of 1,156,000 workers as working less than 40 hours per week. Almost no attempt seems to have been made to effect an intelligent transfer of workers from industries which suffered during the war, to industries working indirectly for the war. Women, it seems, were drafted largely into industry; and in 1939-42 more than 180,000 women were so employed, working in arms factories for an average of nine or ten hours a day. At the arsenal of La Spezia in 1941-43, 500 women made arms at a sweated wage of 1.90 lire per hour with 15 per cent more for overtime. The average level of women's wages was between 50 and 70 per cent of the wages for men and boys. Child labour increased under Fascism. According to *Comp. Stat. Ital.*, the number of children under 15 increased from 1931 to 1935 from 26,880 boys to 82,862, from 38,218 girls to 76,603, and this at a time when the number of unemployed adults was well over the million mark.

As the war years drag on, the misery of the Italian

working-class grows more acute. War conditions force workers to change their homes and, with rapidly decreasing means of public transport, to trudge weary miles to work. Air-raids on the great towns of the north make things many times worse. In 1940-42 war industries are placed, for reasons of national defence, under special regulations. Fines become heavier. The first day's absence from work, when not immediately announced, is fined by the subtraction of half a day's wage; the second day's absence is met with arrest. The author rounds off the picture by showing how the wages that the worker got, wretched though they were, were even then systematically milched as a regular means of income for the *gerarchia* in forms of social, health and unemployment insurance.

From 1920 to 1940 the difference between receipts and outgoings in the balance-sheet of the Istituto di Social Wellbeing (*Istituto di Previdenza Sociale*) reached the colossal figure of 15 milliards.

The number of industrial casualties indemnified by the Istituto Infortuni dell' Lavoro (INFAIL) rose in the period 1922-32, then remained almost level in successive years, while casualties rose by about 60 per cent between 1932 and 1939.

The authenticity of these statements cannot well be questioned for the main part, since they were based on the very cautious figures issued by the Fascist regime itself; no authority is given for the individual evidence advanced by the author, but there seems no good reason to doubt their substantial correctness. The book is issued with a commendatory introduction by Pietro Nenni, the general secretary of the Italian Socialist Party, and it may not be inapt to quote in conclusion from a recent pamphlet of their allies, the Italian Communist Party, the following sentiments:

It is not a question of offering this or that portfolio to this or that representative of the workers' parties. It is a question of giving greater weight to workers' organisations at every point and moment wherever and whenever they make contact with society: in industrial and agricultural reconstruction as in the affairs of government, in central and local administration as in the conduct of the war. It is a question above all of putting across the idea that Italy is not an abstract entity but a concrete reality; and that Italy is served only when the people of Italy is served, and that means essentially the workers of Italy. . . . In the last years it has been everywhere shown that a policy of social reaction is necessarily anti-national in so far as it leads to the decay of national culture and the destruction of independence.

Of this belief and this conclusion, Mr Matteotti's book is eloquent testimony.

Deflation in Palestine?

[FROM OUR JERUSALEM CORRESPONDENT]

Currency figures expressed in Palestinian pounds unless otherwise indicated.

By the end of this year, Palestine's investments in British Government securities and London bank deposits will have reached a total of some £100 million sterling, and the accumulation of liquid assets inside the country continues almost at the same rate as last year, that is, by £2-3,000,000 a month. There has, however, been a marked change in the composition of these assets. Whereas in 1942 over one-half of the additional purchasing power went into circulation, last year the proportion was only about a third and this year it is rather less than a quarter; moreover, part of the additional currency is being hoarded. There is also a slight but persistent rise in fixed deposits. The bull market for local securities, gold and real estate has come to an end. The index of wholesale commodity prices is somewhat higher than it was a year ago, but black market activities have declined, and the cost-of-living index of the Wages

Committee is now about the same level as in the autumn of 1943—about 150 per cent above the pre-war level—whereas the cost of living is steadily advancing in Syria and in Egypt.

This relaxation of the inflationary pressure has been partly due to the greater volume of imports, which in 1943 were less than half the pre-war amount, and to the prospects of further improvement next year. Moreover, military demands, which in 1942 accounted for about a third of the total national income, have slackened somewhat, although the volume of employment and of production was maintained and even, in some cases, expanded, so that larger quantities of goods are available for civilian consumption. Additional factors have been the influx of gold; increased saving, particularly in connection with building schemes; the release of consumers' stocks; and an improvement in the administration of controls, which was encouraged by the vigilance of the recently appointed War Economic Advisory Council. Moreover, the windfall profits accruing from the inflationary process declined as the local economic war effort shifted to its modern industrial sector. It has been estimated that, already in 1943, out of the 30 per cent increase in the output of goods and services compared with 1939, at least three-quarters were accounted for by industry and transport, which have doubled their output, while modern mixed farming increased its production by 50 per cent, compared with an increase of some 10 per cent in primitive agriculture. The relative shares of the various sectors in the monetary income had, however, hardly been affected. Even so, the excess of national income over national outlay in 1943 was, in monetary terms, only equal to the excess in the previous year, according to a calculation of the Government statistician, in spite of the rise in prices, the depletion of stocks and the further decline in consumption (in 1943, total consumption was some 17 per cent less than in 1939 and civilian consumption some 23 per cent). There is reason to believe that this trend was even more pronounced than in 1944.

The following table may help to illustrate these developments:—

	1939	1942	1943	1944
National income (£ million)	32.7	79.3	93.4	...
National outlay (£ million)	41.5	66.5	80.4	...
Average cost-of-living index	100*	187	229	238†
London investments at year-end (£ million sterling)	20‡	50	75	100†

* August.

† Estimate.

‡ Middle of year.

Palestine's sterling balances cannot thus be regarded as having been accumulated from inflated profits. Indeed, out of the £80 million sterling added since the middle of 1939, about two-thirds have been the result of imports of capital, mostly from Jewish sources, and the equivalent of stocks and equipment that cannot under present circumstances be replaced. Moreover, the proportion accounted for by capital imports is steadily growing—and already amounts to more than half of the accruing balances—and the pre-war situation, in which Palestine regularly paid for its huge import surpluses with the aid of capital imports, is thus returning. There is little doubt, too, that in the post-war period of construction and reconstruction this import surplus will increase in spite of efforts to boost the export of products of local industry. But both the dependence on foreign capital and the export drive demand a radical adjustment of the local price level to that of the world markets.

Prices and Industry

No wonder, therefore, that price deflation is now the central problem of Palestine's economy. The demand is voiced for increased imports at reasonable prices (on the average, the import trade accounts for about a third of the total national income, and its price level is now about three times as high as in 1939) and for the discontinuation of the Government's policy of subsidising cereal farming with the aid of surcharges on vital imports (it has been estimated that the subsidy now accounts for some 25-30 per cent of total agricultural income). On the other hand, the local economy has somewhat accommodated itself, during the prolonged period of relative stability, to the inflated price level, and there is a widespread apprehension on that the uncontrolled import of consumer goods may prove detrimental to local industry and to intensive agriculture. Various schemes have been prepared for an orderly lowering of the price level, so as to disturb local production as little as possible, but so far no policy has been decided.

THE BUSINESS WORLD

Courtaulds and Celanese

THE market flurry, with its background of directorial inadvertence, erratic share movements and polite admonition by the Stock Exchange Committee, which followed the declaration of a first ordinary dividend by British Celanese, tended somewhat to distract public attention from the historical importance of the event. Though the vagaries of wartime taxation contributed appreciably to the ability of British Celanese to open its equity score in a manner so resounding (in every sense), there can be little doubt that the event, if anything, was overdue. If the company's financial structure had been less complex, the company's financial vicissitudes had been less baffling to the investor, and if the company's advisers had taken a more Alexandrine course in cutting the Gordian knots which were the balance-sheet legacy of the more troubled days of the company's history—then, the industrial share market of the Stock Exchange might have lost its Number One speculative counter, but the company's shares would have gained an investment status more befitting the equity in one of the two leading concerns in the artificial silk industry. After twenty to thirty years of fiercely competitive evolution, that is the position that has emerged. Courtaulds, former crêpe makers, and British Celanese, ex-manufacturers of aeroplane dope, remain in possession of a field that includes others, but none of even approximately equal standing. This war has closed a definite chapter in the growth and development of both concerns, and of their industry. What is the post-war period likely to bring?

The twenty years before the present war saw the British artificial silk industry through its pioneering commercial phase in which it established its right to rank among the leading textiles. The period opened, fittingly, with a vast "bonus" capital issue by Courtaulds which, seen retrospectively, appeared as a gesture of challenge to all competitors, in the industry itself or its older rivals. The period closed, equally fittingly, with an internal price agreement which brought the era of primitive competition to its close. Even in 1939, it was clear that a new epoch was opening, in two distinct ways. Technically, artificial silk had always been a trade with a dual character. It was certainly a textile industry—there was no doubt about that. But its kinship with the chemical trades was no less apparent. A time was obviously bound to come when, internecine struggles being over, its leading productive units would have to work out, much more closely, their relationship with other textiles, especially cotton, and decide how far, and in what specific directions, they should go in for developing production in new fields of technical invention outside the textile trades altogether. The war has not changed that essential set of problems, but, on the other hand, it has left Courtaulds with a treasure chest worth approximately £45 million, partly through forced sale (at a not unprofitable figure) of its great American Viscose subsidiary, and has, on the other hand, expedited the technological advance of non-textile industries in which producers with capital resources, or the command of them, are capable of playing a substantial future part, if they choose.

Of the two companies, Celanese has, perhaps, been the readier to give various inklings of what its intentions may be. Some months ago it registered a new subsidiary called Products Development, which, the chairman, Dr Henry Dreyfus, declared at the last general meeting, is intended to "produce all the raw materials which are important from an economic point of view in the form of the intermediate chemicals needed for final textile and other products." All types of synthetic rubber, the chairman declared, were to be manufactured, together with new plastics combining the qualities of the two present main types, the thermoplastic and thermosetting types. In the preceding November (of 1943), Mr Oliver Lyttelton, Minister of Production, had already announced that a licence had been granted to a British company to undertake the bulk manufacture of synthetic rubber in this country, and it was widely known that the producer would be British Celanese. It was under-

stood, at the same time, that the first production stage would be reached in about eight months.

The Celanese organisation extends to both sides of the Atlantic. American Celanese has been pushing ahead fast, in wartime conditions which obviously have been congenial to rapid growth. For the production of what may be broadly termed organic intermediates chemicals, which are to play so important a rôle with the new British subsidiary, American Celanese has recently erected plant at Bishop in Texas, well placed strategically for petroleum chemical supplies, which appears to have been planned with an eye to intensive exploitation of new groups of plastic products, including phenolic (coal tar) and vinyl and acrylic (non-coal tar) resins. American Celanese also has a process for manufacturing the butadiene type of synthetic rubber from alcohol derived from waste from sulphite mills. The logical outcome of all this would seem to be that, eventually, the Celanese group will rank among the world's leading producers, not merely of intermediates but of finished "new" products in the fields of plastics, dyes, drugs and fibres, etc.

In the case of Courtaulds, the chairman, Mr Samuel Courtauld, has shown characteristic circumspection in discussing his company's post-war plan of campaign. The Courtauld list of products is already long, but it lies mainly inside the textile field, in its broadest sense. The company now makes rayon yarn and manufactures, "fibro," staple fibre, viscose wrappings and paper and Nylon (a joint interest with Imperial Chemical Industries). Some of these, particularly Nylon, are only in the first phase of what seems destined to be a wide expansion of production. Some of Courtaulds' enormous reserve of capital resources will undoubtedly be used in that direction—a figure of £5 million, for example, has been mentioned in connection with the possible establishment of a Nylon plant in Australia. In some quarters, a large new Courtaulds plant in Northern Ireland is being spoken of, for the manufacture of a product of whose nature even rumour as yet claims no assurance.

On the whole, however, Mr Courtauld has succeeded very well in keeping the secret of how the Courtauld millions are to be expended. Nevertheless, he has given interested commentators at least an opportunity of discerning the broad lines of the company's intended strategy. Unfortunately, Mr Courtauld's remarks have been addressed to other quarters besides shareholders, and one object, in the forefront of his mind, clearly was to tell the world that Courtaulds would never be a party to any "in-law" type of restriction arising out of an unwilling marriage of convenience with cotton textiles. "If the cotton textile field is obstructed by artificial barriers we shall be very cautious

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about investing large sums in it." What could be plainer than that? If there is any question about Visca living her own life she will take her dowry elsewhere. "In that case there are other directions in which we can turn."

It is these "other directions" which are particularly intriguing to holders of Courtaulds' shares. First on the list, the chairman placed "industries to be developed in this country, other than textiles, which are to some extent allied with our own, and in which our experience is of some value." What these industries are one can only guess, but both the example of Celanese and technical logic suggest that plastics and chemicals were in Mr Courtauld's mind. Next, he instanced the whole British Empire as a field for textile development. "Lastly, there is the rest of the world, not excluding the United States, where so lately we had a very large share in the rayon industry." That again, is a challenge. Courtaulds has never made any secret of the distaste with which it viewed its enforced expulsion, in the interests of British Treasury finance of the war effort, from the American manufacturing market, where American Viscose had built up something that came near to being a commanding position. It may not be wildly wrong to credit Courtaulds with willingness, if need be, to use no inconsiderable part of the money compensation for its ejection from the American field as the price of its return. If so, the potential expenditure may be heavy, and it would be out of harmony with the careful tradition of Courtaulds, with its Huguenot qualities, if any unlimited commitments were envisaged before there has been any opportunity really to see how the land will lie in that direction. In the last resort, business wisdom will doubtless take precedence over any territorial ambitions. "Probably we shall want to develop to some extent in all these direc-

tions, in order that our business base may be as wide as possible. . . . We certainly believe that we ought to be able to find plenty of profitable openings somewhere for most of our large capital reserves. . . ." So inquirers are left with a question-mark, but not entirely without clues to the lines opportunism is likely to take—the home market first, given a fair field and no favour, the British Empire next, the company's European interests and affiliations to be re-examined when the war-fog clears, opportunity for reversing the American tragedy (from the company's viewpoint) to be awaited, and plastic and chemical developments to be kept in mind.

If one had to put all this into an investment context, one would be tempted to say that the shares of Courtaulds and British Celanese offer an interesting problem in contrasting probabilities. Courtaulds has plenty of capital, but investors have only a limited knowledge of what its post-war intentions actually are. British Celanese has made conservatism about its objects much less of a virtue, but in order to obtain the wherewithal to carry out even part of what it has clearly in mind, it will, sooner or later, apparently have to come to the market (or to whatever Investment Board may be presiding over affairs) for substantial amounts of new capital. Of the two shares, Courtaulds' ordinary and British Celanese ordinary, the latter are much the more highly geared and (deservedly in the light of past history) the more "speculative" in the widest sense. As representative holdings in companies on the threshold of very important and far-reaching developments which, under able, forthright and enterprising management, are destined to carry them very far, but whose nature at present can only be seen in the broadest outline, both offer interesting possibilities.

The Paris Discount Market

ONE of the most interesting developments of the French banking system during the years of German occupation has been the growth of the discount market in Paris. This phenomenon is not a product of the occupation period. The beginnings of such a market had appeared in the late 1920's. Nor should its subsequent growth be regarded as a direct result of the German occupation, but rather of the exceptional expansion of the French national debt required by the deficits and the German exactions of the occupation period. In the special circumstances of those four years the borrowings of the French Government to meet occupation costs and to pay the contractors whose goods went to Germany had, in large part, to be short-term borrowing. Between the end of 1939 and April, 1944, the internal national debt in France rose from Frs. 445,742 million to Frs. 1,417,000 million. Within this total the long-term consolidated debt hardly changed, increasing from Frs. 303,051 million to Frs. 420,900 million. The floating debt, over the same period, increased from Frs. 142,691 million to Frs. 996,100 million. The banks took up the bulk of these securities, and with this large increase in the supply of short-term paper it is not surprising that the market in it should have developed rapidly.

There are now five specialist institutions in Paris which may be said to constitute a discount market. Three of them date from the pre-war era. The oldest and largest is the Compagnie Parisienne de Réescompte, which was established in 1928. It has issued capital and reserves of Frs. 120 million. The two other pre-war institutions are the Caisse Centrale de Réescompte and the Banque d'Escompte. The first of the discount companies to be founded during the war is the Société Privée de Réescompte. Finally, a fine gesture of acknowledgment to the London market, comes l'Union d'Escompte. These specialist institutions have during the past few years been joined by a number of banks formed originally for other purposes but drawn to the discount market for lack of business in their previous calling and by the opportunities offering in discounts. The Banque Française d'Acceptation may be taken as a typical example of these institutions which do a mixed business and are in the market without being it, rather as Blydenstein and Company were in relation to the London discount market before the war.

The trade of the Paris discount market is almost wholly in Treasury bills. These are issued by the French Government in a variety of dates. The shortest bills are available for any period between 75 and 105 days, the choice resting

with the bank which applies for them. They are on tap at a fixed rate, which is now 1½ per cent. These bills are only issued to the banks. Then come the Treasury bills available on tap both to the banks and to the general public. The six-month bills are at present placed at 1½ per cent, the one-year bills at 2 per cent and the two-year bills at 2½ per cent. These securities, together with a small trickle of commercial bills, make up the bulk of the market's stock-in-trade. As a general rule, these houses do not hold securities having longer currencies than the two-year Treasury bills. The running and trading in bonds having up to five years to run is a development which they have yet to copy from London.

The specialist institutions are, for the most part, modestly capitalised, and the bulk of their bill portfolio is financed by short loans. This short loan fund is provided by the banks and also by certain official institutions such as the Caisse des Dépôts. The bulk of the short loan fund consists of day-to-day money which has been available throughout the recent years of monetary expansion in abundant quantities. The current day-to-day money rate is 1½ per cent, but the quotation has on many occasions fallen below this figure. In addition, the market works with monthly fixtures from the banks. These have recently been arranged at 1½ to 2 per cent. Monthly fixtures have also been obtainable from the Caisse des Dépôts, but the rate of 2½ per cent demanded for them has left little margin on the current level of Treasury bill rates.

The present size of the market and the relation between its own capital funds and the loan capital which it utilises cannot be defined with any accuracy, but the following balance-sheet of the Compagnie Parisienne de Réescompte for the end of 1942 gives an indication of the position. It should be understood that the figures have expanded appreciably since the date of this document.

LIABILITIES		ASSETS	
Francs (000's omitted)			
Paid-up capital	47,000	Cash	848
Reserves	7,547	Bills	989,502
Purchases to be settled	1,778,906	Sales to be collected	949,412
Owing to banks	22,218	Sundries	903
Unearned discount	69,237		
Sundries	4,474		
Profit and loss	11,283		
Total	1,940,666	Total	1,940,666

The feature of this balance-sheet is the dominant importance of the items "purchases to be settled" and "sales to be collected." This gives one an indication of the importance of forward operations in the Paris discount market. Bills and bonds are bought and sold for future delivery on a scale which is quite foreign to the London market. The importance of these figures also reflects the extent of the *pension* business in the Paris market. A *pension* transaction is one in which a buyer of securities raises the cash for his purchase by putting the securities in question *en pension* with one of the banks. This, in effect, means that the bank pays cash for the securities with an undertaking to resell them at the same basic price one, or two or even six months hence. The discount is calculated in the case of both purchase and resale on the unexpired life of the security. This is the sphere of activities in which the Paris discount market approaches nearest to the bond operations of the London discount market. Most of the *pension* business being done in the Paris discount market is in short-term Government securities such as Bons du Trésor.

The ultimate basis of all operations on the Paris market is access to the Bank of France in the event of trouble. All the discount houses have rediscount and loan facilities with the central bank. This help, when it is required, is usually made available by way of short loans, against which the bank charges the official rate of discount—at present 1½ per cent. The French bank rate, unlike that of the Bank of England, is not a penal rate and generally stands slightly below the open market discount rate. Since all important French banks have rediscount facilities with the Bank of France and can use them on such comparatively favourable terms, it may be questioned why a discount market should function at all. The same question might now be asked of

the London market, since direct contact between the deposit banks and the Bank of England has been established through direct operations in bills and through the inauguration of the Treasury deposit receipt system of short-term Government borrowing. The French banks may have readily available rediscount facilities with the central bank, but they have always been averse to using them, except as a last resort. This is partly a matter of prestige, but it has a more realistic basis, namely, the fact that the Bank of France handles a competitive commercial paper business, and any French bank rediscounting commercial paper with the central bank may be excused for feeling that it is giving useful business information away to a competitor. That objection hardly holds now that the bill portfolio is made up almost wholly of Government paper, but since operations in domestic bills will certainly recover considerable importance in France, the banks have every incentive to support a local money and discount market. Moreover, the banks appreciate the convenience and elasticity of a short loan market, where they can maintain their second line of liquid assets, and of a bill market where they can obtain short-dated securities other than those available on tap from the Government. Some of the discount rules of the Bank of France are also calculated to encourage the development of a discount market. Only paper maturing within 90 days is accepted, and this places the whole range of longer dated Treasury bills outside the rediscount facilities. In addition, there is a rigid ceiling to every bank's rediscount account, and these limits have not been adjusted to the post-1939 expansion in the supply of short-term paper. There seems good reason to believe, therefore, that the Paris discount market, whose progress before the war had been rather halting, has now established itself as a permanent part of the French banking structure.

Business Notes

French Liberation Loan

The technical success of the French 3 per cent Liberation Loan is now assured. It was announced from Paris this week that the total subscriptions had passed the Frs. 160,000 million mark, or Frs. 60,000 million in excess of the goal initially set for the operation. It has further been stated that as much as 47 per cent of the subscriptions were made in the form of Bank of France notes, a further 21 per cent in Treasury bonds (probably representing conversion by the banks), and the remainder were paid for by drawings on bank accounts. On this evidence, the purpose of the loan as a deflationary operation would seem to have been achieved, especially in the light of the fact that subscriptions of 100,000 francs (£500 at the official rate) and under accounted for about three-quarters of the total so far attained. The lists have not yet been closed, and it is reasonable to assume that the ultimate subscriptions may approximately double the original expectations. It is impossible to measure the deflationary impact of the loan on the note circulation because the total of the latter is still not published. The latest semi-official information on the subject was that given at the time of the liberation of Paris, when the Bank of France circulation was reputed to be around Frs. 600,000 million. On the basis of the figures given this week, some Frs. 75,000 million of notes should have been absorbed by subscriptions to the loan. This is a useful start in the task of mopping up redundant French currency—but it is only a start.

Holiday Circulation

The estimate of the Christmas note circulation that was made by the authorities when the fiduciary issue of the Bank of England was raised by £50 million towards the end of last month must have been somewhat on the short side, for the peak reached over the Christmas week-end can have left very few unissued notes in the reserve of the banking department. By the Wednesday before Christmas that reserve had been brought down to £8,205,000, and the reserve ratio had touched its low record of 3.9 per cent. The next two and a-half days must have seen the reserve "scraping bottom." By Wednesday of this week, however, notes were trickling back fast, and the reserve shown in the latest Bank return was £11,598,000, with the ratio at 4.2 per cent. Despite the presence abroad of large numbers of British and

Allied soldiers who, last year, helped to swell Christmas spending, the demand for currency over the past holiday has been approximately the same as in the corresponding period of 1943. The return of notes after the holiday has been much more rapid this year than last. The post-holiday Bank return last year revealed a net expansion of £7,660,000 in the circulation. This year it actually shows a fall of £3,393,000.

Stock Exchange Capital

The complaint has frequently been made over the past two decades or more that jobbers on the Stock Exchange are no longer prepared to fulfil their function of standing between the investor and the full force of fluctuations in prices by taking up large positions. It is also occasionally said that brokers fail to benefit from the increased opportunities which exist for giving their clients advice which takes account of the long-term factors affecting prices. The replies of members of the exchange to these strictures vary greatly on some points, but they almost invariably include a statement that heavy taxation is the cause of the trouble. This complaint has been more frequent since the great increase in war-time taxation, but it has been common ever since death duties commenced the process of dissipating the estates of the wealthy. This defence is similar to that advanced by the industrialist when faced with the accusation that his plant is inefficient, and the cases have the common element that neither has been, or is, able to place any sums to reserve without first paying tax on them, while the member of the exchange suffers from the further disadvantage that even if a partner leaves his money in the firm when he retires, it is taxed away in death duties. There are doubtless other elements which have contributed to the changed practice of the jobber, such as the fact that depressions have tended to become world-wide, so that virtually all shares may move together, and a decay in the habit of risk-taking, which is general in almost every field in this country, and may not be entirely divorced from the increased element of arbitrariness arising from Government intervention as well as from the other factors mentioned. Of these factors the only one which is capable of direct attack is the level of tax on profits. It has already been suggested by *The Economist* on more than one occasion

that there should be a partial rebate of tax on profits retained by companies for the extension and improvement of their business. There would seem to be no valid reason why this principle should not be extended to commercial and financial partnerships—with proper safeguards against tax avoidance by the members—provided that measures were taken to see that no damage was done to potential new entrants. This might involve the adoption of the form of companies with unlimited liability by most partnerships—the problems associated with limited liability are complex—but adjustments of the tax laws to remove certain very evident anomalies would remove what is believed to be the greatest hindrance to this process.

Celanese Apologia

As there were still over three weeks to run before the annual meeting, Dr Henry Dreyfus, chairman of British Celanese, issued a statement at the end of last week in reply to the comments which have been made concerning the dividend declaration. He promises at the annual meeting to provide full justification to the satisfaction of the shareholders for the original dividend announcement; he suggests that the secretary of the Stock Exchange should have asked for more information if he thought it desirable, and he states that, in making the declaration, the board took special precautions to put in certain qualifications to make it clear that the payment of the dividend was made possible by an improvement in the profit standard for both the year under review and preceding years. Even at this stage there is no mention of the fact that a large sum, provided for taxation in earlier periods, had become superfluous and had been credited to the profits of the year before paying the 15 per cent dividend. It seems quite impossible to read this into the original statement, and it is a crucial matter, for without this credit earnings would have been only some 2 per cent. As to the suggestion that the Stock Exchange should take special action in respect of individual companies, such a course would seem to be impracticable and, possibly, undesirable. The question of ensuring adequate publicity for company announcements needs investigation, but it is quite clear that the responsibility is that of the company and not of the Stock Exchange. Further, company secretaries ought to keep themselves informed of all matters which affect them. There is, however, a possibility that the Committee for General Purposes would find that a policy of keeping their actions and requirements more prominently before those concerned would forward their objects. As to Dr Dreyfus' undertaking to provide a satisfactory explanation to shareholders, it seems very doubtful whether this is possible. His latest statement tends to confirm the view that the board has a very imperfect idea of what information is required to enable a shareholder to judge the value of his holding. While the promised explanation will be awaited with interest and may, it must be hoped, prove really informative, it cannot remove the imperfection of the original statement.

Lancashire Cotton Statement

Unfortunately, vagueness in preliminary statements is all too common and an example has been afforded in the past few days by Lancashire Cotton Corporation. It may be that, in this instance, some part of the uncertainty arises from the form in which the agencies reported the statement, but in the form presented it appears that the profit is £508,331, after providing £96,167 for maintaining process stock, compared with £576,572 for the previous year after providing £100,000 for deferred repairs. The first question which arises is whether one is to assume that repairs have been fully covered in the past year, but that is not all. The statement goes on to give the amount absorbed by the preference dividend, which this year is given net instead of gross as in the past. The amount involved is not very great, but the change of practice with regard to one dividend naturally suggests the question whether the same change has been applied to the ordinary dividend; that is to say, whether the tax deduction on this occasion includes all tax—many companies have made this change in response to the suggestions of the Institute of Chartered Accountants. It depends on the answer to this question, and upon the treatment of repairs, whether there is a substantial decrease

in profit on the year or not. The question as regards taxation practice would be answered by the simple addition to the statement of the amount carried forward. It may be said that if so important a change had been made the board would have mentioned it in their statement. Unfortunately, experience suggests that such an assumption would not necessarily be justified.

Railways' Postwar Plans

The railways have carried an average passenger load about 125 per cent greater than before the war, but as a result of the withdrawal of services and the reduction in the number of trains, the number of passenger train-miles is 30 per cent less than in 1939. Both the tonnage of freight carried for essential war purposes and the average length of haul have enormously increased, and, measured in net ton (freight) miles, the railways' work has increased by about 40 per cent. At the same time, they have lost no fewer than 113,000 skilled railway workers. The main line companies are now planning to make good "six years' arrears of forced neglect" and have issued an attractive general programme with the object of regaining their pre-war efficiency. As soon as possible, trains, stations and equipment are to be cleaned and repainted; obsolete engines and rolling stock are to be replaced; arrears in maintenance will be made good; and pre-war facilities for newspaper and mail trains, long distance business trains, holiday services with cheap fares and the pre-war frequencies and speeds are to be restored. The schemes include plans for tracks capable of carrying high-speed trains, the reconstruction of bridges, the extension of electrification, and, eventually, the modernisation of stations. Express freight services will be restored and a network of branch line freight services developed, while improvements in ports and docking facilities are also planned. All this is very good news, both for the business man, who now makes necessary journeys under unnecessarily uncomfortable conditions and for the ordinary citizen who wants to be free to make wholly unnecessary journeys without twinges of conscience. The travelling public has put up with so many discomforts and inconveniences in war-time that it will expect a high standard of efficiency and comfort in the future. The companies' plans are, of course, very much in the air still, and the speed at which they can be implemented depends upon the release of materials and labour. Rather vaguely, they promise that "co-operation with the roads will be developed"—it would certainly not be in the interests of efficiency to have a repetition of the inter-necine road-rail competition of the early 1930's. The companies also say that when the plans for the re-location of industry and alterations in town and country planning are known they will disclose their full plans. The companies' policy for freight charges may, however, be a major factor in determining the location of industry.

Rundstedt and Bullion Prices

One of the effects of the German offensive in the Ardennes and of the consequent fears of a considerable prolongation of the war has been to set the prices of bullion in the Bombay market rocketing. Silver, which on December 14th was quoted at Rs 126/8 per 100 tolas, had by the beginning of this week reached Rs 135/8. The price of gold had moved similarly from Rs 66/11 to Rs 78/4. These considerable increases have taken place despite consistent official sales of gold amounting to 75,000 tolas daily and official sales of silver which have been increased from the previous daily quota of 300 bars to 1,000 bars. The rise in the price of gold may in some measure be explained by the advent of the Hindu wedding season, when up-country purchases of gold normally make a steep seasonal increase. The main factor at work, however, both in the gold and silver markets, has been the speculative demand based on anticipations of a longer duration of the war than those held a few weeks ago. With the improving news from the Western front in the middle of this week, Bombay speculators began to unload, and last Thursday's opening quotations—namely, Rs 72/14 for gold and Rs 130 for silver—show considerable reactions from the highest figures touched in the early part of this week.

Allied Notes

The facilities given to members of the Forces returning from liberated countries to exchange French, Belgian and Dutch notes into sterling at the official rates of exchange have inevitably led to some abuse. There are flourishing black markets for sterling notes in France and Belgium, where the rates offered are rather more than twice the official quotations. The temptation to arbitrage between black and official markets has been too great to be resisted, and the right of members of the armed forces, separated from their units, to reconvert into sterling at the official rate French, Belgian and Dutch notes up to the equivalent of £25, has lent itself to this type of traffic. Earlier this month, therefore, these conversion rights were reduced, the limit in all cases being brought down to £5. The volume of illegal traffic to which these facilities have given rise is probably small since holdings of local currency are normally exchanged by returning soldiers with their own paymasters—transactions which receive extremely well-informed scrutiny. The black market in sterling notes in the liberated countries is fed, in the main, from stocks of currency previously held in the countries in question, and by a certain amount of smuggling of sterling notes. Recent prosecutions have indicated how such smuggling takes place, and have also underlined the heavy risks and penalties to which the traffickers lay themselves open. A certain leakage of notes is almost inevitable so long as the state of confidence in the liberated currencies is such as to give rise to black markets in which the rates quoted vary violently from the official quotations.

Wool Prospects

The International Wool Secretariat is financed by a statutory levy on wool produced in Australia, New Zealand and South Africa. Until recently the levy was 6d. a bale, but it has since been raised to 2s. in Australia; no announcement of a similar increase has come from the other two countries. The levy finances the International Wool Publicity and Research Secretariat Fund, which was chiefly expended by the London office of the Secretariat in advertising wool fabrics. The press, dress parades, films and displays of various kinds, including exhibitions of manufactured products, as well as other means of advertising, have been used. The Executive Committee last week completed a meeting, lasting a fortnight—the first full meeting since 1938. It decided to publish a *Wool News Service* and to study economic developments affecting wool. The expansion of its scientific research programme at Leeds includes the improvement of new processes such as shrink-proofing and moth-proofing and the softening method that takes the "tickle" out of wool. The utilisation of by-products and new aspects of textile engineering will be studied. Special attention is to be paid to the needs of vast potential markets such as Russia, India and China. A branch office of the IWS is to be set up in New York, and the Paris office is to be re-opened.

The Wool Industries Research Association at Leeds, formed in 1937, struggled on with the help of a Government grant, subscriptions from the wool industry, and, of course, the contribution—its largest—from the IWS. Some reluctance on the part of English mills to support its work arose from the selfish and shortsighted view that the invention of a new process does not bring additional profits to one firm only, because the process is simultaneously made known to many competitors. This is probably one reason why several firms are even now experimenting with private non-shrink processes, even though the WIRA's own process has been highly successful and has saved the Allied armies tens of millions of pairs of socks and millions of under-garments. It is possible that the promised spurt in the activities of the IWS springs partly from the fact that at the end of the war the British Government will hold the equivalent of three clips purchased at a price considerably above wool's pre-war economic value. For three years or even longer after the war, the Government will hold enough wool to be able to break the market and ruin the grower if it sold its stocks quickly. Similarly, as each year's clip is shorn, the grower will hold enough wool to prevent the economic sale of the Government's stock. Co-operation seems inevitable, but even then, competition from synthetic fibres is likely to be so severe that wool will have to fight for markets. It cannot fight on price, because that would

spell ruin to at least one grower out of four in the fine wool areas. It can only compete by virtue of the valuable qualities it does not share with other fibres. It is for the discovery, adaptation and advertising of these that the International Wool Secretariat and the Wool Industries Research Association exist.

The Jute Industry

During the past eighteen months the jute industry has been suffering from a shortage of jute yarns, due to lack of labour. About three years ago demand for both yarns and cloth fell and over half of the workers were withdrawn from the industry. About a dozen mills and factories were closed and a fair percentage of machinery silenced. The scarcity of jute yarns has now become so acute that the Government has requested all ex-operatives between the ages of 18½ and 50, who have been employed in the spinning mills for six months or more since January 1, 1937, to register at employment exchanges, with a view to redirection to the jute mills. Supplies are urgently required to meet essential war needs and for linoleum hessians and carpets. At least one thousand additional workers are needed at once to satisfy the existing demand for bags of all kinds for foodstuffs and other stores, for cloth for emergency runways for aircraft, and for camouflage work. Jute manufacturers have been working under a quota system for the past twelve months by which they are limited to the consumption of a certain quantity of yarn each quarter. If a sufficient increase in the production of yarn can be made, supplies would be allocated to the clothing and furniture trades. To make this possible, the Jute Controller intends to substitute Calcutta cloth and bags of the ordinary makes, which can be, and are being, imported into this country, for those which have hitherto been manufactured by Dundee firms, thus allowing Dundee manufacturers to return to the making of their main constructions. These goods are of most interest to producers for the post-war years, so that an early start could be made to recapture export trade,

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which has been so drastically reduced during the war. The total exports of jute piece-goods during 1943 were only 9,182,000 square yards, compared with 83,853,000 square yards in 1938. Meanwhile, spinners and manufacturers are working to the fullest capacity which their labour force will allow. There appears to be no scarcity of raw material for spinners who are able to take on more workers. To ensure a good supply of labour for the future a committee has been appointed to look into the conditions prevailing in the mills and factories and to recommend improvements both in working conditions and welfare arrangements, which have been very much neglected in the past. This is a most urgent aspect of recruitment, otherwise women workers who have become accustomed to modern well-laid-out aircraft and ROP factories, with adequate welfare arrangements, would find conditions as they knew them in jute mills before the war intolerable.

Argentine Rail Merger?

Mr B. H. Binder, the chairman, was able to point at the annual meetings of the Argentine North-Eastern and the Entre Rios Railways to an increase in the net receipts of both companies, although the increase in the latter case was very slight, due to less adequate supplies of wood for use as fuel in its zone. Indeed, the Entre Rios fuel bill for 1943-44 was over 50 per cent higher than for 1942-43. Both companies, however, are able to report progress in paying off arrears of debenture interest, as is the Central Argentine Railway. Mr Binder pointed out that the effect of the settlement reached by Sir Montague Eddy was that the Argentine Government waived their claim for the payment of wage retentions and allowed the new wage increases to be met by a 10 per cent rise of freight charges for goods, livestock and parcel rates; in other words, the railways are back where they were before the Argentine Government made these unjustifiable demands. Mr Binder gave it as his own opinion that, despite the rejection by the Government of the suggestion for joint working, the amalgamation of the

four main British-owned Argentine railways, with arrangements for the smaller lines to join the scheme, is a more likely possibility than their purchase by the Argentine Government. It has still to be proved that such amalgamation would increase the railways' efficiency, and Mr Binder may in fact have been expressing only his own hopes.

Taxation of Malayan Companies

If the experience of Southern Malayan Tin Dredging is any guide, the worst that can happen to companies in occupied areas with regard to taxation is that they shall be deemed to have suspended trading in December, 1941. In the case of that company, this means a substantial tax refund, but it has the option of being regarded as having traded throughout the period of occupation, if it is ultimately found that tax payments would be lower on that basis. This seems to be a substantial concession, but a reasonable one in view of the fact that the resources of all these companies are likely to be severely taxed by the costs of rehabilitation. It remains to be seen how far these will be covered by compensation payments, and the settlement of that question has to be postponed until the cessation of hostilities makes it possible to assess the total damage. Meanwhile, it seems that, in addition to the time needed to construct new dredges, there is likely to be delay arising from a shortage of engineers with experience in this particular field. In pre-war days most of the mechanics were Chinese, and it is feared that there may be an acute shortage for some time. This is only one aspect of the problem of the dissipation of the labour force which will affect, in greater or less degree, extracting and manufacturing industry throughout the area of occupation, except insofar as the local labour force has been kept together by the Japanese. The problem is likely to be complicated by political considerations, but once the period of acute and

(Continued on page 878)

COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

ANNUAL MEETING OF STOCKHOLDERS

The nineteenth ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) was held, on the 28th instant, at 29, Gracechurch Street, London, E.C. 3.

Sir William M. Goodenough, Bart. (the chairman), presided.

With the concurrence of the stockholders present, the report and accounts and statement by the chairman, which had been previously circulated, were taken as read.

After paying tribute to the late Lord Essendon, a director, and the late Mr J. B. Taylor, a member of the Cape Local Board, the Chairman moved the adoption of the report of directors and the statement of accounts, and the payment of a final dividend of 4 per cent. actual on the 8 per cent. cumulative preference stock and 3½ per cent. actual on the "A" stock and "B" shares, less income-tax at the rate of 8s. 4d. in the £ in each case. The motion was seconded by Mr J. S. Crossley (deputy chairman) and carried.

The retiring directors, Mr Anthony Charles Barnes, D.S.O., O.B.E., the Right Hon. Lord Lugard, G.C.M.G., C.B., D.S.O., Mr Julian Stanley Crossley and Sir Bernard Henry Bourdillon, G.C.M.G., K.B.E., were re-elected.

On the motion of Sir Frank Newson-Smith, seconded by Mr Joseph Nissim, the auditors, Messrs Deloitte, Plender, Griffiths and Co.; Price, Waterhouse and Co.; Peat, Marwick, Mitchell and Co., and Cooper Brothers and Co., were reappointed.

A vote of thanks was accorded to the chairman and staff.

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY

FLEET'S WARTIME ACTIVITIES

The one hundred and fourth annual general meeting of this company was held on the 20th instant in London.

Mr A. O. Lang, deputy chairman, presided, and, in the course of his speech, said: All our passenger vessels were transferred to war service either immediately before or very soon after the outbreak of hostilities, some as auxiliary warships and others as transports. The epic struggle of the armed merchant cruiser *Rawalpindi* against overwhelming odds is well known to you all, and the *Rajputana* was sunk while on similar duty.

The P. and O. fleet was well represented in the Allied landing in North Africa.

With such a hazardous operation it was only to be expected that losses of ships would occur, and we have to deplore the sinking by the enemy of such fine vessels as the *Sirathallah*, Viceroy of India, *Cathay*, *Narkunda* and *Eutrick*.

I can assure you that earnest consideration is being given to post-war problems with a view to ensuring that, when the time arrives, the P. and O. Company shall take its rightful place in the world-wide trade routes in which we have been interested for more than a century.

It will be an essential condition of the re-establishment of the British mercantile marine to a healthy state that British ship-owners should not be placed in a less favourable position than foreign lines, and in this respect it is encouraging to see that the British Government has this important aspect in mind.

After certain allocations made by the board, the balance at the credit of the appropriation account, including the sum of £189,456 brought forward from last year, amounts to £442,267.

The report was unanimously adopted.

CRYSTALATE, LIMITED

SIR HERBERT MORGAN'S SPEECH

The annual general meeting of Crystalate, Limited, was held, on the 21st instant, in London.

Sir Herbert E. Morgan, K.B.E. (the chairman), said that the profit of the parent company, before charging taxation, was £44,685, and after deduction of tax, the net profit shown of £11,385 was slightly higher than last year.

Last year they had practically reached the maximum turnover of which their factories and plant were capable under the conditions existing. The company was primarily engaged as plastic moulders and in the main they were limited to the production of small parts which were used in sections of other units, the orders for which came from manufacturers in industries outside the plastic trade. Their sphere was to co-operate with them and to assist as far as the plastic section of their goods required.

The companies referred to were naturally considering the opening of export markets, a problem which was greatly exercising the Board of Trade today. The commercial community welcomed the appointment of the powerful committee which had been formed to advise the Department of Overseas Trade. He trusted that one of the first findings of that committee would be that the Department deserved encouragement and support and that, as at present constituted, it was inadequate to grapple with the problems confronting it. When one realised that the Government were spending less on the Department of Overseas Trade than many individual firms spent on developing their own business, it demonstrated the need for much greater effort. Plans for the increase in their export trade to secure an additional 50 per cent over the pre-war standard must be on a bold, impressive and grand scale.

The report was adopted.

APEX (TRINIDAD) OILFIELDS, LIMITED

WAR ACTIVITIES

The following is an extract from the report of the directors which incorporates the annual statement of Mr Malcolm MacLachlan, the chairman, to be presented at the annual general meeting of the Apex (Trinidad) Oilfields, Limited, on January 4th, 1945:—

The profit for the year amounted to £293,516, making with the balance of £144,483 brought forward from the previous year, a total of £437,999. The directors recommend the payment of a final dividend of 17½ per cent., making a total of 30 per cent. for the year.

Although it has not, until recently, been possible for oil companies operating in Trinidad to give information as to their drilling and production for the war years, it is generally recognised that both operations have been strictly controlled by the authorities under a policy of concentration of development in rich and proven areas which best justified the consumption of steel in terms of oil produced.

It is now possible to indicate how the operations of this company have fared under this policy. During the five years to September 30, 1944, approximately 521,000 feet have been drilled and production has amounted to over 20 million barrels of crude oil and 17 million gallons of casing head gasoline. The average annual production has thus exceeded the record for any year prior to the war. Production for the year to September 30, 1944, was approximately 3,760,000 barrels of crude oil and 3,127,000 gallons of casing head gasoline, and was obtained from 267 wells.

It is estimated that the production of crude oil for the current year to September 30, 1945, will amount to 3,380,000 barrels.

SOUTHERN MALAYAN TIN DREDGING, LIMITED

The eighteenth annual general meeting of Southern Malayan Tin Dredging, Limited, was held on the 20th instant in London.

Mr H. Ashworth Hope (the chairman) said that at the meeting of the parent company, Malayan Tin Dredging, Limited, he paid a tribute to the memory of their late chairman, Mr C. V. Stephens, and he did not propose to repeat it now. Mr Stephens was an outstanding personality and it was impossible to assess the value of his contribution to the tin industry.

The following is an extract from the statement of the late chairman, Mr C. V. Stephens, which was circulated with the report:—

The board is fortunate in being able to show an excess of income over expenditure for the year under review of £13,606, and to recommend payment of a dividend of 2½ per cent., free of tax.

The rehabilitation of the tin industry in Malaya may mean, as regards dredging, which is the largest producing section of the industry, the building up of that section anew. In addition to the lengthy period involved in the manufacture of dredges, and their numerous and complicated parts, there is the question of their erection in Malaya. It is probable that very few of the pre-war mechanics (chiefly Chinese) will be available when the time arrives to take such work in hand, and a shortage of experienced European dredging engineers may also for a time be anticipated.

The rate of progress made in the rehabilitation of the tin industry will chiefly depend upon the amount of assistance given by the Government. The early rehabilitation of the tin industry is of vital importance to the restoration of Malaya, tin having, in the past, been the principal contributor to the revenue and welfare of the country.

The report and accounts were adopted.

MALAYAN TIN DREDGING, LIMITED

The thirty-third annual general meeting of Malayan Tin Dredging, Limited, was held, on the 20th instant, in London.

Mr H. Ashworth Hope (the chairman) first referred with great regret to the loss they had sustained by the recent death of the chairman, Mr C. V. Stephens. Mr Stephens was the founder of this company, and was also the pioneer of bucket-dredging in Malaya. The success of this company's pioneer dredging work led to the development of dredging into the largest producing section of the tin-mining industry.

The following is an extract from the statement of the late chairman, Mr C. V. Stephens, which was circulated with the report:—

The board is fortunate in being able to show an excess of income over expenditure for the year of £4,824, and your directors recommend a dividend of 2½ per cent., free of tax.

With regard to the future outlook for tin, Malaya and the Netherlands East Indies supplied approximately half the world's production. After these countries have been liberated from Japanese domination it will probably be several years before they can get their tin operations back into full production. Consequently, when industrial activity becomes anything like normal again the market demand for tin is likely to absorb all available supplies for several years to come.

Tin as a valuable Empire export is a most important factor in promoting the interests of both Malaya and Great Britain. It is imperative for the welfare of Malaya that her production should be vigorously stepped up and her position as the world's chief tin producer regained at the earliest possible date, so that she may again be able to compete successfully under all conditions of production as she has done in the past, in world markets.

The report and accounts were adopted.

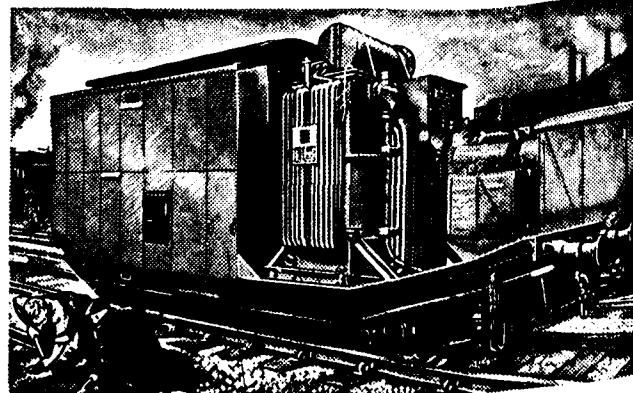


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In surmounting the innumerable problems that have arisen in all applications of electricity, including the important one of electronics, the technical experience and scientific advancement of the G.E.C. — the largest British electrical manufacturing organization in the Empire — have been enriched to a degree that will be of incalculable value to all electrical services after the war. Then, just as the resources of the G.E.C. have been available for the war effort, they will be at the disposal of all concerned with reconstruction in any part of the world.

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OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE Million \$'s

	Dec. 1943	Dec. 1944	Dec. 1944	Dec. 1944
12 U.S.P.R. BANKS				
Resources	23, 1943	7, 1944	14, 1944	21, 1944
Gold certifs. on hand and due from Treasury	19,628	17,930	17,919	17,889
Total reserves	20,127	18,738	18,733	18,703
Total cash reserves	291	235	233	226
Total U.S. Govt. secs.	11,551	18,311	18,577	19,009
Total loans and secs.	11,632	18,701	18,759	19,233
Total resources	34,380	39,395	39,794	40,714

LIABILITIES				
F.R. notes in circ.	16,809	21,477	21,542	21,675
Excess mr. bank res.	920	1,400	1,300	1,250
Mr. bank res. dep.	12,677	14,184	14,092	13,958
Govt. deposits	967	258	503	377
Total deposits	5,509	16,077	16,192	16,830
Total liabilities	34,380	39,395	39,794	40,714
Reserve ratio	62.3%	49.9%	49.6%	48.8%

BANK AND TREASURY RESOURCES				
Monetary gold stock	22,004	20,668	20,667	20,636
Treasury & bank currency	4,097	4,122	4,123	4,127
LIABILITIES				
Money in circulation	20,382	25,107	25,163	25,280
Treasury cash and dep.	3,292	2,595	2,851	3,609

SOUTH AFRICAN RESERVE BANK Million £'s

	Nov. 1943	Oct. 1944	Oct. 1944	Nov. 1944
ASSETS				
Gold coin and bullion	81.40	96.60	96.60	97.47
Bills discounted	12.45	19.04	20.01	18.59
Invest. and other assets	86.61	82.80	82.74	83.86
LIABILITIES				
Notes in circulation	47.93	53.45	54.91	56.35
Deposits: Government	3.48	4.34	4.41	4.34
Bankers	118.20	143.31	142.81	145.50
Others	6.40	6.92	7.38	6.94
Reserve ratio	46.2%	46.4%	46.3%	45.6%

RESERVE BANK OF INDIA Million rupees

	Dec. 1943	Nov. 1944	Nov. 1944	Dec. 1944	Dec. 1944
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	150	148	154	146	131
Balances abroad	1,307	3,321	3,392	3,422	3,400
Sterling securities	7,058	8,663	8,663	8,713	8,863
Ind. Govt. rup. secs.	583	578	578	578	578
Investments	76	117	119	135	135
LIABILITIES					
Notes in circulation	8,156	9,731	9,731	9,777	9,898
Deposits: Govt.	281	2,269	2,393	2,443	2,381
Banks	960	973	913	894	922
Reserve ratio	91.10	92.8%	92.8%	92.9%	93.1%

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Nov. 1943	Nov. 1944	Nov. 1944	Nov. 1944
ASSETS				
Gold and English ster.	40.54	50.86	50.86	50.86
Other coin, bullion, etc.	12.77	19.72	20.61	20.98
Call money, London	44.28	124.93	127.63	130.60
Secrts. and Treas. bills	243.23	215.19	219.14	223.54
Discounts and advances	18.77	18.08	17.61	18.10
LIABILITIES				
Notes issued	156.01	198.99	198.49	197.49
Deposits, etc.	177.18	188.72	195.05	196.66

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

	Oct. 1943	Oct. 1944	Oct. 1944	Oct. 1944
ASSETS				
Gold and stg. exch.	31.11	37.16	37.80	38.08
Advances to State	39.25	37.20	37.20	37.44
Investments	10.32	11.74	11.74	11.74
LIABILITIES				
Bank notes	34.34	37.95	37.80	37.97
Demand liab.: State	15.05	15.43	18.62	7.57
Banks and others	30.91	34.87	29.09	30.14
Reserve to sight liab.	38.7%	43.1%	44.2%	50.2%

CENTRAL BANK OF ARGENTINA Million paper pesos

	Oct. 1943	Sept. 1944	Oct. 1944	which 1.1.44
ASSETS				
Gold at home	1,073	1,243	1,243	1,243
Other gold and for. exch.	2,016	2,488	2,512	2,512
Non. Int. Govt. bonds	105	93	93	93
Treasury bonds	391	774	768	768
LIABILITIES				
Notes in circulation	1,779	2,163	2,170	2,191
Deposits: Government	510	615	496	631
Banks	1,033	1,420	1,547	1,321
Certs. of participation	10	172	168	148
Reserve ratio	87.9%	84.0%	84.2%	83.9%

BANK OF CANADA Million Can. \$'s

	Nov. 1943	Nov. 1944	Nov. 1944	Nov. 1944
ASSETS				
Reserve: Gold	22.91	566.06	566.06	299.64
Other				
LIABILITIES				
Securities	1260.66	1493.33	1506.68	1500.93
Note circulation	840.22	1014.06	1008.22	1007.58
Deposits: Dom. Govt.	66.55	13.72	17.88	9.58
Chartered banks	338.78	419.63	435.69	437.77

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

CENTRAL BANK OF IRELAND Million £'s

	Dec. 1943	Dec. 1944	Dec. 1944	Dec. 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	24.16	27.34	27.59	28.34
Sterling balances	1.92	2.37	2.65	2.28
LIABILITIES				
Notes in circulation	28.84	32.47	33.01	33.36

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The Merchant Banks

THE ranks of the London Merchant Bankers have been thinned since the outbreak of the present war, and among the survivors there are a few whose scale of activity must have been so reduced that their continuance in business is it surprising, apart altogether from the effects of the war, that in an age characterised by increasing state intervention in trade and in commerce on the one hand and by the domination of the Joint Stock colossi on the other, the Merchant Bankers—the quintessence of nineteenth-century private capitalism—should, as a class, play a steadily declining part in the financial life of this country. The temptation is therefore great to assume the rôle of Antony at Caesar's funeral, even though the burial service might this time be larded with words of praise. To succumb to the temptation would be, however, to ignore the remarkable powers of adaptation, of which the Merchant Banks have given ample evidence in their long history, and possibly to exaggerate the degree to which even in the new planned economy the private entrepreneur will be hamstrung. Although tribute must be paid to the resilience of the Merchant Banks it must at the same time be admitted that adherence to a rigid family clannishness in the admission of new partners has also on occasion been a fatal source of weakness. A large number of the Merchant Banks are more than one hundred years old, and it bespeaks an unreasonable trust in providence to expect after four generations the maintenance in the one family of a high degree of enterprise, acumen and financial skill. It can happen—the marvel is that it has so frequently happened—but the pursuit of this policy involves unnecessary hostages to fortune.

The Merchant Bankers are traditionally associated with the business of acceptance credits—a development that grew naturally out of the actual trade in merchandise which was the original business of many of these houses. So important did this new trade become that the Merchant Banks are in many text-books described simply as "Accepting Houses," and the association which now links them together in an informal fashion is indeed known as the Accepting Houses Committee. These acceptance credits were almost exclusively used to finance international trade, but their volume has, inevitably since the war, dwindled to negligible proportions. Most discussion of the future of the Merchant Banks has tended, therefore, to associate their chances of post-war revival with the resuscitation of world trade in general. But whether the sterling bill will ever regain its former popularity must remain an open question. Most acceptance credits were utilised to finance the seasonal movement of commodities grown in the New World—cotton from the USA, coffee from Brazil, Central America, etc. But these were all transactions carried on by private

traders whose credit status was carefully examined and kept under constant review by the Merchant Banker, who attached his name to the bill after a nice calculation of the risks. It is possible that the whole basis of trading in commodities may in future be substantially altered by the practice of bulk buying that has played such a prominent part during the war in the organisation of supplies, not only in this country but also abroad. The practice of bulk buying may very readily produce the practice of bulk selling, with Governments tending to move more and more into the foreground of this picture to protect the interests of their nationals, whether as seller-producers or buyer-consumers. From this it would be but a step to the grant of reciprocal Government credits à la Dr Funk. All this may, of course, be an unjustified projection on to the peace scene of developments that are more naturally associated with the conduct of economic warfare. The trend towards government in international business may be halted if agreements on the lines of those laid down at Bretton Woods prove successful in reviving multilateral trade. It would, however, be foolish not to recognise that there are powerful tendencies, deriving from the search for full employment, which may frustrate all attempts to restore the international trading system as we once knew it and lead to the formulation of bigger and better barter systems. In such an eventuality there would be little or no need for the granting of private short-term international credits, and the Merchant Bankers might find their acceptance business, in so far as it was based on international trade, threatened with extinction.

It has been suggested that the Merchant Banks could find an equally remunerative field for their activities at home by popularising the Inland Bill. Indeed, one firm has contrived, even in wartime, to maintain its volume of acceptances at a remarkably high figure by credits of this kind. There is no need at the present juncture to canvass the qualities of the acceptance credit—its cheapness but the rigidity of carrying legal obligations it involves—as compared with the bank overdraft, which is dearer but less formal. But granted the possibility of a change in commercial psychology, which is to-day a condition precedent to the popularisation of the Inland Bill, an expansion of any magnitude in the volume of acceptance credit granted to British traders by the Merchant Banks might well provoke a hostile response from the ordinary commercial banks, who would, after the war, be at great pains to restore their own sadly shrunken volume of advances. For it is, after all, the commercial banks' cash resources which, through the medium of the discount market, largely underpin the whole structure of acceptance credits. Against this it may be contended that it would require a much greater volume of acceptances than is likely, even on the most optimistic

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As at 30th June, 1944—General Bank Balances ... £399,100.8

Savings Bank Balances ... 800,296.708

Note Issue Department ... 199,586,061

Rural Credits Department ... 2,472,059

Mortgage Bank Department ... 1,860,489

Other Items ... 22,820,811

£925,076,968

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REFUGE ASSURANCE COMPANY LTD.

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ANNUAL INCOME EXCEEDS - \$14,500,000

ASSETS EXCEED - \$85,000,000

CLAIMS PAID EXCEED - \$155,000,000

(1943 Accounts)

BEVERIDGE'S Summary of his "Full Employment" Report. 48 pages. 6d. Everywhere.—New Statesman, 10, Great Turnstile, W.C.1.

assumptions, to constitute any real threat to the size of the commercial banks' advances. The threat, nevertheless, remains, as may be seen from the following rough comparison. At full stretch the Merchant Banks might, if past performances are any guide, tend to lend up to approximately four times their own actual resources. What these resources are can, of course, only be guessed at. Estimates vary from £40 million to £60 million. If a figure of £50 million is taken, this would imply a possible total volume of £200 million of acceptance credits granted by the Merchant Banks. This compares with an average total of Clearing Bank advances in 1939 of £959 million. Even if this total were exceeded in the post-war years, the upper figure of acceptance credits which, in theory, the Merchant Banks might grant would constitute competition which the Clearing Banks might find distinctly unpalatable, particularly in the pressure that would be exercised on the level of interest rates charged on bank overdrafts. That the development of the Inland Bill sketched above is wildly unrealistic may be true, but it does conceivably represent one of the ways in which the Merchant Banks might work out their salvation.

It may be taken for granted that the Merchant Banks will not pin all their hopes for the future on an expansion of their acceptance business, whether domestic or international. It is no coincidence that the houses which have closed down since the war were more closely identified with this type of business than with any of the other traditional merchant banking activities. The more successful (and let it be whispered the more enterprising) have always had a variety of other lines which were probably much more remunerative than acceptance business. For instance, the issue of foreign loans and dealing in foreign exchange have long been profitable fields of activity for the Merchant Banks. Certainly for an appreciable period after the war this country's balance of payments problem rules out all possibility of a resumption of foreign lending. Nor, in any case, would the political conditions which are likely to exist in many of the obvious borrowing countries be such as to attract for some years the private or institutional investor in this country to subscribe to any issue which the Merchant Banks might otherwise feel tempted to underwrite. But on a longer view this prospect may well be less bleak. A solution of the balance of payments question should not prove an extravagant hope if a sensible rearrangement is made with some of the other United Nations—notably France, Belgium, Holland and India—of the basis on which war expenditure incurred for the common cause has to be borne; and in due course some degree of political stability throughout the world should be achieved. The long-term outlook for foreign lending is therefore probably not so unfavourable as it is now fashionable in

Canadian Bank Act

CANADA has, this year, carried through one of the regular ten-yearly revisions of the Bank Act which regulates the activities of the commercial banks. The charters of the commercial banks have for the past seventy years been granted for the limited period of ten years only, and as each of these periods expired the basic Act has come up for revision. The last of these periods expired on July 1st last, and, as usual, the renewal was made the occasion for a detailed revision of the Act and for a parliamentary debate which ranged not only over the whole subject of banking legislation, but over the field of monetary politics, which in the Dominion is one in which vehement polemics flourish. So keen was the debate that it remained unresolved when the charters of the banks expired. They had to be prolonged by two months, at the end of which Parliament had at last exhausted its interest.

Much of the debate centred on the question of bank profits. Canada is a country where the "costless credit" or the "fountain pen credit" theory, as it is often called in the Dominion, has made large numbers of converts. Mr. Ilsley, the Minister of Finance, put the banks' case by submitting the following data on their average operating earnings and expenses and return on capital invested for the years 1929 to 1943 and separately for the year 1943. The figures were intended to answer those who contended that "fountain pen" credit was costless to create and operate, and that the banks' monopoly of this lucrative business gave them inordinately large profits. The figures given in the

some quarters to make out, and in any eventual revival the Merchant Banks should again be prominent. Their long and intimate experience of this class of business and the sense of responsibility with which in the past they have conducted it are assets of no small importance.

* What results may be expected to flow from the relaxation in the foreign exchange control cannot be accurately gauged. But this relaxation, when it comes, will most certainly be coupled with stringent control over capital movements, and it is these latter which provoke great exchange activity. The Merchant Banks, who are traditionally among the more active elements in the foreign exchange market, cannot therefore look to this source for other than a modest contribution to their profits.

No account of the Merchant Banks' activities would be complete which failed to give due weight to the importance of the investment business which they carry on. Indeed, some of the leading firms merit much more truly the description of Investment Bankers than Accepting Houses, since it is certain that dealing in securities absorbs more of their attention than the granting of acceptance credits. These dealings in securities take different forms. Some houses maintain active dealing departments specialising in stock arbitrage; nearly all are active operators on their own account; and some again undertake the management of investment trusts including several of the most successful. Yet the Merchant Banks have in the past been curiously reluctant to go in for the management of public investment trusts on a large scale, and indeed held completely aloof from the more recent development of the investment trust idea, i.e., the fixed or unit trust, which has by now assumed very large proportions. This reluctance is hard to explain, since the Merchant Banks, by virtue of their great financial knowledge, experience and integrity, are very well qualified to manage publicly subscribed funds for investment purposes. It would therefore not be surprising to find that the Merchant Banks after the war, when the domestic capital market is relieved of most, if not all, of the present restrictions, devote more and more of their attention to the management of the orthodox type of investment trust.

From this brief *tour d'horizon* of the Merchant Bank landscape some general observations suggest themselves. First the process of concentration among Merchant Banks will probably continue. Secondly, the Merchant Banks' rôle in international trade—whether as providers of short-term credit or as the channel through which long-term investments are made—will probably be much less significant. This is perhaps an inevitable consequence of the reduced importance which international trade generally may occupy in the economy of this country. Thirdly, the Merchant Banks will tend to concentrate more of their activities at home, with possibly a more marked tendency towards investment banking than has hitherto been the case.

appended table are self-explanatory, but they failed to convince the critics. Their criticism found expression in a demand that the Bank Act should require the banks to reveal their yearly appropriations to internal or secret reserves and that the books should show the total of such reserves. The proposed amendment was strenuously and finally, successfully resisted by the Government spokesmen.

The new banking legislation introduced several important amendments to the Bank Act. The chartered banks have been given specific notice of termination of their right of private note issue as from January 1, 1950. Ever since the establishment of the Bank of Canada in 1935 it has been the policy of the Canadian Government to concentrate the responsibility for the issue of paper currency in the hands of the new central bank. The chartered banks have, therefore, seen their rights of note issue gradually restricted, until by the end of 1944 the amounts of such notes outstanding may not exceed 25 per cent of the issuing banks' unimpaired capital and reserves. This balance of the banks' private note issue will have to be withdrawn over the next five years, though the chartered banks will be allowed to issue notes up to 10 per cent of their unimpaired capital for circulation outside the Dominion.

Among the many detailed regulations of banking business found in the Canadian Bank Act is the fixing of maximum rates which the banks are allowed to charge on loans or for the discount of bills. Until July 1st of this year that maximum was 7 per cent. By the new legislation passed this

for it was reduced to 6 per cent. The new Bank Act, however, for the first time allows the chartered banks to compete in the business of unsecured personal loans which

STATEMENT OF CURRENT OPERATING EARNINGS AND EXPENSES AND OTHER INFORMATION FOR THE TEN CHARTERED BANKS

(Millions of dollars)		
	Average of Financial Years, 1929-43	Financial Year, 1943
Current Operating Earnings:		
1. Interest and discount on loans	77.5	60.6
2. Interest, dividends and trading profits on securities	35.0	48.7
3. Exchange, commissions, service charges and other current operating earnings	26.2	35.2
4. Total current operating earnings	138.7	144.5
Current Operating Expenses:		
5. Interest on deposits	36.0	24.5
6. Remuneration to employees	42.5	49.7
7. Provision for taxes	10.5	15.9
8. Contributions to pension fund	1.5	2.1
9. Provision for depreciation of bank premises	1.8	2.3
10. All other current operating expenses	20.0	20.4
11. Total current operating expenses	112.3	114.9
Supplementary Information:		
12. Dividends to shareholders	13.6	9.6
13. Net amount of current operating earnings available for losses on loans, investments and other assets and for other contingencies	12.8	20.0
14. Net amount of capital profits, including non-recurring profits	2.5	2.0
15. Average annual amount required for losses or specific provision for losses on loans, investments and other assets, less recoveries during the fifteen financial years ending the year to which this return relates	13.8	13.8
Ratios to Total Assets*:		
Total current operating earnings	4.02	2.86
Total current operating expenses	3.26	2.28
Average annual amount required for losses or specific provision for losses on loans, investments and other assets, less recoveries	0.40	0.35
Shareholders' net income†	0.44	0.35
*Ratio of shareholders' net income to total published shareholders' equity	5.09	6.03
Ratio of deposit interest to total deposits	1.25	0.53
Ratio of interest on loans to total loans	5.29	4.55
Ratio of interest, dividends, etc., on securities to total securities	2.80	1.85
Total published assets*	\$m. 3,446.8	\$m. 5,047.0
Total loans*	1,465.9	1,330.4
Total securities*	1,248.0	2,634.0
Total deposits*	2,936.9	4,606.9
Total shareholders' equity*	294.9	291.9

* Averages based on published month-end returns.
† Shareholders' Net Income has been taken as the sum of dividends, net capital on non-recurring profits and net current earnings available for losses less average, annual net amount required for losses in 1929-43.

hitherto have been the specialised province of loan companies and moneylenders. As transacted by such lenders, these personal loans may be made at a charge not exceeding

American Post-War Banking

(From Our New York Correspondent)

BANKING, like every other form of business in the United States, is looking searchingly at the reconversion period and the time beyond, seeking the outline and nature of things to come. But what is to follow flows largely from what precedes, so that some brief definition of the starting-point is necessary.

In the four years since the start of the defence programme in June, 1940, loans and investments of Federal Reserve member banks increased almost two and a half times, while deposits more than doubled.

A large proportionate decline has occurred in the quantitative significance of the banks in the financial centres, and especially New York. While all banks (with perhaps the most minor exceptions) have shared in the great expansion, those in smaller places, in the aggregate, have grown most, while, at the other extreme, those in New York have grown least. This is more marked in the case of deposits than in loans and investments, as is shown in the table at foot of next column.

Despite somewhat slower asset expansion, the reserve position of New York has been continuously, and still is, weakest (even allowing for the fact that Treasury Bills can be used for reserves), while a considerable volume of cash

2 per cent per month for loans up to fifteen months. The banks are now to be allowed to enter this lucrative though dangerous field of business, and their operations of this character will be subject to a maximum discount of 5 per cent on the nominal amount of a loan repayable by twelve equal monthly instalments. Such a discount is equal to a true interest rate (calculated on the steadily falling capital amount outstanding month by month) of about 9½ per cent. In addition the banks will be able to charge the borrower the cost of an insurance policy on the life of the borrower for the period of the loan which, it is estimated, would not amount to more than 25 cents per \$100 insured. If the chartered banks avail themselves to any sizeable extent of this new clause of the Bank Act, the three balls, or whatever may be their equivalent in Canada, will lose much of their glitter.

Perhaps the most important changes in Canadian banking legislation introduced this year refer to medium-term agricultural credit. Hitherto the chartered banks have been confined in their agricultural loan operations to short-term lending. The long-term financing of Canadian agriculture has been the province of specialised mortgage and loan companies, and such Government lending agencies as the Farm Loan Board. The Government passed an Act in 1939 to set up a Central Mortgage Bank which would guarantee lending by private agencies, but the outbreak of war caused the implementation of this measure to be postponed. When it is reconsidered after the end of the war, the extraordinary improvement in the financial position of Canadian agriculture, its enhanced liquidity and the wholesale repayment of mortgage indebtedness may well call for a complete revision of the Act of 1939. The field of medium-term credit has until now been left very largely to the Farm Loan Board, which has been prepared to lend for a number of "medium-term" objectives on second mortgages. Its loans, however, have been restricted to those borrowers already indebted to the Board for long-term loans secured by first mortgages. The new Bank Act now opens the field of medium-term agricultural credit to the chartered banks, specifying the amounts that may be lent in this way, the purposes for which such accommodation may be granted and encouraging the development of such business by the offer of partial Government guarantees. The guarantee is being given by virtue of the Farm Improvement Loans Act, also passed this year, which authorises the Minister of Finance to guarantee a bank against loss up to 10 per cent of the total amount of such loans.

The technique of providing collateral for short-term loans to farmers and other borrowers whose security is constantly being turned over has also been considerably simplified. Whereas every change in the collateral had, under the earlier versions of the Bank Act, to be notified to the lending bank, a process which involved a great deal of laborious paper work both for borrower and lender, the procedure has now been simplified by providing a form of blanket security against which promissory notes are drawn as and when the bank's facilities are required.

excess reserves exists among the other parts of the country. The issue of securities and tax collections in the money

ALL FEDERAL RESERVE MEMBER BANKS

(Millions of dollars)			
	June 29, 1940	June 29, 1944	Per cent Change
Loans and investments:			
NYC*	9,829	22,669	+131
Outside NYC	24,622	60,918	+147
All Member Banks	34,451	83,587	+143
Demand deposits (excludes interbank):			
NYC*	10,755	20,825	+94
Outside NYC	19,357	52,663	+172
All Member Banks	30,112	73,488	+144
Excess Reserves: (monthly average):			
NYC*	3,594	20	-99
Outside NYC	3,102	1,061	-66
All Member Banks	6,696	1,081	-84

* Central reserve city banks.

markets have greatly exceeded Government expenditures there. The much greater impact of expansion outside the financial centres is probably to be accounted for by the very wide diversification of war production and service, or in other words, by the distribution of Treasury outlay. Business is not being done at the old stand, and hence the locus of banking has altered. Bank deposits, even though enormously expanded, are a much smaller proportion of the medium of exchange in the United States than before the war: currency has increased much more rapidly. Where demand deposits increased one and a half times in four years, currency in circulation outside the banks has tripled. A large proportion of the medium of exchange of individuals is now currency. The Securities and Exchange Commission estimates that individuals held \$20 billion of cash on June 30, 1944, and \$29 billion in demand deposits. For business, the percentage is apparently much lower. Many reasons account for this development, including black markets, tax evasion, distrust of banks, inconvenience of bank location and hours, expensiveness of bank service, hoarding, larger amounts carried in pocketbooks and probably many others. But, however explainable, the banking mechanism is used for a smaller proportion of total transactions. The banks may not have lost customers, but at least they have not attracted the groups which have "come into the money."

The banking expansion has, of course, resulted from the acquisition of Government securities to finance the war; it has altered the make-up of assets, so that at present about three-fourths of total banking assets consist of government securities or of cash due from other banks (including the Federal Reserve Banks) and in vault. The banking system will start the post-war period functioning preponderantly as the supplier of funds to the Treasury, and only to a small extent as lender directly to business and individuals.

ALL FEDERAL RESERVE MEMBER BANKS
(Millions of dollars)

	June 29, 1940	June 30, 1944
Total assets.....	57,846	108,684
Government securities.....	14,722	60,339
As % of total assets.....	25.5	55.5
Reserve with Federal Reserve.....	13,751	12,813
Cash in vault.....	789	1,143
Balances due from banks.....	7,290	9,842
Total.....	36,552	84,137
As % of total assets.....	63.2	77.4

In the process of this expansion, the banking system has used up the preponderant portion of the huge excess reserves held at the beginning of the war, and is likely to finish with little more excess reserves than the present level of \$1,000 million around which the total fluctuates from week to week—if, indeed, it has as much. In addition, the excess reserves of the Federal Reserve Banks themselves will have fallen close to, and perhaps below, zero in terms of the present statute, which requires these institutions to maintain 40 per cent reserves against notes and 35 per cent against deposits. The reserve ratio, which stood at 88.5 per cent at the end of June, 1940, was 52.9 per cent at the close of business on September 20, 1944. Indeed, by the end of the war, alteration of the present statute or of present practices may have proved to be necessary.

This expansion in the earning assets of the banks has increased their income very substantially and, as capital has risen but little (19 per cent for the four-year period), has meant rising profits per share. Even though interest rates have fallen, though assets have been kept in short term, and though taxes have risen enormously and operating expenses somewhat, the enlarged pyramid on the capital has increased net earnings. High corporate taxes, including the applicability of the excess profits tax to a growing number of institutions, have led the banks to buy increasing amounts of partially and wholly tax-exempt governmental obligations, which even at almost microscopic yields leave a better net return after taxes than the higher-yielding taxables. Banking emerges from the war a very profitable business.

Some reversal of the marked trend towards the decentralization of banking is being both forecast and denied. Some shrinkage of production and service in more out-of-the-way places may cause corporate treasurers to carry a larger proportion of their cash in the financial centres. Yet a considerable part of the wartime relocation of business and income appears likely to be permanent, and while considerable shifts between individual banks and cities seems certain (and, because of the prevailing high liquidity, should occur

sion no banking difficulties) a recovery of the full pre-war proportions by the financial centres may not occur. The New York will make a full recovery seems most questionable.

Whether the banking system can recover its proportionate place in the mechanism of transactions is an even more complicated matter. Probably the most basic question is the ability of the banks to provide a service whose cost and convenience and assurance of privacy will overcome the reasons which have led to the use of currency.

Less doubt apparently need exist about the wartime trend of expansion; further and considerable expansion in the aggregate appears a certainty.

A large volume of government securities seems clearly to be in transit, bearing the tag "destination, commercial banks." At least some of the large business holdings of short-term government issues represent funds intended for other uses when materials become available. And some portion of the holdings of individuals will be redeemed (E. Bonds) or sold for the purchase of consumer goods and services. While not measurable, the total of these two doubtless amounts to many billions of dollars, and the banks must provide the funds by direct purchase or through Treasury refunding.

In addition, some loan demand will be experienced, so that non-government assets are likely to rise. The large liquid holdings of business and individuals would suggest that this demand is not likely to be large. To some degree, this loan demand will be related to the volume of government issues which will have to be purchased; to the extent that government issues continue to be held by business and individuals, the loan demand will be larger; to the extent that they are sold, smaller. But the prospects for the banking system becoming anything else than preponderantly a financier of the Treasury are remote indeed.

The expansion will, of course, be even greater should a large return flow of currency occur—that is, if the banks should make major strides in the recovery of their position in the transactions mechanism. The movement of currency must be supplied, and in addition considerable reserves to permit the further expansion of the commercial banks, the Federal Reserve Banks will have to find ways to free themselves from the present reserve requirements of the law. But, on the other hand, if currency comes back in large volume, the pressure on the Federal Reserve Banks will be greatly lessened.

Bank earnings, like deposits and assets, seem almost certain to expand somewhat further. Enlarged earning assets will contribute. So will any reduction in tax rates—and at least some reduction is expected. And so, of course, would any increase in interest rates—though both Governor Dewey and the present administration are on record against any important change, and they may mean any change at all. However, some rise, though a small one, may occur in the average rate earned on assets, to the extent that non-governmental loans and advances rise. Such paper probably would bear a higher average rate than the Government paper. The banks doubtless will seek such non-governmental paper aggressively because of the rate, because of public relations, and because they think that way. This may lead to operations considered unorthodox in the past; two of the most likely directions appear to be financing of the consumer on a larger volume and efforts to finance the small business more extensively.

Perhaps the greatest uncertainty in the banking outlook arises from the prospective reopening of financial relations with other countries, including the operation of the Bretton Woods plan and the unblocking of balances. Yet if dollars are to be as scarce in the world as most present thinking indicates, the preponderant effect on American banking would merely be bookkeeping changes in the ownership of existing balances. Only in the event of the export of considerable amounts of gold would any significant effect seem likely to be felt on the banking system.

The period of the armistice and after does not, therefore, now appear likely to bring about any very great changes in banking in the United States. Both private and central banking, through their assets, will long remain preponderantly associated with, and influenced by, the Treasury. The primary function of banking will continue to be the holding of whatever (large) part of the public debt at whatever interest rate is necessary to comply with official requirements. Presumably the banks will continue to exercise this function voluntarily. The entire system, including the Federal Reserve, has given hostages (or has had them taken from it) and it will be a long time before these are returned.

BANK OF ENGLAND

END OF YEAR POSITION

Last Return of Year	Number of Branches	LIABILITIES										Total Liabi- lities or Assets	ASSETS					
		Capital	Per Cent.	Rest	Per Cent.	Note Circulation	Per Cent.	Post Bills	Per Cent.	Deposits	Per Cent.		Coin and Bullion	Per Cent.	Govt. Securities	Per Cent.	Other Securities	Per Cent.
1925 ...	10	14,553,000	4.4	3,344,666	1.1	144,730,510	43.6	2,021	...	169,044,292	51.0	331,674,489	144,556,367	43.6	83,837,526	25.3	103,280,596	31.0
1930 ...	9	14,553,000	2.7	3,400,255	0.6	368,801,566	65.5	1,264	...	175,189,157	51.2	561,945,242	152,640,787	27.2	325,174,789	57.8	84,129,666	15.0
1935 ...	9	14,553,000	2.5	3,421,526	0.6	391,981,846	68.7	1,429	...	159,916,147	28.2	569,873,948	195,228,035	34.3	342,245,007	61.0	32,400,906	5.7
1936 ...	9	14,553,000	2.6	3,436,737	0.6	405,163,800	72.5	...	...	135,422,521	24.3	558,576,058	195,234,129	35.0	344,114,924	61.6	19,227,005	3.4
1937 ...	9	14,553,000	2.6	3,428,981	0.6	424,506,785	75.3	...	...	121,333,662	21.5	563,822,428	201,914,149	35.8	339,211,232	60.2	22,697,047	4.0
1938 ...	9	14,553,000	2.1	3,451,737	0.5	467,406,210	67.5	...	...	202,185,316	29.9	697,317,263	314,223,879	45.7	334,332,960	48.4	38,760,424	5.7
1939 ...	9	14,553,000	2.1	3,441,563	0.5	505,317,131	73.0	...	...	168,591,894	24.4	681,903,588	327,243,763	47.2	334,300,927	48.4	30,358,898	4.4
1940 ...	9	14,553,000	2.2	3,413,438	0.5	504,726,803	74.6	...	...	153,719,303	22.7	676,412,538	327,486,956	48.4	298,881,653	44.2	50,043,929	7.4
1941 ...	9	14,553,000	1.9	3,413,438	0.5	504,726,803	74.6	...	...	189,080,914	24.8	761,611,969	1,919,484	0.2	727,806,514	95.6	31,885,971	4.2
1942 ...	9	14,553,000	1.7	3,313,330	0.4	616,904,239	74.0	...	...	199,465,436	23.9	834,236,005	1,156,056	0.1	804,903,266	96.5	28,176,683	3.4
1943 ...	9	14,553,000	1.4	3,297,346	0.3	751,725,865	71.3	...	...	285,164,092	27.0	1,054,740,030	556,270	0.1	1,018,581,594	96.5	35,602,439	3.4
1944 ...	9	14,553,000	1.2	3,309,220	0.2	923,429,669	75.6	...	...	281,232,983	23.0	1,222,524,872	1,872,095	0.1	1,190,377,977	97.4	30,514,980	2.5
1945 ...	9	14,553,000	1.0	3,306,938	0.2	1,086,819,488	77.1	...	...	304,968,522	21.6	1,411,510,408	1,166,346	0.1	1,380,253,179	97.8	19,075,783	1.3

BANK RATE SINCE 1860

Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average
1860 ...	11	6 1/2	3	4 3/4	1881 ...	6	5	2 1/2	3 9/10	1902 ...	3	4	3	3 1/2	1923 ...	1	4	3	3 1/2
1861 ...	11	6 1/2	3	4 3/4	1882 ...	6	5	2 1/2	3 9/10	1903 ...	3	4	3	3 1/2	1924 ...	None	4	3	3 1/2
1862 ...	5	3	2	2 10/16	1883 ...	6	5	2 1/2	3 11/16	1904 ...	3	4	3	3 1/2	1925 ...	4	5	4	4 11/16
1863 ...	12	8	3	4 8/10	1884 ...	7	5	2	2 19/16	1905 ...	3	4	3	3 1/2	1926 ...	None	5	5	5 0/16
1864 ...	15	9	6	7 7/10	1885 ...	7	5	2	2 18/16	1906 ...	6	6	3 1/2	4 0/16	1927 ...	1	5	4 1/2	4 13/16
1865 ...	16	7	3	4 15/16	1886 ...	7	5	2	2 11/16	1907 ...	7	7	4	4 18/16	1928 ...	None	4 1/2	4 1/2	4 10/16
1866 ...	14	10	3 1/2	6 19/10	1887 ...	9	5	2	3 6/11	1908 ...	6	5	2 1/2	3 2 0/16	1929 ...	5	6 1/2	5	5 10/16
1867 ...	3	3	2	2 10/16	1888 ...	8	6	2 1/2	3 11/16	1909 ...	9	5	3	3 14/16	1930 ...	4	6	5 1/2	5 3 8/16
1868 ...	2	3	2	2 1 1/16	1889 ...	11	6	3	4 10/16	1910 ...	6	5	3	3 9 4/16	1931 ...	6	6	5 1/2	5 3 0/16
1869 ...	7	4	2 1/2	3 4 0/16	1890 ...	12	5	2 1/2	3 6 5/16	1911 ...	4	4 1/2	3	3 15 5/16	1932 ...	None	2	2	2 0/16
1870 ...	10	6	2 1/2	2 17 8/16	1891 ...	12	5	2 1/2	3 10 5/16	1912 ...	4	5	3	3 15 5/16	1933 ...	None	2	2	2 0/16
1871 ...	14	7	3	4 1 1/16	1892 ...	4	3 1/2	2 1/2	2 10 5/16	1913 ...	2	5	4 1/2	4 15 5/16	1934 ...	None	2	2	2 0/16
1872 ...	24	9	3	4 15 1/16	1893 ...	12	5	2 1/2	3 1 2/16	1914 ...	8	5	4	4 0 0/16	1935 ...	None	2	2	2 0/16
1873 ...	24	9	3	4 15 1/16	1894 ...	2	3	2	2 2 0/16	1915 ...	None	1	6	5 9 3/16	1936 ...	None	2	2	2 0/16
1874 ...	13	6	2 1/2	3 13 10/16	1895 ...	None	2	2	2 0 0/16	1916 ...	1	6	5	5 3 0/16	1937 ...	None	2	2	2 0/16
1875 ...	12	6	2	3 4 8/16	1896 ...	3	4	2	2 9 7/16	1917 ...	2	6	5	5 0 0/16	1938 ...	None	2	2	2 0/16
1876 ...	5	5	2	2 12 2/16	1897 ...	6	4	2	2 14 9/16	1918 ...	None	1	6	5 5 0/16	1939 ...	None	3	4	2 2 5/16
1877 ...	7	5	2	2 18 0/16	1898 ...	6	4	3	3 15 1/16	1919 ...	1	7	6	6 14 4/16	1940 ...	None	2	2	2 0/16
1878 ...	10	6	2	3 15 7/16	1899 ...	6	6	3	3 19 3/16	1920 ...	1	7	6	6 2 4/16	1941 ...	None	2	2	2 0/16
1879 ...	5	5	2	2 10 3/16	1900 ...	6	5	3	3 14 5/16	1921 ...	4	5	3	3 13 9/16	1942 ...	None	2	2	2 0/16
1880 ...	2	3	2 1/2	2 15 3/16	1901 ...	6	5	3	3 14 5/16	1922 ...	4	5	3	3 13 9/16	1943 ...	None	2	2	2 0/16

POSITION OF THE BANK OF ENGLAND, SEPTEMBER 15, 1943, TO SEPTEMBER 6, 1944

(000's omitted)

Date	Issue Department		Banking Department			Bank Rate	Issue Department		Both Depts.		Banking Department			Reserves and the "Proportion"
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		Govt. Debt and Securities	Other Securities	Gold Coin and Bullion	Govt. Securities	Discounts and Advances	Other Securities		
1943														
Sept. 15 ...	1,000,242	981,089	9,020	154,214	55,013	2	999,208	780	1,930	195,561	2,413	17,475	20,800	
22 ...	1,000,242	980,700	7,204	164,395	53,118	2	999,259	729	1,963	203,792	879	16,850	21,300	
29 ...	1,000,242	986,465	9,356	175,425	55,149	2	999,302	681	1,896	209,657	1,896	19,020	15,400	
Oct. 6 ...	1,050,242	991,260	7,821	150,237	55,239	2	1,049,200	782	1,888	152,177	1,935	16,242	60,600	
13 ...	1,050,242	992,731	7,452	148,380	54,738	2	1,049,109	875	1,880	150,827	1,355	16,932	59,100	
20 ...	1,050,242	993,430	23,610	140,699	54,081	2	1,049,134	855	1,983	158,782	1,432	17,319	58,600	
27 ...	1,050,242	998,462	5,378	190,324	53,078	2	1,049,154	831	2,038	186,882	1,576	24,450	53,600	
Nov. 3 ...	1,050,242	1,005,063	6,136	152,809	52,476	2	1,049,185	803	1,975	165,282	1,002	17,377	41,100	
10 ...	1,050,242	1,010,862	9,640	156,949	52,245	2	1,049,126	856	1,965	176,807	1,244	16,627	38,300	
17 ...	1,050,242	1,015,882	8,521	147,349	52,715	2	1,049,112	878	1,935	170,712	1,027	16,950	32,900	
24 ...	1,050,242	1,019,047	6,753	183,168	53,254	2	1,049,173	707	1,827	204,287	6,127	24,879	21,000	
Dec. 1 ...	1,050,242	1,030,824	12,908	168,040	57,560	2	1,049,283	718	1,667	150,612	8,177	16,101	56,400	
8 ...	1,100,242	1,045,295	6,272	154,610	52,574	2	1,099,268	654	1,418	191,147	1,982	15,996	34,500	
15 ...	1,100,242	1,046,957	8,991	161,153	55,623	2	1,099,333	733	1,281	210,305	1,618	15,769	20,300	
22 ...	1,100,242	1,048,022	7,325	169,039	53,743	2	1,099,304	686	1,156	231,965	2,473	15,916	12,500	
29 ...	1,100,242	1,088,682	10,338	234,274	60,356	2								
1944														
Jan. 5 ...	1,100,242	1,083,941	9,555	184,054	53,724	2	1,099,364	623	1,065	231,605	1,610	14,884	17,100	
12 ...	1,100,242	1,075,307	11,910	188,216	53,970	2	1,099,462	529	884	224,485	6,071	15,864	25,600	
19 ...	1,100,242	1,067,391	10,966	177,000	53,034	2	1,099,259	731	874	204,625	4,762	16,045	33,500	
26 ...	1,100,242	1,067,263	8,503	187,785	52,734	2	1,099,292	699	879	215,130	4,359	13,844	33,600	
Feb. 2 ...	1,100,242	1,073,488	11,825	169,619	53,358	2	1,099,402	587	904	204,482	4,261	15,613	27,400	
9 ...	1,100,242	1,076,040	11,259	161,981	54,292	2	1,099,384	607	1,009	202,792	1,961	15,731	25,000	
16 ...	1,100,242	1,075,750	8,652	167,411	53,752	2	1,099,395	594	1,009	205,472	2,203	14,865	25,000	
23 ...	1,100,242	1,077,464	8,941	200,318	53,738	2	1,099,394	700	1,049	222,207	9,271	25,345	14,700	
Mar. 1 ...	1,100,242	1,076,464	10,430	179,916	53,161	2	1,099,288	700	1,049	222,207	9,271	25,345	14,700	
8 ...	1,150,242	1,090,601	8,468	162,198	58,949	2	1,149,297	691	842	175,132	14,900	16,088	59,400	
15 ...	1,150,242	1,091,462	8,422	178,928	59,247	2	1,149,215	772	746	195,252	15,054	16,117	57,100	
22 ...	1,150,242	1,095,621	7,155	198,794	58,381	2	1,149,280	712	682	185,987	15,425	26,691	46,000	
29 ...	1,150,242	1,104,634	7,107	188,795	60,168	2	1,149,306	682	643	189,372	13,693	15,574	31,400	
Apr. 5 ...	1,150,242	1,119,228	8,730	166,832	56,830	2	1,149,251	728	584	198,807	8,562	14,798	27,000	
12 ...	1,150,242	1,123,548	6,587	168,184	56,759	2	1,149,220	765	612	196,527	15,243	16,298	29,900	
19 ...	1,150,242	1,120,756	7,695	177,382	56,945	2	1,149,241	748	680	231,727	5,832	13,850	26,500	
26 ...	1,150,242	1,124,493	4,491	198,479	57,712	2	1,149,161	828	675	195,367	7,743	17,168	23,600	
May 3 ...	1,150,242	1,129,170	7,773	158,585	55,164	2	1,149,061	929	714	208,022	7,711	15,960	21,500	
10 ...	1,150,242	1,129,223	12,144	167,236	54,439	2	1,149,197	789	772	221,562	3,321	16,086	23,100	
17 ...	1,150,242	1,126,291	16,571	177,156	54,566	2	1,149,142	845	845	215,597	961	24,162	15,400	
24 ...	1,150,242	1,127,807	15,033	165,132	58,167	2	1,149,159	830	940	224,492	2,193	15,351	15,500	
31 ...	1,150,242	1,135,595	8,993	171,895	58,854	2	1,149,195	837	977	216,867	5,157	15,470	18,200	
June 7 ...	1,150,242	1,135,465	11,521	168,177	58,166	2	1,149,150	830	1,029	222,057	2,827	14,846	22,300	
14 ...	1,150,242	1,132,786	9,417	179,936	55,151	2	1,149,129	858	1,149	255,262	1,218	26,954	20,300	
21 ...	1,150,242	1,128,714	12,519	173,732	55,602	2	1,149,151	833	1,224	280,582	3,452	15,053	17,100	
28 ...	1,150,242	1,130,867	10,100	230,357	57,886	2	1,149,190	802	1,224	239,182	4,927	15,182	15,200	
July 5 ...	1,150,242	1,134,111	10,268	190,282	55,994	2	1,149,247	745	1,236	234,412	4,871	14,581	17,700	
12 ...	1,150,242	1,136,064	16,681	170,393	56,547	2	1,149,191	802	1,261	249,258	4,667	12,463	14,500	
19 ...	1,150,242	1,133,571	7,694	199,806	55,422	2	1,149,271	717	1,309	193,698	5,677	14,063	50,800	
26 ...	1,150,242	1,136,803	8,705	183,024	58,958	2	1,149,374	614	1,315	191,258	6,501	13,847	50,800	
Aug. 2 ...	1,200,242	1,146,019	9,834	176,090	58,477	2	1,199,401	588	1,519	186,438	4,231	14,223	64,600	
9 ...	1,200,242	1,150,560	12,261	171,889	57,339	2	1,199,326	627	1,652	190,578	5,458	14,190	57,200	
16 ...	1,200,242	1,146,945	12,261	178,362	58,661	2	1,199,322	668	1,652	203,283	6,223	25,159	55,800	
23 ...	1,200,242	1,144,438	12,424	201,889	56,172	2	1,199,364	627	1,773	187,566	3,993	14,407	52,000	
30 ...	1,200,242	1,146,011	14,361	171,790	58,882	2	1,199,445	541	1,779					
Sept. 6 ...	1,200,242	1,149,789	9,268											

ENGLISH JOINT STOCK BANKS

1 Name of Bank	2 Date	3 No. of Branches & Sub-branches	4 Capital Subscribed	5 Uncalled Capital		6 Capital Paid up	7 Reserve Funds	8 Dividend payable and undivided Profits	9 Notes in Circulation (*)	10 Drafts, etc.	11 Acceptances and Endorsements
				Callible	Reserved						
1 Barclays Bank	Dec. 31, '43	1,763	15,858,217	Nil	Nil	158,582,17	112,500,000	...	...	...	15,554,276
2 Baring Bros. & Co.	Dec. 31, '43	1	2,050,000	Nil	Nil	2,050,000	1,000,000	23,854	...	...	557,386
3 British Mut. Bankg. Co.	Dec. 31, '43	None	300,000	120,000	Nil	180,000	160,000	18,780	...	...	11,766
4 Coutts & Co.	Dec. 31, '43	4	1,000,000	Un-limited	...	1,000,000	1,000,000	...	...	...	1,364,963
5 District Bank	Dec. 31, '43	468	10,560,428	1,264,000	6,320,000	2,976,428	2,976,428	462,526	...	...	3,601,938
6 Glyn Mills & Co.	Dec. 31, '43	2	1,060,000	Un-limited	...	1,060,000	850,000	...	...	...	5,485,766
7 Isle of Man Bank	Dec. 31, '43	11	300,000	Un-limited	200,000	...	100,000	324,000	26,627	122,446	3,943
8 Lloyds Bank	Dec. 31, '43	1,472	73,302,076	3,593,239	53,898,585	158,102,52	100,000,000	104,059	13,100	...	20,972,492
9 Martins Bank	Dec. 31, '43	514	20,602,272	5,167,558	11,274,672	4,160,042	3,800,000	588,345	20,211	...	8,858,916
10 Midland Bank	Dec. 31, '43	1,792	42,414,871	7,172,697	20,083,553	151,586,21	134,106,09	128,917	...	...	13,454,623
11 National Provincial	Dec. 31, '43	1,102	43,617,080	5,839,611	28,298,053	9,479,416	9,479,416	609,614	...	...	10,855,206
12 Westminster Bank	Dec. 31, '43	969	30,533,127	7,070,990	14,141,980	9,320,157	9,320,157	933,821	17,127	...	17,811,477
13 Williams Deacon's Bank	Dec. 31, '43	181	8,125,000	1,562,500	4,687,500	1,875,000	1,000,000	210,527	...	...	2,357,226
Totals		8,279	249,723,071	31,790,595	13,890,434	79,028,133	64,570,610	520,386	172,884	3,943	100,886,035

(*) In Isle of Man.

SCOTTISH BANKS

1 Bank of Scotland	Feb. 27, '44	219	2,400,000	750,000	Nil	2,400,000	2,100,000	231,161	8,991,010	139,393	3,348,591
2 British Linen Bank	Jan. 15, '44	187	1,250,000	Nil	Nil	1,250,000	2,500,000	151,804	6,510,319	127,914	1,425,117
3 Clydesdale Bank	Dec. 31, '43	175	5,350,000	Nil	4,000,000	1,300,000	2,050,000	211,541	6,363,777	...	787,332
4 Com. Bank of Scotland	Oct. 31, '43	287	7,500,000	2,450,000	2,280,000	2,250,000	3,450,000	147,780	8,641,085	...	2,840,628
5 Nat. Bank of Scotland	Oct. 31, '43	164	6,000,000	1,500,000	3,000,000	1,500,000	2,000,000	187,257	8,242,163	...	2,217,776
6 N. of Scotland Bank	Dec. 31, '43	156	3,260,000	163,000	1,956,000	1,141,000	1,400,000	190,710	4,648,555	...	...
7 Royal Bank of Scotland	Oct. 10, '43	209	4,250,000	Nil	Nil	4,250,000	4,125,965	180,625	7,621,699	105,835	3,108,674
8 Union Bank of Scotland	April 2, '44	196	5,200,000	Nil	4,000,000	1,200,000	2,000,000	394,596	6,122,038	...	2,514,600
Totals		1,593	35,210,000	4,863,000	15,236,000	15,291,000	19,625,965	1,695,474	57,140,646	373,144	16,242,718

IRISH BANKS

1 Bank of Ireland	Dec. 31, '43	98	2,769,231	Nil	Nil	2,769,231	3,180,000	291,588	4,297,829	...	...
2 Belfast Banking Co.	Dec. 31, '43	50	2,500,000	200,000	1,500,000	800,000	1,100,000	127,443	3,019,103	...	...
3 Hibernian Bank	Dec. 31, '43	59	2,000,000	500,000	1,000,000	500,000	750,000	63,077	449,787	...	...
4 Munster and Leinster Bk.	Dec. 31, '43	206	1,875,000	1,125,000	Nil	750,000	1,000,000	78,789	769,237	...	...
5 National Bank	Dec. 31, '43	264	7,500,000	1,000,000	5,000,000	1,500,000	1,190,000	43,440	1,478,311	...	300,708
6 Northern Bank	Dec. 31, '43	89	3,500,000	700,000	2,100,000	700,000	500,000	79,384	3,932,614	...	94,619
7 Prov. Bank of Ireland	Dec. 31, '43	115	4,000,000	1,500,000	2,500,000	540,000	560,000	56,794	2,246,918	...	...
8 Royal Bank of Ireland	Dec. 31, '43	40	1,500,000	300,000	900,000	300,000	315,000	20,778	241,544	...	...
9 Ulster Bank	Dec. 31, '43	111	3,000,000	Nil	2,000,000	1,000,000	1,000,000	103,912	4,798,747	55,888	...
Totals		1,032	28,724,231	5,325,000	15,040,000	8,859,231	9,595,000	865,205	21,234,090	55,888	395,327

PRIVATE BANKS

1 Name of Bank	2 Date	3 Partners' Capital and Reserve	4 Deposit and Current Accounts	5 Miscellaneous	6 Total Liabilities	7 Cash on Hand, etc., at Call and Short Notice	8 Investments	9 Advances, Bills, Loans, and Other Securities	10 Miscellaneous (Premises, etc.)	11 Total Assets
1 Blydenstein (B. W.) & Co.	Sep. 30, '43	100,000	8,659,680	...	8,759,680	2,938,305	766,354	5,031,570	23,451	8,759,680
2 Hoare (Chas.) & Co.	July 5, '44	500,000	4,163,479	...	4,663,479	1,048,720	2,641,238	873,521	100,000	4,663,479
3 S. Japhet & Co.	Dec. 31, '43	1,300,000	439,322	297,332	2,036,654	167,651	197,818	1,491,185	180,000	2,036,654
Totals		1,900,000	13,262,481	297,332	15,459,813	4,154,676	3,605,410	7,396,276	303,451	15,459,813

ENGLISH JOINT STOCK BANKS

11 Deposit and Current Accounts	12 TOTAL LIABILITIES AND ASSETS	13 Cash		14 Investments		15 Discounts and Advances		16 Premises and Sundries, including Cover for Acceptances	17 Name of Bank
		In Hand and at Bank of England	At Call and Short Notice	British Govt. Secs. Where Stated Separately	Bonds, Stocks and Other Investments	Discounts Where Stated Separately	Advances, Loans, etc.		
322,499,871	865,162,364	120,847,537	21,896,900	211,434,641	11,180,027	315,364,572	160,976,408	23,462,279	Barclays Bank.
26,802,609	30,433,849	12,201,583	...	10,212,748	1,906,786	3,518,000	...	2,594,732	Baring Bros. & Co.
1,486,268	1,856,814	211,402	...	633,083	402,295	...	598,267	11,767	Brit. Mut. Banking Co.
37,151,962	40,516,925	5,190,298	4,849,000	14,011,692	917,368	5,504,567	8,274,537	1,769,463	Coutts & Co.
158,371,336	168,388,656	23,302,743	6,352,142	55,029,480	1,312,996	54,649,201	22,777,564	4,964,530	District Bank.
53,919,931	61,315,697	8,224,066	8,325,700	20,114,071	430,287	7,622,066	10,418,741	6,180,766	Glyn Mills & Co.
5,064,621	5,641,637	1,256,783	...	3,222,401	801,362	...	331,091	30,000	Isle of Man Bank.
727,903,279	775,739,715	114,954,017	24,244,129	191,283,220	28,299,249	254,919,650	134,385,818	27,653,632	Lloyds Bank.
180,131,291	197,558,805	27,082,446	5,574,000	53,297,490	2,954,800	66,467,227	30,454,955	11,727,887	Martins Bank.
859,692,181	903,005,209	127,054,552	33,111,507	226,912,071	11,299,773	323,979,939	158,601,925	22,045,442	Midland Bank.
521,342,279	551,765,931	84,894,561	19,418,000	128,675,527	6,484,646	185,896,215	108,687,467	17,709,515	National Provincial.
541,789,356	579,192,095	79,971,969	14,817,590	162,158,420	4,754,158	200,719,013	94,060,482	22,710,463	Westminster Bank.
74,341,710	79,784,463	12,456,155	4,000,614	24,365,586	758,905	22,658,579	12,175,928	3,368,696	Williams Deacon's Bank.
401,049,669	426,036,216	617,648,112	142,589,582	1,101,350,430	71,502,652	144,129,902	741,743,183	144,229,172	Totals.

SCOTTISH BANKS

62,235,581	80,700,282	13,733,129	5,805,000	40,246,947	355,981	8,876,593	7,840,641	3,841,991	Bank of Scotland.
49,515,458	62,631,842	10,057,757	5,450,000	30,061,775	338,585	7,045,052	7,787,128	1,891,545	British Linen Bank.
59,146,195	69,858,845	15,135,622	2,855,600	28,399,555	5,068,084	8,048,598	9,131,037	1,320,349	Clydesdale Bank.
76,556,160	93,885,653	15,093,200	4,295,000	50,620,438	151,235	10,027,836	9,667,316	4,030,628	Com. Bank of Scotland.
60,627,893	74,775,089	14,006,188	5,326,000	35,198,995	537,883	6,818,324	10,095,962	2,791,737	Nat. Bank of Scotland.
38,842,103	46,222,368	12,480,793	2,224,000	23,342,038	676,894	1,037,914	6,299,759	160,970	N. of Scotland Bank.
95,336,360	115,681,681	15,057,340	10,458,080	43,310,320	7,338,466	10,151,513	25,162,042	4,203,920	Royal Bank of Scotland.
51,555,044	63,786,278	6,177,936	8,496,828	27,850,271	3,136,288	6,584,444	8,642,095	2,898,416	Union Bank of Scotland.
493,814,794	607,542,038	101,741,965	44,810,508	279,030,339	17,603,416	58,590,274	84,625,980	21,139,556	Totals.

IRISH BANKS

53,478,414	64,017,062	4,892,280	6,427,672	2,630,769	33,967,870	...	15,514,323	584,148	Bank of Ireland.
21,877,976	26,924,522	6,947,707	...	13,713,731	735,096	68,218	5,413,313	46,457	Belfast Banking Co.
14,793,856	16,556,720	2,104,215	...	9,519,412	269,136	...	4,522,130	141,827	Hibernian Bank.
40,727,068	43,325,094	3,882,897	3,800,000	22,021,346	442,514	581,738	12,218,126	378,473	Munster and Leinster Bk.
49,387,543	53,900,002	6,244,624	8,374,489	20,697,864	1,318,464	1,832,860	14,643,004	788,697	National Bank.
24,149,204	29,455,821	8,004,731	...	13,001,120	810,071	...	7,256,695	383,204	Northern Bank.
23,133,655	26,537,367	2,527,322	650,000	14,916,064	893,097	1,315,521	6,030,526	204,837	Prov. Bank of Ireland.
10,782,948	11,660,270	1,662,218	...	6,430,885	223,478	62,764	3,030,925	250,000	Ditto. New.
31,548,699	38,507,246	11,558,496	...	17,924,836	1,461,720	...	7,292,216	269,978	Royal Bank of Ireland.
269,879,363	310,884,104	47,824,490	19,252,161	120,856,027	40,121,446	3,861,101	75,921,258	3,047,621	Ulster Bank.

DISCOUNT COMPANIES

	Date	Capital and Reserves	Loans, Deposits, etc. (inc. Undivided Profits)	Bills Rediscounted	Rebate, etc.	Total Liabilities	Cash at Bankers	Bills Discounted	Investments	Loans and Sundry Accounts	Total Assets
		1	2	3	4	5	6	7	8	9	10
Alexanders	1943	£ 2,000,000	£ 53,572,250	£ 1,586,746	£ 252,960	£ 57,411,956	£ 877,966	£ 35,667,652	£ 20,686,785	£ 179,553	£ 57,411,956
National	Dec. 31	2,576,667	72,917,688	4,096,035	...	79,590,390	1,727,393	58,181,180	18,894,154	787,663	79,590,390
Union of Lond.	Dec. 31	4,750,000	115,099,668	...	...	119,849,668	2,560,317	93,017,969	23,905,009	366,373	119,849,668
Totals....		9,326,667	241,589,606	5,682,781	252,960	256,852,014	5,165,676	186,866,801	63,485,948	1,333,589	256,852,014

COMPARATIVE STATEMENTS

JOINT STOCK BANKS OF ENGLAND AND WALES (EXCLUDING BANK OF ENGLAND)

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Acceptances	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1885	99	2,690	69,213,000	12.4	455,561,000	81.6	23,724,000	4.2	558,744,000	111,208,000	19.9	107,498,000	19.2	311,678,000	56.7
1890	77	3,757	73,847,000	11.3	586,726,000	84.0	21,530,000	3.0	698,726,000	144,400,000	20.7	127,766,000	18.3	395,313,000	56.6
1900	59	4,558	82,010,000	10.8	627,529,000	82.6	39,225,000	5.2	758,712,000	179,530,000	23.6	131,731,000	17.3	401,485,000	52.9
1905	45	5,202	80,946,000	9.4	720,687,000	83.6	52,263,000	6.0	862,134,000	199,724,000	23.0	137,711,000	16.8	467,880,000	54.3
1910	37	6,027	81,731,000	7.1	992,555,000	86.4	62,512,000	5.5	1,146,807,000	262,453,000	22.9	301,771,000	14.2	503,617,000	43.9
1915	20	7,612	128,184,000	5.8	1,961,527,000	89.0	102,920,000	4.7	2,200,317,000	449,153,000	20.4	368,734,000	18.7	1,263,091,000	57.4
1920	18	8,873	134,846,000	6.5	1,806,810,000	87.1	125,005,000	6.0	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,167,952,000	56.3
1925	16	10,082	144,323,133	6.4	1,976,805,092	87.6	128,023,846	5.7	2,255,681,859	472,358,357	20.9	329,286,947	12.7	1,281,039,752	56.8
1930	16	10,082	144,323,133	6.4	1,976,805,092	87.6	128,023,846	5.7	2,255,681,859	472,358,357	20.9	329,286,947	12.7	1,281,039,752	56.8
1935	16	10,082	144,323,133	6.4	1,976,805,092	87.6	128,023,846	5.7	2,255,681,859	472,358,357	20.9	329,286,947	12.7	1,281,039,752	56.8
1940	13	9,243	141,284,327	4.6	2,177,594,872	91.6	108,925,935	3.6	3,033,303,659	601,168,131	19.8	793,906,080	26.2	1,483,287,348	48.9
1943	13	8,279	143,598,743	5.4	4,010,496,694	94.1	100,886,035	2.5	4,260,362,160	760,237,694	17.9	1,172,853,082	27.5	2,183,042,212	51.2

JOINT STOCK BANKS OF SCOTLAND

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1880	10	975	14,755,000	12.6	91,610,000	77.9	6,486,000	5.5	117,874,000	21,427,000	18.2	29,349,000	24.9	60,103,000	51.4
1885	10	1,013	15,090,000	12.3	94,592,000	77.8	7,264,000	5.9	122,526,000	22,795,000	18.6	30,770,000	25.3	62,241,000	51.1
1890	10	1,075	16,217,000	11.8	107,154,000	77.2	8,056,000	5.9	137,498,000	26,438,000	19.2	33,401,000	24.3	70,595,000	51.2
1900	11	1,159	17,246,000	13.0	100,643,000	76.1	7,545,000	5.7	132,261,000	23,937,000	18.1	31,396,000	23.7	68,714,000	51.5
1905	9	1,221	17,246,000	12.7	106,652,000	77.5	7,126,000	5.2	133,850,000	25,604,000	18.6	33,322,000	24.2	70,661,000	51.5
1910	9	1,253	17,246,000	9.1	140,569,000	82.0	12,555,000	7.1	177,004,000	36,730,000	20.7	67,019,000	37.9	64,621,000	36.5
1915	8	1,253	17,911,000	5.3	279,228,000	82.1	29,363,000	8.7	339,167,000	72,974,000	21.5	102,968,000	30.4	153,122,000	44.1
1920	8	1,536	23,947,000	8.0	240,945,000	81.0	21,668,000	7.3	297,839,000	60,341,000	20.3	95,204,000	32.0	131,309,000	46.1
1925	8	1,659	30,099,368	9.5	256,083,505	80.6	21,405,253	6.7	317,490,148	63,804,561	20.1	98,092,554	30.9	146,104,641	36.4
1930	8	1,663	30,777,118	9.1	276,463,502	81.9	21,018,222	6.2	337,605,909	68,065,589	20.2	136,749,832	40.5	122,939,694	31.5
1935	8	1,826	30,917,118	9.0	281,678,416	82.0	19,175,467	5.6	343,580,407	66,598,014	19.4	157,662,428	45.9	108,250,955	30.2
1940	8	1,852	31,017,118	8.8	286,687,897	81.3	21,373,931	6.1	352,617,287	70,503,482	20.0	161,109,262	45.7	106,317,128	28.3
1943	8	1,868	31,933,336	8.3	308,499,225	81.5	21,890,839	5.8	379,035,138	75,868,284	20.0	177,731,804	46.9	107,093,560	26.9
1936	8	1,880	31,630,364	8.1	317,313,052	81.2	23,113,387	5.9	392,268,375	76,014,643	19.4	186,258,000	47.5	117,745,924	28.2
1937	8	1,889	32,759,809	8.1	330,454,922	81.2	23,535,619	5.8	406,891,160	83,298,813	20.5	187,524,693	46.1	113,698,602	28.1
1938	8	1,902	33,532,157	8.3	325,253,984	80.4	23,614,379	5.9	404,242,196	80,045,331	19.8	184,331,338	45.8	113,698,602	28.1
1939	8	1,854	34,101,965	8.3	331,064,811	80.4	26,242,892	6.7	411,448,733	86,867,753	21.6	181,375,331	44.0	119,496,376	29.1
1940	8	1,799	34,268,965	6.7	417,328,970	81.5	38,501,053	7.5	511,920,394	113,485,169	22.2	241,691,390	47.2	134,491,626	26.3
1941	8	1,820	34,501,965	6.2	453,134,263	81.6	49,322,525	8.9	555,543,691	130,374,002	23.4	264,274,401	47.6	141,894,892	25.6
1942	8	1,593	34,916,965	5.7	493,814,794	81.1	57,140,646	9.4	607,542,038	146,552,473	24.1	296,633,755	48.7	143,216,254	23.6

JOINT STOCK BANKS OF IRELAND

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1885	9	496	10,200,000	16.5	44,390,000	72.0	6,143,000	9.9	61,633,000	11,553,000	18.3	17,934,000	29.1	31,182,000	50.5
1890	9	543	10,894,000	16.0	49,449,000	72.8	6,708,000	9.9	67,996,000	11,697,000	17.2	17,719,000	26.1	37,464,000	55.0
1900	9	627	11,320,000	15.7	53,556,000	74.4	5,965,000	8.3	71,967,000	10,396,000	14.4	18,961,000	26.3	41,568,000	57.7
1905	9	683	11,475,000	13.9	62,508,000	76.0	7,211,000	8.8	82,150,000	13,762,000	16.7	23,215,000	28.2	44,127,000	53.3
1910	9	703	11,013,000	10.5	77,722,000	74.0	15,000,000	14.3	104,799,000	23,313,000	22.2	35,330,000	33.6	44,706,000	42.6
1915	9	912	12,899,000	5.4	200,441,000	83.2	24,717,000	10.3	240,391,000	46,698,000	19.4	80,959,000	33.5	109,623,000	45.5
1920	9	912	12,899,000	5.4	200,441,000	83.2	24,717,000	10.3	240,391,000	46,698,000	19.4	80,959,000	33.5	109,623,000	45.5
1923	3*	248	3,750,000	6.1	51,962,000	84.7	5,016,000	8.2	61,329,000	6,857,600	11.2	21,293,000	34.7	32,450,000	52.0
1924	3*	249	4,100,000	6.8	51,100,000	84.3	4,864,000	8.0	60,687,000	6,723,000	11.1	21,532,000	35.5	31,747,000	52.3
1925	3*	252	4,200,000	7.1	50,057,000	84.7	4,399,000	7.4	59,153,000	5,956,000	10.1	18,947,000	32.1	33,543,000	55.8
1926	3*	254	4,200,000	7.0	50,643,000	84.6	4,137,000	6.9	59,836,000	6,420,000	10.7	18,943,000	31.7	33,379,000	54.8
1927	3*	255	4,400,000	7.3	49,342,000	82.4	4,037,000	6.7	59,909,000	7,658,000	12.8	18,819,000	31.4	32,814,000	54.2
1928	3*	255	4,500,000	7.5	49,649,399	82.5	3,909,809	6.5	60,253,773	7,306,211	12.1	19,638,930	32.6	32,653,916	54.4
1929	3*	256	4,550,000	7.6	49,669,682	82.5	3,663,512	6.1	60,253,773	6,227,146	10.4	20,471,667	34.2	31,566,964	52.9
1930	3*	256	4,550,000	7.7	49,098,443	82.3	3,586,797	6.0	59,600,010	5,826,630	9.8	21,561,407	36.2	31,566,964	52.9
1931	3*	258	4,650,000	7.8	53,867,345	86.8	3,221,823	5.2	62,058,907	7,959,855	12.8	21,525,623	34.7	31,844,691	51.3
1932	3*	259	4,600,000	7.7	49,075,292	83.0	3,193,060	5.4	59,085,223	5,775,738	9.8	21,478,996	36.4	30,979,285	52.4
1933	3*	259	4,600,000	7.8	51,160,144	85.9	3,249,433	5.5	59,500,977	5,727,819	9.6	25,619,099	43.1	27,359,111	45.9
1934	3*	259	4,800,000	8.1	50,534,270	85.5	3,407,010	5.8	59,058,242	7,163,214	12.1	25,840,335	43.7	25,272,703	42.8
1935	3*	259	4,800,000	8.2	50,910,428	84.0	3,613,654	6.1	59,684,000	7,197,173	12.1	27,079,518	45.4	24,341,157	41.0
1936	3*	259	4,800,000	8.1	49,857,532	84.7	3,708,243	6.3	58,777,713	6,995,308	11.8	27,308,718	46.4	23,803,707	40.3
1937	3*	259	4,900,000	8.4	49,093,831	84.2	3,709,318	6.7	58,302,918	5,754,455	9.8	26,698,873	45.8	25,070,629	43.0
1938	3*	259	4,900,000	8.6	47,833,903	83.6	3,940,019	6.9	57,246,281	6,041,423	10.6	25,942,987	45.3	24,359,738	39.7
1939	3*	252	5,000,000	8.3	49,810,240	83.1	4,578,641	7.6	59,882,303	9,929,438	16.6	25,302,255	42.2	23,806,278	38.0
1940	9	1,044	18,294,231	8.1	172,789,204	85.3	13,656,210	6.1	225,942,260	40,544,343	17.9	96,377,571	42.7	85,876,238	31.6
1941	9	1,027	18,294,231	7.1	220,173,405	85.1	17,726,363	7.0	257,596,765	50,941,790	19.8	122,007,068	47.4	81,337,306	29.0
1942	9	1,029	18,424,231	6.5	241,993,329	85.3	21,150,122	7.5	282,532,426	59,844,619	21.2	137,965,680	48.8	81,805,814	29.0
1943	9	1,032	18,454,231	6.0	269,879,363	87.0	21,234,090	6.8	310,884,104	67,076,651	21.6	160,977,473	51.7	79,782,359	25.7

* Northern Ireland.

PRIVATE BANKS

JOINT STOCK BANKS OF ENGLAND AND WALES

BARCLAYS BANK LIMITED

	Year Ended Dec. 31	Not Profits	Per Cent. of Resources	Dividends		Reserve Investments, etc.	Carried Forward
				Amount	Rate		
				£	%	£	£
1933	1,604,680	0.39	1,562,202	A Shs 10	10	50,000	570,238
1934	1,708,174	0.41	1,614,275	A Shs 10	10	100,000	564,137
1935	1,783,784	0.40	1,614,275	A Shs 10	10	150,000	583,645
1936	1,894,361	0.41	1,588,239	A Shs 10	10	250,000	639,768
1937	2,133,825	0.45	1,562,202	A Shs 10	10	700,000	511,391
1938	1,926,458	0.40	1,510,129	A Shs 10	10	400,000	527,720
1939	1,784,880	0.35	1,432,019	A Shs 10	10	350,000	530,582
1940	1,525,665	0.26	1,197,688	A Shs 10	10	350,000	546,704*
1941	1,353,303	0.19	1,041,468	A Shs 10	10	350,000	508,539
1942	1,523,734	0.20	1,041,468	A Shs 10	10	450,000	546,815
1943	1,584,114	0.18	1,041,468	A Shs 10	10	500,000	589,460

* Includes £38,145 profit unappropriated by Union Bank of Manchester Ltd.

Dec. 31	No. of Offices open at dates stated	LIABILITIES						ASSETS												
		Capital and Reserves	Per Cent.	Acceptances and Endorsements	Per Cent.	Deposit and Current Accounts (c)	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts (d)	Per Cent.	Investments (b)	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1933	2,080	26,108,217	6.3	7,191,741	1.7	378,759,772	92.0	412,059,730	62,249,186	15.1	21,383,300	5.2	59,953,329	14.5	104,849,868	25.5	148,835,468	36.1	14,788,579	3.6
1934	2,091	26,108,217	6.3	7,205,554	1.7	380,093,759	92.0	413,407,530	58,699,862	14.2	22,837,900	5.3	47,572,778	11.5	110,463,839	26.7	155,979,234	37.7	14,853,917	3.6
1935	2,116	26,108,217	6.3	7,857,821	1.8	406,782,270	92.3	440,748,308	65,304,917	14.8	25,604,250	5.8	60,695,872	13.8	113,134,893	25.7	160,549,222	36.4	15,459,154	3.5
1936	2,106	26,108,217	6.3	9,266,151	2.0	429,538,416	92.4	464,912,784	66,630,908	14.3	32,318,800	6.9	59,248,252	12.7	116,336,895	25.0	179,655,011	38.6	16,722,917	3.6
1937	2,122	26,608,217	6.7	8,532,516	1.8	434,645,323	92.5	469,786,056	70,783,320	15.1	27,068,850	5.8	50,362,681	10.7	109,391,938	23.3	196,264,896	41.7	15,914,371	3.4
1938	2,131	26,608,217	6.7	14,933,082	3.1	433,081,185	91.3	474,622,484	68,114,569	14.4	26,207,550	5.5	54,594,153	11.5	103,873,360	21.9	199,452,980	42.0	22,379,872	4.7
1939	1,874	26,608,217	5.3	15,594,145	3.1	461,376,448	91.6	503,578,810	77,338,578	15.4	28,713,245	5.7	58,585,175	11.3	105,860,762	21.0	200,847,108	39.9	23,233,942	4.6
1940	1,951	27,108,217	4.6	14,978,292	5.5	546,914,675	92.9	589,001,184	85,300,989	14.5	25,908,700	4.4	129,822,742	22.0	127,754,423	21.7	197,283,705	33.5	22,930,625	3.9
1941	1,838	27,108,217	4.0	12,872,411	1.9	545,185,397	94.1	585,166,025	98,433,405	16.7	24,917,550	4.3	192,343,348	28.1	174,427,079	25.5	174,234,477	25.4	20,810,076	3.5
1942	1,767	27,108,217	3.6	14,864,781	1.9	540,976,569	94.1	585,949,557	108,528,345	18.4	21,984,800	3.8	229,724,210	39.4	169,213,319	22.2	222,781,080	37.9	20,810,076	3.5
1943	1,763	27,108,217	3.1	15,554,276	1.8	522,499,871	95.1	585,162,364	120,847,537	20.6	21,896,900	3.7	215,364,572	36.5	222,614,668	25.7	160,976,408	18.6	23,462,279	2.7
June 30, 1944		27,108,217	3.1	15,630,080	1.8	522,499,871	95.1	585,162,364	120,847,537	20.6	21,896,900	3.7	215,364,572	36.5	222,614,668	25.7	160,976,408	18.6	23,462,279	2.7
								879,569,536	116816935	3.3	25,543,600	2.9	321204718	36.5	224,865,355	25.5	167,604,334	19.1	123,534,594	2.2

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. (b) From 1940 includes Treasury deposit receipts.
(c) Including balances in account with subsidiary banks. (d) Includes investments in affiliations.
† Includes Branches of the Union Bank of Manchester Limited, which was amalgamated with Barclays Bank Limited, on January 1, 1940.

BRITISH MUTUAL BANKING COMPANY, LIMITED

	Year Ended Dec. 31	Not Profits	Per Cent. of Resources	Dividends		Reserve Investments, etc.	Carried Forward
				Amount	Rate		
				£	%	£	£
1933	20,081	1.45	14,400	12	5.500	7,710	
1934	28,809	2.57	14,400	12	15,000	8,119	
1935	38,524	3.95	14,400	12	21,500	10,743	
1936	21,570	1.54	17,500	10	5,100	9,073	
1937	22,461	1.61	18,000	10	5,100	9,073	
1938	21,640	1.69	18,000	10	5,100	9,073	
1939	21,604	1.72	9,000	5	15,100	5,071	
1940	19,054	1.36	9,000	5	10,100	9,413	
1941	20,441	1.40	9,000	5	7,100	9,490	
1942	21,177	1.46	9,000	5	12,100	9,780	
1943	21,290	1.15	9,000	5	12,000		

Year Ended Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Loans and Advances	Per Cent.	Premises and Sundries	Per Cent.
1933	228,000	16.5	22,110	1.5	1,130,068	82.0	1,380,178	96,827	7.0	414,901	28.8	866,209	62.8	2,241	1.4
1934	243,000	20.4	22,519	1.9	895,464	77.1	1,160,983	108,064	9.3	384,383	31.7	662,271	57.0	6,265	2.0
1935	254,500	21.0	25,143	2.0	963,472	77.6	1,243,115	92,302	7.4	488,668	39.3	662,145	53.3	...	...
1936	310,600	21.8	27,213	1.8	1,083,367	76.4	1,421,180	107,037	7.5	624,829	44.1	689,314	48.4	...	...
1937	315,700	22.6	27,074	1.9	1,053,835	75.5	1,396,609	152,942	10.9	662,843	47.5	580,824	41.6	...	...
1938	320,800	22.1	25,614	1.8	1,104,805	76.1	1,451,219	108,279	7.5	772,606	53.2	570,334	39.3	...	...
1939	335,900	23.6	14,117	1.0	1,070,169	75.4	1,420,186	114,299	8.0	782,955	55.2	522,932	36.8	...	...
1940	341,000	24.4	14,071	1.0	1,045,654*	74.6	1,400,725	154,953	11.1	762,726	54.5	477,835	34.1	5,211	0.3
1941	341,100	23.4	18,413	1.3	1,098,747*	75.3	1,458,260	164,318	11.2	844,196	58.0	438,394	30.0	11,352	0.8
1942	341,200	23.7	18,490	1.3	1,042,516*	75.0	1,442,206	152,039	10.6	862,692	59.8	416,123	28.8	11,352	0.8
1943	340,000	18.3	18,780	1.1	1,498,034*	80.6	1,856,814	211,402	11.3	1,035,478	55.7	598,167	32.4	11,767	0.6

* Includes engagements on account of customers.

BARING BROTHERS & CO., LIMITED

Year Ended December 31	Number of Branches	LIABILITIES								ASSETS										
		Capital and Reserves	Per Cent.	Balance Carried Forward	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand, at Call and Short Notice	Per Cent.	Bills Receiv- able	Per Cent.	Investments	Per Cent.	Advances and Liability of Cus- tomers on Acceptances	Per Cent.	Premises	Per Cent.
1933...	1	3,050,000	12-5	21,598	0-1	1,795,521	7-4	19,540,425	80-0	24,407,544	5,394,166	22-1	6,197,177	25-4	5,787,619	23-7	6,901,582	28-3	127,000	0-5
1934...	1	3,050,000	12-3	21,812	0-1	2,104,732	8-5	19,669,010	79-1	24,845,554	5,565,472	22-4	5,119,454	20-6	7,054,632	28-4	6,978,996	28-1	127,000	0-5
1935...	1	3,050,000	12-2	22,030	0-1	2,696,813	10-7	19,312,257	77-1	25,081,100	5,892,942	23-5	5,675,712	22-6	6,372,703	25-5	7,012,743	27-9	127,000	0-5
1936...	1	3,050,000	10-9	22,251	0-1	3,424,240	12-2	21,420,013	76-8	27,916,504	6,686,742	23-9	6,874,716	24-6	8,050,502	28-8	6,177,543	22-2	127,000	0-5
1937...	1	3,050,000	12-0	22,473	0-1	3,158,659	12-4	19,257,111	75-5	25,488,243	5,329,951	20-9	5,136,029	20-1	8,657,955	34-0	6,237,308	24-5	127,000	0-5
1938...	1	3,050,000	13-3	22,697	0-1	3,180,812	13-8	16,747,847	72-8	23,001,356	4,596,986	19-8	2,376,629	10-3	9,923,144	43-1	6,017,596	26-2	127,000	0-5
1939...	1	3,050,000	14-8	22,923	0-1	3,164,156	14-9	16,100,812	77-3	20,819,891	3,320,743	15-9	2,211,222	10-6	9,530,318	45-8	6,530,608	27-0	127,000	0-5
1940...	1	3,050,000	16-8	23,153	0-1	819,643	4-3	14,972,923	79-4	18,665,719	4,025,988	19-5	3,752,121	17-5	9,310,195	48-4	2,744,867	11-9	127,000	0-5
1941...	1	3,050,000	14-9	23,384	0-1	655,882	2-6	16,835,819	81-8	20,565,085	3,382,785	17-9	3,518,000	15-7	10,889,617	54-1	2,514,245	12-5	127,000	0-5
1942...	1	3,050,000	15-1	23,618	0-1	506,425	2-6	16,583,994	82-2	20,164,037	3,480,330	17-1	3,152,845	15-6	10,889,617	54-1	2,514,245	12-5	127,000	0-5
1943...	1	3,050,000	10-1	23,854	0-1	557,386	1-8	26,802,609	88-0	30,433,849	12,201,583	40-1	3,518,000	11-6	12,119,533	39-8	2,467,733	8-1	127,000	0-4

COUTTS AND COMPANY

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS									
	Capital and Reserve	Per Cent.	Accept- ances, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances (b)	Per Cent.	Invest- ments	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.
1933 ...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,880,400	8.1	9,596,939	41.2	7,334,488	31.4	1,181,189	5.1
1934 ...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	11.8	2,410,300	10.3	9,288,289	39.6	7,870,748	33.6	1,121,492	4.7
1935 ...	2,000,000	7.8	798,456	3.9	22,761,748	90.1	25,550,204	2,991,532	11.7	2,839,700	11.1	9,989,353	39.1	8,519,163	33.4	1,210,456	4.7
1936 ...	2,000,000	7.6	500,745	1.9	23,864,920	89.5	26,365,665	3,180,455	12.1	1,676,500	6.4	11,670,844	44.2	8,925,122	33.8	912,745	3.5
1937 ...	2,000,000	7.6	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	10,696,630	40.8	8,900,917	34.0	1,156,173	4.4
1938 ...	2,000,000	8.4	641,900	2.7	21,246,504	88.9	23,888,404	3,064,552	12.8	1,955,050	8.2	10,264,326	43.7	7,550,476	31.6	1,053,900	4.4
1939 ...	2,000,000	7.5	730,316	2.7	23,927,170	89.6	26,567,486	3,470,645	13.0	3,146,900	11.8	11,926,973	44.7	6,970,651	26.2	1,143,316	4.3
1940 ...	2,000,000	6.8	796,799	2.7	26,569,605	90.5	29,366,404	3,984,800	13.6	3,517,900	10.9	11,029,560	37.6	9,625,345	32.8	1,208,999	4.3
1941 ...	2,000,000	5.6	957,837	2.7	32,513,736	91.7	35,471,573	4,393,297	12.4	3,147,000	8.0	13,954,407	39.1	12,606,232	35.6	1,369,837	3.9
1942 ...	2,000,000	5.3	1,173,645	3.1	34,388,756	91.6	37,562,531	4,770,402	12.7	2,497,100	8.0	14,838,698	39.5	13,378,247	35.6	1,578,144	4.2
1943 ...	2,000,000	4.9	1,364,962	3.4	37,151,962	91.7	40,516,924	5,190,298	12.8	4,849,000	12.0	13,779,104	34.0	14,929,060	36.8	1,769,462	4.4
June 30, 1944	2,000,000	4.8	1,227,074	2.9	38,392,245	92.3	41,619,319	5,147,637	12.2	4,154,900	10.0	15,470,123	37.3	15,205,084	36.6	1,631,574	3.9

ISLE OF MAN BANK LIMITED—Continued from page 11

Year ended Dec. 31	No. of Offices open at dates stated	LIABILITIES										Total Liabilities or Assets	ASSETS							
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Miscel- laneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Discounts and Ad- vances	Per Cent.	Invest- ments	Per Cent.	Prem- ises	Per Cent.
1933	9	304,000	8-6	18,807	0-5	84,559	2-4	4,252	0-1	3,115,205	88-4	3,526,823	459,855	13-0	451,512	12-8	2,585,456	73-4	30,000	0-8
1934	9	316,000	8-6	18,100	0-5	84,829	2-3	23,131	0-6	3,213,409	88-0	3,655,469	370,367	10-1	388,608	10-6	2,866,494	78-5	30,000	0-8
1935	10	328,000	8-7	19,102	0-5	87,284	2-3	8,333	0-2	3,307,855	88-5	3,750,574	376,786	10-0	406,685	10-9	2,937,103	78-3	30,000	0-8
1936	10	340,000	8-7	19,488	0-5	97,713	2-5	6,721	0-1	3,446,942	88-2	3,910,864	459,778	11-7	401,003	10-3	3,020,084	77-2	30,000	0-8
1937	10	352,000	9-4	20,358	0-5	99,387	2-6	394	0-1	3,280,270	87-5	3,752,409	460,758	12-3	433,403	11-5	2,828,248	75-4	30,000	0-8
1938	10	364,000	9-7	21,004	0-5	96,339	2-6	10,087	0-3	3,243,466	86-8	3,734,896	408,768	11-0	462,350	12-4	2,833,778	75-8	30,000	0-8
1939	11	376,000	9-8	22,157	0-6	98,039	2-6	10,718	0-3	3,314,452	86-5	3,821,366	455,030	12-2	475,626	12-0	2,475,626	64-7	30,000	0-8
1940	11	388,000	9-8	22,448	0-6	101,766	2-6	17,210	0-4	3,416,921	86-6	3,946,345	438,110	11-2	456,918	11-6	2,621,317	66-4	30,000	0-8
1941	11	400,000	9-1	23,765	0-6	100,739	2-3	6,987	0-1	3,869,856	88-0	4,401,347	458,780	11-8	361,395	8-2	3,051,172	69-3	30,000	0-6
1942	11	412,000	8-0	25,928	0-5	115,243	2-3	4,542	0-1	4,564,751	89-1	5,122,464	1,017,866	19-9	351,288	6-9	3,723,310	72-6	30,000	0-6
1943	11	424,000	7-5	26,627	0-5	122,446	2-2	3,943	0-1	5,064,620	89-7	5,641,636	1,256,783	22-2	351,090	5-9	4,023,763	71-4	30,000	0-6

LLOYDS BANK LIMITED

CAPITAL (December 31, 1937)					Market Value Oct. 23, 1944 £45,274,809	PROFITS AND DIVIDENDS				Reserves, etc. £	Carried Forward £	
Subscribed £	Paid-up £	Callable £	Reserved £	Year Ended Dec. 31		Net Profits £	Per Cent. of Resources	Dividends Amount £	Rate %.			
"A " shares ...	71,864,780	14,372,956	3,593,239	53,898,585	£45,274,809	1933.....	1,438,822	0·33	1,347,465	{ "A " 12 5 "B " 5	100,000	506,104
"B " Stock ...	1,437,296	1,437,296	Nil	Nil	£2,084,072	1934.....	1,651,506	0·37	1,392,380	{ "A " 12 5 "B " 5	250,000	515,230
						1935.....	1,642,785	0·36	1,392,380	{ "A " 12 5 "B " 5	250,000	515,635
						1936.....	1,743,955	0·37	1,369,922	{ "A " 12 5 "B " 5	350,000	539,667
						1937.....	1,832,501	0·39	1,347,465	{ "A " 12 5 "B " 5	500,000	524,704
						1938.....	1,795,309	0·37	1,302,549	{ "A " 12 5 "B " 5	400,000	527,456
						1939.....	1,589,646	0·32	1,248,276	{ "A " 12 5 "B " 5	350,000	518,826
						1940.....	1,383,807	0·26	1,033,056	{ "A " 12 5 "B " 5	350,000	519,577
						1941.....	1,274,207	0·22	915,153	{ "A " 12 5 "B " 5	350,000	528,624
						1942.....	1,364,082	0·20	917,960	{ "A " 12 5 "B " 5	450,000	524,745
						1943.....	1,515,002	0·20	924,510	{ "A " 12 5 "B " 5	550,000	565,237
	Per Share £5 £1	Per Share £1	Per Share 5s. Nil	Per Share £3 15s. Nil	Per Share £3 3s. 0d. £1 9s. 0d.							

MIDLAND BANK LIMITED

CAPITAL, September, 1942						Market Value, Oct. 23, 1944	Year ended Dec. 31	PROFIT AND DIVIDENDS		Dividend		Allocations to Reserve and other Funds	Carried Forward
Authorised		Subscribed	Paid-up	Callable	Reserved		Dec. 31	Net Profit, less tax—	Amount, less tax	Gross Rate			
No. of Shares	Denomination							Amount	% of Resources at end of Year	%			
	£	£	£	£	£	£		£	£	16			
2,869,079	12	34,428,948	7,172,697	7,172,697	20,083,555	30,663,277	1933	2,266,847	0-50	1,709,761	16	550,000	866,483
2,000,000	2½	4,804,192	4,804,192	Nil	Nil	21,018,345	1934	2,292,217	0-50	1,766,753	16	520,000	871,946
5,771,052	1	3,181,731	3,181,731	Nil	Nil	24,715,504	1935	2,355,099	0-48	1,987,598*	18*	770,000	467,447
		Per Share	Per Share	Per Share	Per Share		1936	2,467,894	0-46	1,738,257	16	650,000	447,084
	£12	£2 10s.	£2 10s.	£2 10s.	£7	£10 10	1937	2,508,009	0-46	1,764,049	16	700,000	591,044
...	...	£2 10s.	£2 10s.	Nil	Nil	£10 10	1938	2,445,671	0-40	1,758,400	16	650,000	628,315
...	...	£2 10s.	£2 10s.	Nil	Nil	£10 10	1939	2,181,351	0-31	1,667,448	16	500,000	642,217
...	...	£2 10s.	£2 10s.	Nil	Nil	£10 10	1940	1,933,093	0-31	1,455,228	16	500,000	620,083
							1941	1,969,288	0-27	1,212,690	16	750,000	628,681
							1942	1,397,132	0-25	1,212,690	16	750,000	661,123
							1943	1,984,396	0-22	1,212,690	16	750,000	682,829

* Includes 2 per cent. centenary bonus.

December 31	No. of Offices open at Dates stated	LIABILITIES								ASSETS												
		Paid-up Capital and Reserve Fund		Profit Balance and Dividend Payable		Acceptances, etc.		Current, Deposit and Other Accounts		Total Liabilities or Assets	Cash in Hand and at Bank of England		Money at Call and Short Notice (£)		Bills Discounted (c)		Investments (d)		Advances		Premises, Cover for Acceptances, etc. & Invest. in Affiliations	
		Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.		Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	
1933	2,105	25,748,012	3-6	1,721,363	0-4	15,833,404	3-5	413,752,673	90-5	457,055,452	42,233,852	9-3	334,586,530	7-6	62,828,430	13-7	118,836,369	26-0	164,440,337	36-0	33,859,634	7-4
1934	2,120	25,748,012	5-6	1,755,323	0-4	15,989,638	3-6	444,093,922	90-6	462,530,895	39,229,856	8-5	319,666,659	9-1	64,520,419	13-9	119,240,133	25-8	163,815,240	35-1	33,858,368	7-3
1935	2,123	25,748,012	5-3	1,571,669	0-3	17,705,711	3-6	442,087,588	90-8	487,108,900	48,695,719	10-0	344,265,364	9-1	69,264,993	14-2	121,214,863	23-4	177,120,890	34-6	35,467,071	7-5
1936	2,136	25,748,012	4-8	1,416,213	0-3	18,600,273	3-5	486,947,988	91-0	532,712,486	52,941,373	9-9	350,779,955	9-5	74,413,998	14-0	128,829,538	24-2	189,516,488	35-6	36,231,106	7-6
1937	2,137	25,557,610	4-0	1,500,213	0-3	20,729,946	3-5	486,296,323	90-9	546,084,146	53,968,247	9-9	344,156,297	8-1	83,155,554	15-2	138,323,691	24-8	198,218,518	34-1	34,922,790	7-4
1938	2,138	25,569,230	4-4	1,507,515	0-3	17,217,448	3-4	462,742,242	90-9	509,036,835	53,651,380	10-5	342,902,268	8-4	48,498,810	9-5	119,806,521	23-5	209,255,218	38-1	38,285,139	7-5
1939	2,064	25,569,230	5-1	1,430,465	0-3	17,447,354	3-4	462,742,242	90-9	542,718,148	57,741,467	10-6	347,766,820	8-8	65,947,513	12-1	157,632,771	24-5	207,083,406	35-2	31,961,646	7-3
1940	2,011	25,569,230	4-4	1,317,379	0-2	14,148,723	3-2	496,271,135	91-1	620,381,718	69,527,197	11-1	348,403,987	7-7	124,619,324	12-2	157,632,771	24-5	207,083,406	35-2	31,961,646	7-3
1941	1,844	25,569,230	3-8	1,233,026	0-2	14,701,723	3-2	685,973,065	94-0	729,477,044	75,553,266	10-3	352,472,365	7-1	124,619,324	12-2	157,632,771	24-5	207,083,406	35-2	31,961,646	7-3
1942	1,799	28,069,230	3-5	1,267,468	0-2	13,205,181	3-1	675,827,527	94-7	801,369,406	80,592,217	10-0	359,009,487	7-4	235,960,534	2-9	236,159,488	29-1	154,436,077	19-8	30,476,083	7-0
1943	1,792	28,069,230	3-2	1,289,175	0-2	13,454,623	3-1	5,859,692,181	95-1	903,005,209	91,368,917	10-0	368,797,143	7-6	323,979,939	35-9	229,654,509	25-4	158,601,924	17-6	30,602,777	7-0
June 30, '44	28,569,230	3-1	(a)	(a)	12,069,403	1-3	890,236,185	95-6	930,874,818	92,774,888	9-6	69,304,664	7-4	339,941,483	36-6	229,950,573	25-2	158,826,182	17-9	29,123,708	3-1	

(a) Includes in current, deposit and other accounts. (b) Including balances with, and cheques in course of collection on, other banks in the British Isles. (c) Includes Treasury deposit receipts as follows: 1940, £67,500,000; 1941, £159,000,000; 1942, £201,000,000; 1943, £291,000,000; 1944, £290,000,000. (d) Includes shares in Yorkshire Penny Bank: 1931-5, £750,000; thereafter, £937,500.

NATIONAL PROVINCIAL BANK, LIMITED

NATIONAL PROVINCIAL										Year ended Dec. 31	Net Profits	Profits and Dividends Per Cent. of Resources	Dividends—Amount	Dividends—Rate	Reserves, etc.	Carried Forward
CAPITAL				Market Value,												
Subscribed	Paid-up	Callable	Reserved	Oct. 25, 1944												
£	£	£	£	£												
43,617,080	9,479,416	5,839,611	28,298,053	37,844,222												
Per Share	Per Share	Per Share	Per Share	Per Share												
"A" £5	14s. 6d.	19s. 4d.	£3 6s. 8d.	£2 14s. 6d.												
"B" £5	£1	13s. 4d.	£3 6s. 8d.	£3 18s. 6d.												
			nil	£4 15s. 0d.												

WESTMINSTER BANK LIMITED - Continued from page 13

Year Ended Dec. 31	No. of Offices open at dates stated	LIABILITIES										ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Endorse- ments	Per Cent.	Notes*	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances	Per Cent.	Invest- ments (c)	Per Cent.	Build- ings and Sundries, including Cover for Accept- ances	Per Cent.
1933	1,072	16,820,157	4.9	1,043,217	0.3	31,847,225	9.2	15,187	...	294,739,761	85.6	344,465,547	45,024,055	13.1	22,685,851	6.6	144,846,688	42.0	94,483,075	27.4	37,425,878	10.9
1934	1,682	18,640,314	5.1	1,083,230	0.3	37,377,095	10.3	14,632	...	305,653,206	84.3	362,768,478	46,407,151	12.8	28,419,892	7.8	144,275,709	39.8	100,858,547	27.8	42,807,179	11.8
1935	1,090	18,640,314	5.1	1,081,595	0.3	32,460,265	6.2	13,444	...	322,675,884	84.3	364,871,002	51,555,685	14.2	18,548,513	5.1	158,685,963	43.4	108,165,537	29.7	27,915,304	7.6
1936	1,090	18,640,314	4.7	1,109,370	0.3	30,556,532	5.0	13,774	...	367,877,506	90.0	408,197,406	53,291,340	13.0	44,983,298	11.0	170,077,686	41.8	114,049,312	27.9	25,795,860	6.3
1937	1,094	18,640,314	4.6	1,184,805	0.3	30,945,433	5.1	13,461	...	368,855,148	90.0	409,639,161	52,461,734	12.8	27,898,633	6.8	188,235,927	45.9	115,005,495	28.1	26,037,372	6.4
1938	1,098	18,640,314	4.8	1,089,882	0.3	34,176,283	6.2	12,927	...	346,220,783	88.7	390,140,189	49,853,024	12.8	20,803,191	5.3	175,072,630	44.9	115,178,633	29.5	29,232,711	7.5
1939	1,095	18,640,314	4.6	1,039,032	0.3	30,912,245	5.1	13,858	...	366,478,334	90.0	407,083,783	53,946,972	13.3	34,046,584	8.4	186,611,966	45.8	106,220,027	26.1	26,258,234	6.4
1940	1,026	18,640,314	4.1	997,882	0.2	26,795,852	5.8	18,118	...	410,176,803	89.9	456,628,969	63,978,165	14.4	28,654,014	6.3	219,170,495	48.0	112,773,554	24.7	32,052,741	7.0
1941	994	18,640,314	3.6	952,344	0.2	29,338,330	5.6	18,366	...	469,944,803	90.6	518,894,157	73,129,153	14.1	22,487,365	4.3	240,056,072	46.3	148,792,169	28.7	34,429,398	6.6
1942	972	18,640,314	3.5	912,967	0.2	33,332,345	2.4	17,733	...	501,504,528	93.9	534,107,887	81,197,781	15.2	22,474,099	4.2	255,372,594	47.8	157,041,002	28.9	18,022,411	3.4
1943	969	18,640,314	3.2	933,821	0.2	17,811,477	3.1	17,127	...	541,789,356	93.5	579,192,095	79,971,969	13.8	14,817,590	2.6	294,779,495	50.8	166,912,578	28.9	22,710,463	3.9
June 30, 1944	18,640,314	3.2	...	...	12,918,939	2.2	17,503	...	543,502,592	94.6	575,079,348	80,119,073	13.9	32,740,187	5.7	278,628,728	48.4	165,820,122	28.9	17,771,238	3.1	

* In circulation in the Isle of Man. (a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.
 (b) Includes Treasury deposit receipts from 1940. (c) Includes investments in affiliations.

WILLIAMS DEACON'S BANK, LIMITED

		CAPITAL						Year Ended Dec. 31		Net Profits		PROFITS AND DIVIDENDS		Per Cent. of Resources		Dividends		Reserves and other Appropriations		Carried Forward	
		Subscribed	Paid-up	Callable	Reserved							Amount		Rate %							
		£	£	£	£																
		8,125,000	1,875,000	1,562,500	4,687,500																
		Per Share	Per Share	Per Share	Per Share																
		A £5	A £1	A £1	A £3																
		B £1	B £1	B nil	B nil																

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. (b) From 1940 includes Treasury deposit receipts.

YORKSHIRE PENNY BANK, LIMITED

December 31	LIABILITIES							ASSETS						
	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	British Govt. Treasury Bills	Loans to Local Authorities	Loans on Security and other Accounts	Premises					
1939	2,500,000	38,745,860	500,000	7,466,921	29,711,339	500,000	...	3,017,598	550,000					
1940	2,500,000	39,051,646	500,000	7,030,226	31,057,526	...	...	2,913,894	550,000					
1941	2,500,000	44,968,982	500,000	9,306,291	35,039,509	...	...	2,573,182	550,000					
1942	2,500,000	51,399,222	500,000	11,839,661	37,295,647	1,900,000	...	2,313,913	550,000					
1943	2,500,000	60,532,715	500,000	13,915,037	39,374,479	6,900,000	...	2,293,200	550,000					

ERLANGERS LIMITED

December 31	LIABILITIES							ASSETS						
	Capital and Reserves	Current, Deposit, and other Accounts, etc.	Current Accounts of Subsidiary Companies	Acceptances on Account of Customers	Cash in Hand and with Bankers	Cash at Call and Short Notice	British Govt. Treasury Bills	British Govt. Securities	Other Investments	Advances, etc.	Liabilities of Customers or Acceptances less Sums received on Account			
1939	1,925,000	2,164,597	9,717	2,475,404	295,383	710,000	394,144	251,875	398,664	2,122,730	2,401,922			
1940	1,925,000	1,416,948	10,200	2,291,007	408,056	490,000	399,242	100,000	330,543	1,692,580	2,222,734			
1941	1,925,000	1,580,332	10,726	2,743,584	297,926	510,000	638,866	224,750	314,375	1,566,243	2,687,282			
1942	1,925,000	1,588,739	10,406	3,155,752	119,006	620,000	778,541	289,875	326,383	1,387,629	3,149,462			
1943	1,925,000	1,661,553	10,802	2,944,196	144,535	615,000	793,674	313,922	365,187	1,373,092	2,936,141			

PRIVATE BANKS OF ENGLAND AND WALES

B. W. BLYDENSTEIN AND COMPANY, LONDON

Year ended September 30	LIABILITIES							ASSETS						
	Partners' Capital and Reserves	Per Cent.	Miscellaneous	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash and Money at Call	Per Cent.	Investments	Per Cent.	Advances, Loans, Bills, etc.	Per Cent.	Premises, etc.
1933	100,000	3.4	14,457	0.5	2,839,286	96.1	2,953,743	242,194	8.2	578,871	19.6	2,106,388	71.3	26,507
1934	100,000	3.7	3,296	0.1	2,580,927	96.2	2,684,223	1,370,559	51.4	553,642	20.8	713,441	26.8	26,581
1935	100,000	3.2	5,173	0.2	3,053,209	96.6	3,158,382	1,926,350	61.0	397,059	12.6	809,034	25.6	25,929
1936	100,000	2.7	3,020	0.1	2,596,978	96.2	2,698,854	1,894,643	70.0	475,368	13.0	1,225,453	28.0	25,512
1937	100,000	3.7	2,465	0.1	2,596,978	96.2	2,698,854	1,894,643	70.0	475,368	13.0	1,225,453	28.0	25,512
1938	100,000	3.1	2,010	0.1	3,113,793	96.8	3,215,804	382,563	11.9	832,567	25.9	1,976,421	61.4	24,252
1939	100,000	3.1	2,010	0.2	3,704,491	97.2	3,813,589	317,121	8.3	805,382	21.1	2,663,712	69.9	26,174
1940	100,000	1.9	7,758	0.1	5,144,501	98.0	5,252,259	664,733	12.6	422,741	8.1	4,139,045	78.8	25,739
1941	100,000	1.5	6,652	0.1	6,526,128	98.4	6,632,780	2,034,935	30.7	943,753	14.3	3,623,494	54.6	24,598
1942	100,000	1.0	...	...	9,514,985	99.9	9,614,985	2,911,773	28.0	739,775	7.7	6,159,410	64.0	24,027
1943	100,000	1.1	...	...	8,659,680	99.9	8,759,680	2,938,305	33.5	766,355	8.7	5,031,570	57.6	23,450

† Provided by the Twentsche Bank (London) Ltd., which has an authorised and subscribed capital of £1,000,000. * Includes Treasury Bills.
 ‡ Nine months ended Sept. 30. ** Year ended Dec. 31.

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				Total Liabilities or Assets	ASSETS									
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discnts and Advances	Per Cent.	Premises, etc.	Per Cent.
	£		£		£		£		£				£		
1934	500,000	13·2	3,288,995	86·8	3,788,995	1,022,367	27·1	1,159,200	30·6	205,741	5·4	1,301,687	34·3	100,000	2·6
1935	500,000	11·9	3,711,318	88·1	4,211,318	1,122,347	26·7	1,341,086	31·8	200,467	4·8	1,447,418	34·3	100,000	2·4
1936	500,000	11·4	3,853,504	88·6	4,353,504	1,176,466	27·0	1,291,210	29·6	251,397	6·1	1,524,432	35·0	100,000	2·3
1937	500,000	11·9	3,686,793	89·1	4,186,793	977,761	23·5	832,950	19·9	451,169	10·8	1,824,913	43·6	100,000	2·4
1938	500,000	12·6	3,476,892	87·4	3,976,892	919,445	23·1	812,499	20·4	348,047	8·8	1,796,901	45·2	100,000	2·5
1939	500,000	12·6	3,362,925	87·0	3,862,925	1,083,349	28·1	745,707	19·3	376,467	9·7	1,557,402	40·3	100,000	2·6
1940	500,000	13·0	3,508,679	87·5	4,008,679	1,162,997	29·0	1,102,792	27·5	321,119	7·9	1,411,703	35·2	100,000	2·6
1941	500,000	12·5	3,504,300	87·5	4,004,300	1,106,363	27·6	1,386,343	34·7	313,203	7·8	1,098,391	27·4	100,000	2·5
1942	500,000	12·4	3,529,365	87·6	4,029,365	940,989	23·3	1,480,759	36·7	285,278	7·1	1,222,339	30·4	100,000	2·5
1943	500,000	11·7	3,765,287	88·3	4,265,287	1,052,595	24·7	1,391,654	45·3	284,595	6·6	893,443	21·0	100,000	2·4
1944	500,000	10·7	4,163,479	89·3	4,663,479	1,048,720	22·5	2,312,829	49·4	338,418	7·2	873,521	18·7	100,000	2·2

UNION DISCOUNT COMPANY OF LONDON, LIMITED

Year Ended Dec. 31	LIABILITIES										ASSETS										
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Loans and Deposits	Per Cent.	Bills Re-dis- counted	Per Cent.	Rebate	Per Cent.	Total Liabili- ties or Assets	Cash at Bankers	Per Cent.	Bills Dis- counted	Per Cent.	Securities	Per Cent.	Loans at Call and Short Date, and Other Accounts	Per Cent.	Buildings and Sundries	Per Cent.
1933	3,000,000	4.8	469,701	0.8	55,455,138	8.9	3,105,928	5.0	305,494	0.5	62,336,261	1,333,526	2.1	48,734,912	7.8	21,777,163	18.9	351,945	1.6	138,71	0.2
1934	3,000,000	5.0	495,690	0.8	52,224,719	8.8	4,245,019	7.1	300,355	0.5	60,265,783	1,455,421	2.4	42,978,622	7.1	31,174,895	23.5	1,558,953	2.3	97,892	0.2
1935	3,000,000	4.8	520,780	0.8	52,240,040	8.5	6,646,842	9.5	303,666	0.5	60,711,328	1,497,306	2.4	42,983,530	6.9	16,165,070	23.2	3,834,336	5.5	131,086	0.4
1936	3,750,000	5.4	305,030	0.8	57,285,704	8.2	8,164,125	11.7	346,593	0.5	60,851,452	1,525,946	2.5	50,560,115	7.2	36,125,833	23.0	1,450,557	2.1	243,019	0.5
1937	3,750,000	5.4	250,538	0.8	56,150,880	7.9	9,083,245	14.0	358,493	0.5	70,760,877	1,562,630	2.2	57,011,303	8.0	7,542,486	18.3	2,206,039	3.1	438,419	0.5
1938	3,750,000	5.3	250,538	0.8	56,150,880	7.9	9,083,245	14.0	358,493	0.5	65,073,993	1,562,848	2.3	53,632,246	8.2	6,265,053	9.3	2,268,767	5.6	405,019	0.5
1939	3,750,000	4.6	434,891	0.8	56,779,564	8.2	10,031,236	12.3	473,927	0.5	68,619,618	1,760,900	2.6	52,796,784	7.9	4,939,124	25.9	506,739	0.7	473,064	0.5
1940	3,750,000	5.0	474,232	0.8	56,788,137	8.4	6,336,641	8.4	441,856	0.5	74,997,889	1,757,518	2.4	52,796,784	7.9	4,939,124	25.9	506,739	0.7	469,509	0.5
1941	3,750,000	4.3	561,614	0.8	57,388,137	8.2	9,153,396	10.4	451,638	0.5	87,804,785	1,958,347	2.2	65,231,877	7.2	12,919,338	22.0	2,645,635	0.9	491,892	0.5
1942	3,750,000	4.3	668,483	0.8	58,504,343	8.9	6,263,327	5.7	486,339	0.4	109,570,922	2,168,811	2.1	87,264,961	8.0	19,224,624	17.7	49,734	0.1	424,832	0.3
1943	4,750,000	4.0	459,043	0.4	11,460,625	9.5	(u)			—	119,849,668	2,560,317	2.1	93,017,969	7.7	6,835,002	19.9	41,548	0.1	476,962	0.3

(a) Balance sheet shows contingent liability of £3,912,743 (excluding Treasury Bills).

JOINT STOCK BANKS OF SCOTLAND

BANK OF SCOTLAND

Year Ended Feb. 28	No. of Offices open at dates stated	LIABILITIES										ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Miscel- aneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank	Per Cent.	Discounts and Advances	Per Cent.	Invest- ments and Money at Call	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.
1934	251	3,700,000	8.5	351,929	0.8	2,980,601	6.9	625,424	1.4	413,352	1.0	35,470,014	8.1	43,541,320	5,355,031	12.3	12,059,281	27.7	25,101,584	57.7	1,025,424	2.2
1935	252	3,750,000	8.5	356,942	0.8	3,053,576	6.8	535,346	1.2	164,805	0.4	36,653,815	8.2	44,514,484	4,918,107	11.0	12,716,843	28.5	25,994,188	58.3	935,346	2.1
1936	258	3,800,000	7.7	358,783	0.7	3,128,569	6.4	1,855,968	3.8	537,188	1.1	1,39,518,484	8.0	39,198,992	5,361,274	11.0	13,588,701	26.7	28,403,050	57.7	2,255,967	4.7
1937	262	3,850,000	8.0	358,933	0.7	3,239,247	6.7	2,451,934	5.1	665,602	1.4	37,635,698	7.8	48,201,414	5,322,884	11.0	10,651,353	22.1	29,340,572	60.8	2,886,934	6.1
1938	264	4,450,000	8.7	252,999	0.5	3,363,767	6.5	3,712,585	7.2	388,512	0.7	39,298,450	7.6	51,466,313	5,627,456	11.0	10,751,478	20.9	30,909,794	60.4	1,777,585	3.8
1939	263	4,500,000	8.9	256,318	0.5	3,414,725	6.7	4,448,118	8.7	358,543	0.7	37,851,694	7.5	50,829,396	5,908,151	11.0	10,310,327	20.9	30,909,794	60.4	1,777,585	3.8
1940	262	4,500,000	8.0	243,467	0.4	3,941,242	7.0	5,261,273	9.3	256,190	0.5	42,137,116	7.8	56,339,288	6,588,826	11.0	12,903,862	22.9	31,141,527	55.3	5,753	0.0
1941	262	4,500,000	7.2	238,372	0.4	4,834,527	7.7	7,488,946	7.7	706,983	1.1	47,196,107	7.9	62,734,935	7,880,838	12.0	15,367,528	24.5	34,249,723	54.6	5,753	0.0
1942	262	4,500,000	6.7	228,217	0.4	5,939,173	9.4	3,322,846	4.5	1,086,590	1.6	50,593,844	7.5	65,657,671	13,377,572	17.0	15,190,183	20.1	34,249,723	54.6	5,753	0.0
1943	219	4,500,000	5.8	223,312	0.4	7,415,615	9.6	5,470,725	4.5	606,341	0.8	48,024,641	7.9	77,053,667	13,377,572	17.0	15,190,183	20.1	34,249,723	54.6	5,753	0.0
1944	219	4,500,000	5.6	231,151	0.4	8,991,010	11.1	1,348,591	4.2	1,393,939	1.7	7,623,581	7.7	80,700,282	13,733,129	17.0	16,111,234	20.7	34,249,723	54.6	5,753	0.0

* From 1940 includes Treasury deposit receipts.

THE BRITISH LINEN BANK

Year Ended Jan. 15	No. of Offices open at dates stated	LIABILITIES											ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Accept- ances and Par- liament- ary De- posits	Per Cent.	Miscel- laneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabi- lities or Assets	Cash in Hand, at Bankers and at Call or Notice	Per Cent.	Discounts and Ad- vances (including Short Loans)	Per Cent.	Invest- ments	Per Cent.	Build- ings, Furni- ture, Equip- ment, etc.	Per Cent.	
1934	210	3,700,000	9.7	171,584	0.4	2,644,012	6.9	617,882	1.6	266,230	0.7	30,833,610	80.7	38,233,318	8,204,465	21.5	8,889,935	23.0	20,090,658	52.6	1,621,070	4.2	
1935	211	3,750,000	9.9	175,394	0.5	2,737,310	6.8	636,472	1.7	342,277	0.9	30,357,075	80.2	37,838,528	8,480,454	22.4	9,295,189	24.5	19,015,513	50.1	1,621,070	4.2	
1936	211	3,750,000	9.1	160,537	0.4	2,465,249	6.0	927,540	3.3	486,172	1.2	33,338,578	81.0	41,127,858	8,965,008	23.2	9,014,790	21.7	7,213,325	18.5	1,621,070	4.2	
1937	216	3,750,000	8.8	174,995	0.4	2,640,870	5.8	818,099	1.8	1,895,571	4.2	36,042,168	79.0	45,321,703	8,212,166	22.5	9,828,290	19.9	9,237,842	49.0	1,621,070	4.2	
1938	215	3,750,000	8.2	173,948	0.4	2,635,659	5.7	906,551	2.0	338,918	0.7	38,153,162	83.0	45,552,518	8,786,866	23.5	10,131,223	22.1	13,751,723	51.6	1,621,070	4.2	
1939	215	3,750,000	8.4	173,161	0.4	2,655,129	6.0	1,131,537	2.5	371,454	0.8	36,471,231	81.0	45,552,518	10,286,767	25.0	10,495,871	23.5	21,251,235	44.7	1,621,070	4.2	
1940	210	3,750,000	8.5	163,488	0.4	2,911,065	6.6	869,387	1.9	303,420	0.7	36,185,918	81.0	44,183,278	11,293,255	25.0	10,767,183	24.0	72,130,680	46.9	1,621,070	4.2	
1941	209	3,750,000	8.3	167,672	0.4	3,184,650	7.1	890,043	2.1	1,146,326	2.6	36,375,716	79.6	44,183,278	10,492,819	23.0	11,082,260	24.0	92,937,695	48.1	1,621,070	4.2	
1942	209	3,750,000	7.4	149,455	0.4	3,339,786	6.1	1,228,601	2.2	650,190	1.0	34,018,774	80.0	50,536,786	11,156,137	22.0	11,241,969	22.0	206,557,772	82.5	1,601,070	4.2	
1943	187	3,750,000	6.7	151,958	0.4	3,574,106	7.1	1,164,439	2.2	1,099,247	1.1	34,018,774	80.0	50,536,786	11,156,137	22.0	11,241,969	22.0	37,707,892	49.5	1,601,070	4.2	
1944	187	3,750,000	6.0	151,804	0.4	2,610,319	10.4	1,425,117	2.3	1,279,144	2.1	2,495,518	79.0	62,631,842	15,507,757	24.7	14,832,180	23.0	63,400,360	48.7	1,601,070	4.2	

* From 1940 includes Treasury deposit receipts.

THE CLYDESDALE BANK LIMITED

Year Ended Dec. 31	No. of Offices open at dates stated	LIABILITIES										Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Invest- ments and Money at Call	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sund- ries, incl. Cover for Accept- ances	Per Cent.
1933.	202	2,900,000	7-6	251,737	0-7	2,668,381	7-0	788,922	2-1	31,280,777	82-6	37,889,817	4,590,275	12-1	18,509,425	48-9	13,345,184	35-2	1,444,933	3-8
1934.	205	2,900,000	7-6	259,132	0-7	2,730,748	7-1	834,968	2-2	31,496,403	82-4	38,221,251	5,335,709	13-9	18,452,700	48-3	12,946,409	33-9	1,486,433	3-9
1935.	207	2,950,000	7-1	263,605	0-6	2,818,695	6-8	962,517	2-3	34,520,116	83-2	41,514,931	6,434,561	15-5	20,489,049	49-4	12,978,500	31-2	1,612,823	3-9
1936.	207	3,000,000	7-1	263,605	0-6	3,002,690	7-2	942,566	2-3	34,893,533	82-9	42,102,312	6,733,530	15-9	20,879,924	49-6	12,909,012	30-7	1,579,847	3-1
1937.	207	3,050,000	6-9	247,173	0-6	2,900,981	6-5	755,725	1-7	37,401,462	84-3	43,555,341	6,094,744	13-7	23,340,960	52-6	13,537,570	30-6	1,382,167	3-0
1938.	208	3,100,000	7-2	245,914	0-6	3,013,187	7-0	1,101,844	2-6	35,645,422	82-6	43,106,367	6,255,779	14-5	21,576,190	50-0	13,559,651	31-6	1,741,747	4-0
1939.	205	3,150,000	6-8	225,604	0-5	3,279,641	7-1	1,273,087	2-7	38,165,832	82-2	46,092,164	7,629,129	16-6	22,169,034	48-1	14,419,559	31-3	1,874,441	4-0
1940.	200	3,200,000	6-2	207,668	0-4	3,546,373	6-8	1,400,125	2-7	43,552,521	83-9	51,906,687	12,343,355	23-8	22,463,921	43-2	15,178,150	29-2	1,985,251	3-9
1941.	192	3,250,000	5-2	189,394	0-3	4,418,270	7-1	1,756,303	2-8	52,662,532	84-6	62,277,039	12,403,395	20-0	30,466,768	48-2	17,500,643	28-1	2,326,231	3-7
1942.	187	3,300,000	5-2	197,879	0-3	5,671,303	8-1	1,085,532	1-7	53,305,685	84-0	63,450,176	11,919,446	18-8	32,327,737	50-9	17,577,155	27-7	1,635,838	3-4
1943.	175	3,550,000	4-8	211,541	0-3	3,363,777	9-1	787,332	1-1	59,146,195	84-7	69,858,845	15,135,622	21-6	36,223,239	51-9	17,179,635	24-6	2,300,349	3-4

BANK OF IRELAND

Year ended Dec. 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Balance of Profit and Loss	Per Cent.	Notes	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.
1933...	104	5,949,231	13.2	258,150	0.6	1,857,639	4.1	45,106,975	2,064,495	4.6	3,114,287	6.9	25,052,736	55.5
1934...	104	5,949,231	13.2	260,219	0.6	1,870,433	4.2	44,749,009	2,118,994	4.7	3,136,027	7.1	24,518,445	54.4
1935...	104	5,949,231	13.3	247,736	0.6	1,949,608	4.4	44,605,792	2,586,918	5.8	2,837,133	6.4	24,333,091	54.5
1936...	104	5,949,231	13.2	261,932	0.6	1,965,762	4.3	45,160,448	2,531,949	5.6	2,879,540	6.4	24,339,968	54.5
1937...	104	5,949,231	13.4	287,950	0.6	2,039,782	4.6	44,295,444	3,004,147	6.8	2,559,633	5.8	23,699,773	53.5
1938...	104	5,949,231	13.8	303,040	0.7	2,096,760	4.9	43,106,916	3,125,119	7.2	2,454,650	5.6	23,127,141	52.5
1939...	100	5,949,231	13.0	287,307	0.6	2,432,538	5.3	45,821,451	2,820,573	6.2	2,529,226	5.5	21,071,530	48.9
1940...	100	5,949,231	11.4	278,300	0.5	3,356,925	6.4	52,239,897	2,874,568	5.5	2,486,040	4.3	25,038,467	47.9
1941...	98	5,949,231	9.9	271,614	0.4	4,579,155	7.6	60,381,763	2,463,214	4.1	9,599,648	15.9	31,851,897	52.8
1942...	98	5,949,231	9.9	278,542	0.5	5,360,162	8.9	60,210,628	2,480,608	4.1	8,943,615	14.9	31,219,965	51.8
1943...	98	5,949,231	9.3	291,588	0.5	4,297,829	6.7	64,017,062	4,892,280	7.7	6,427,672	10.0	36,598,639	57.2

* Includes acceptances.

THE HIBERNIAN BANK, LIMITED

Year ended June 30	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes in Circulation	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Discounts, Loans and Advances	Per Cent.
1934...	58	1,160,000	9.1	62,811	0.5	507,469	4.0	11,073,651	86.4	12.809,789	987,177	7.6	5,535,868	43.3
1935...	58	1,180,000	9.4	58,189	0.5	509,412	4.0	10,873,322	86.1	12,626,135	1,219,456	9.6	5,502,136	42.4
1936...	58	1,200,000	9.6	55,417	0.4	506,602	4.0	10,747,835	86.0	12,512,973	889,284	7.6	5,302,136	42.4
1937...	58	1,210,000	9.6	59,882	0.5	498,925	4.0	10,800,344	85.9	12,574,252	881,914	7.6	5,309,484	42.2
1938...	58	1,230,000	10.3	57,455	0.5	501,868	4.2	10,147,430	85.0	11,941,545	1,054,510	8.0	4,574,383	38.3
1939...	56	1,240,000	10.1	56,129	0.5	504,318	4.1	10,486,897	85.3	12,292,060	1,085,135	8.8	4,910,902	40.0
1940...	56	1,240,000	9.9	62,232	0.5	498,937	4.0	10,690,309	85.6	12,495,893	1,166,060	9.3	5,031,488	40.3
1941...	56	1,240,000	9.8	60,108	0.5	503,549	4.0	10,816,788	85.9	12,624,091	1,171,084	10.2	4,702,424	37.2
1942...	56	1,240,000	9.1	57,551	0.4	519,104	4.7	11,877,848	86.8	13,694,503	1,934,891	14.0	6,012,868	43.9
1943...	56	1,250,000	8.3	52,831	0.4	523,002	4.5	13,276,927	87.8	15,102,760	2,323,435	15.4	7,632,046	50.5
1943...	59	1,250,000	7.5	63,977	0.4	449,787	2.7	14,793,856	89.4	16,556,720	2,104,215	12.7	9,788,548	59.0

† December 31.

MUNSTER AND LEINSTER BANK, LIMITED

Year ended June 30	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Deposit and Current Accounts, Rebate, etc.	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.
1934...	205	1,750,000	6.5	89,703	0.3	25,367,075	93.2	27,204,378	1,137,418	4.2	1,300,000	4.8	12,377,818	45.5
1935...	206	1,750,000	6.5	88,494	0.3	24,967,059	93.2	26,805,553	1,411,454	5.2	1,500,000	5.6	11,735,297	44.0
1936...	207	1,750,000	6.5	88,257	0.3	24,867,712	93.2	26,705,969	1,163,675	4.4	1,500,000	5.6	12,492,489	46.1
1937...	215	1,750,000	6.8	88,555	0.3	25,075,971	93.2	26,914,626	1,158,155	4.3	1,210,000	4.1	12,910,438	48.0
1938...	214	1,750,000	6.8	90,218	0.3	23,947,143	92.9	25,787,361	1,255,761	4.9	800,000	3.1	12,007,991	46.6
1939...	209	1,750,000	6.5	86,710	0.3	24,988,301	93.2	26,825,011	1,423,010	5.3	1,000,000	3.7	12,446,508	46.4
1940...	205	1,750,000	6.4	83,145	0.3	25,421,628	93.3	27,254,773	2,101,444	7.7	1,000,000	3.7	11,994,906	44.0
1941...	205	1,750,000	6.2	77,570	0.3	26,592,341	93.5	28,419,911	2,964,489	10.4	1,000,000	3.5	11,968,247	42.1
1942...	205	1,750,000	5.7	70,608	0.3	28,983,630	94.1	30,804,238	3,173,161	10.3	900,000	2.9	14,459,474	47.7
1943...	206	1,750,000	4.7	75,256	0.2	35,125,959	95.1	36,952,255	3,537,807	9.6	1,800,000	4.9	18,740,634	50.7
1943...	206	1,750,000	4.0	78,789	0.2	41,496,305	95.8	43,325,094	3,882,897	9.0	3,800,000	8.8	22,463,861	51.8

† December 31.

† Includes note circulation.

THE NATIONAL BANK, LIMITED

Year ended June 30	Number of Offices	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.
1934...	273	2,560,000	6.0	1,297,922	3.1	126,562	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1935...	272	2,580,000	6.2	1,314,030	3.1	126,808	0.3	41,932,851	4,658,014	11.1	3,444,381	8.2	16,114,501	36.4
1936...	272	2,580,000	6.2	1,318,533	3.1	126,808	0.3	41,932,851	4,658,014	11.1	3,444,381	8.2	16,114,501	36.4
1937...	272	2,620,000	6.2	1,342,039	3.2	126,808	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1938...	274	2,640,000	6.3	1,333,410	3.2	126,808	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1939...	274	2,660,000	6.3	1,363,200	3.4	126,808	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1940...	270	2,680,000	6.3	1,350,064	3.3	126,808	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1941...	264	2,680,000	6.3	1,352,410	3.3	126,808	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1942...	264	2,670,000	6.3	1,351,193	3.1	126,808	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1943...	264	2,690,000	6.3	1,351,193	3.1	126,808	0.3	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9

* From 1940 includes Treasury deposit receipts.

† Includes Treasury Bills.

NORTHERN BANK, LIMITED

Year ended Dec. 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.
1932...	93	1,200,000	6.8	50,058	0.3	1,163,167	6.6	17,715,905	2,387,521	13.5	5,599,330	31.6	9,336,650	52.7
1933...	93	1,200,000	7.0	53,317	0.4	1,155,507	6.7	17,118,600	1,770,517	10.3	5,187,385	30.3	8,719,165	51.0
1934...	93	1,200,000	7.2	58,141	0.4	1,183,272	7.2	16,601,818	1,648,415	9.9	5,913,649	35.6	8,617,439	52.0
1935...	93	1,200,000	7.4	64,352	0.4	1,237,468	7.1	16,099,535	1,857,438	10.9	5,557,530	34.4	8,271,320	48.3
1936...	93	1,200,000	7.2	66,665	0.4	1,188,210	7.1	16,644,029	1,635,218	9.9	5,524,530	32.2	8,039,011	48.2
1937...	93	1,200,000	7.3	68,738	0.4	1,242,957	7.6	16,329,573	1,561,142	9.6	5,137,738	31.6	8,181,616	50.2
1938...	93	1,200,000	7.3	69,473	0.4	1,218,567	7.1	16,356,244	1,749,006	10.7	5,933,505	36.3	8,110,741	49.8
1939...	93	1,200,000	7.1	69,908	0.4	1,467,652	8.6	16,278,220	2,696,497	15.9	5,697,548	33.4	8,139,724	47.8
1940...	93	1,200,000	6.8	70,086	0.4	2,029,292	11.1	16,278,220	3,034,618	18.6	7,029,877	38.4	7,766,030	42.5
1941...	93	1,200,000	5.3	70,568	0.3	2,750,010	12.0	16,278,220	5,163,607	22.4	10,414,457	45.2	6,996,238	30.4
1942...	93	1,200,000	4.6	73,826	0.3	3,395,539	12.9	16,278,220	6,736,834	25.7	12,196,522	46.6	6,897,099	26.7
1943...	93	1,200,000	4.1	79,384	0.3	3,932,614	13.7	16,278,220	8,004,732	27.2	13,811,191	46.8	17,256,694	24.7

* Excluding agencies.

† Includes cover for acceptances.

† Includes British Government Treasury Bills.

PROVINCIAL BANK OF IRELAND, LIMITED

PROVINCIAL BANK OF CANADA										ASSETS											
LIABILITIES										Total Liabilities or Assets											
Year ended Dec. 31	Number of Branches	Capital and Reserves		Un-divided Profits		Notes		Deposit and Current Accounts			Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances including Treasury Bills		Per Cent.	Premises	
		£	Per Cent.	£	Per Cent.	£	Per Cent.	£	Per Cent.	£							Per Cent.	£		Per Cent.	£
1935	135	1,025,000	6.2	59,704	0.4	934,974	5.6	14,603,556	87.8	16,623,234	532,875	3.2	914,000	5.5	8,089,134	48.7	6,872,579	41.3	214,646	1.3	
1934	130	1,035,000	6.0	59,698	0.3	942,410	5.5	15,118,882	87.2	17,155,834	522,856	3.0	1,200,000	7.0	8,427,862	49.1	7,782,211	39.6	222,845	1.3	
1933	130	1,035,000	6.0	59,698	0.3	942,410	5.5	15,118,882	87.2	17,155,834	604,448	3.5	1,290,000	89.6	8,658,897	50.4	7,941,503	34	241,732	1.3	
1932	127	1,045,000	6.1	58,981	0.3	994,431	5.8	15,100,324	87.7	17,464,415	716,445	4.1	1,050,000	6.0	8,460,644	48.5	7,043,549	40.1	193,776	1.1	
1931	128	1,055,000	6.0	61,784	0.4	1,037,107	5.6	14,700,603	87.3	16,846,741	931,129	5.5	1,000,000	5.9	7,463,753	44.3	7,256,766	43.1	195,093	1.2	
1930	128	1,065,000	6.3	64,639	0.4	1,016,292	6.5	14,414,769	86.6	16,627,689	1,099,556	6.6	915,000	3.1	7,506,619	45.1	7,297,507	43.9	208,807	1.3	
1929	121	1,075,000	6.5	62,958	0.4	1,074,762	6.7	15,133,472	86.8	17,444,900	2,268,620	13.0	...	...	7,482,605	42.9	7,478,636	42.9	214,146	1.2	
1928	120	1,080,000	6.2	60,403	0.3	1,170,132	6.5	16,668,495	87.2	18,000,855	3,036,712	15.9	...	...	8,926,105	46.7	9,915,075	36.2	222,963	1.2	
1927	120	1,080,000	5.7	60,403	0.3	1,295,145	6.8	16,668,495	87.2	18,000,855	3,036,712	15.9	...	...	8,926,105	46.7	9,915,075	36.2	222,963	1.2	
1926	120	1,080,000	5.7	57,215	0.3	1,586,118	7.8	17,420,719	87.2	19,511,331	3,168,339	8.0	1,050,000	5.2	10,624,776	52.8	6,534,273	32.9	224,346	1.1	
1925	117	1,085,000	4.6	59,701	0.3	1,880,734	7.9	20,489,362	87.2	22,535,317	3,601,842	7.0	1,364,775	5.9	11,340,405	50.5	7,346,046	29.5	203,380	0.9	
1924	115	1,090,000	4.6	55,217	0.3	1,880,734	7.9	20,489,362	87.2	22,535,317	3,601,842	7.0	1,364,775	5.9	11,340,405	50.5	7,346,046	29.5	203,380	0.9	
1923	115	1,100,000	4.2	56,794	0.2	2,246,918	8.4	23,135,655	87.1	25,371,367	4,227,322	9.5	650,000	2.6	15,809,161	59.5	7,346,046	27.7	204,837	0.8	

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

1	2	3	4		5	6	7	8	
Name of Bank	Date	No. of Branches and Sub-branches	Capital Subscribed	Uncalled Capital		Capital Paid-up	Reserve Fund	Un-divided Profit	Notes in Circulation
				Callable	Reserved				
			£	£	£	£	£	£	£
Bank of Br. West Africa, Ltd.	Mar. 31, '44	30	3,000,000	300,000	1,500,000	1,200,000	500,000	85,838	...
Barclays Bank (Dominion, Colonial and Overseas) . . .	Mar. 31, '44	504	6,975,500	2,000,000	3,024,500	4,975,500	3,600,000	...	823,418
Standard Bk. of S. Africa, Ltd.	Mar. 31, '44	397	10,000,000	7,500,000	Nil	2,500,000	3,000,000	566,187	416,604
Total		931	19,975,500	9,800,000	4,524,000	8,675,500	7,100,000	652,025	1,240,022

				Cash & Notes in Hand and at Bankers	Money at Call and Remittances in Transit				
365,968	15,397,717	216,632,279	239,702,952	6,985,122	33,664,505	164,587,872	...	32,612,788	1,852,665
...	89,037	8,496,997	10,445,598	3,508,133	747,888	2,015,256	...	3,699,421	474,900
002,685	2,784,274	56,106,502	74,244,914	7,366,836	...	29,368,624	...	33,719,715	3,789,739
...	5,436,934	132,166,434	149,931,010	15,691,780	...	61,825,484	...	63,461,797	8,951,949
8,346	4,713,595	40,594,201	53,702,716	9,873,340	2,403,098	22,272,115	627,410	17,301,046	1,225,707
...	7,043	42,769,254	48,052,546	4,028,545	1,325,113	21,680,242	...	20,015,086	1,003,560
...	173,543	55,779,627	63,435,654	4,841,389	1,652,702	26,467,338	...	29,223,348	1,250,877
...	400,098	54,356,988	63,344,321	6,710,358	1,325,000	25,988,460	...	28,539,504	780,999
...	358,206	52,867,232	60,121,928	4,928,774	300,000	27,233,293	...	26,311,175	1,348,686
...	1,589,071	21,723,116	26,960,909	7,582,522	451,055	6,801,468	...	11,515,437	610,427
...	6,754	14,094,097	18,612,863	2,789,341	41,860	8,099,467	...	7,146,430	535,765
189,038	8,075	61,567,157	74,886,199	6,440,785	1,437,415	29,483,766	...	32,655,475	4,868,758
200,069	15,566,630	540,521,605	643,738,658	73,761,803	9,684,131	261,235,513	627,410	273,588,434	24,841,367

CANADIAN BANKS											
413,769 747,652	579,409 234,914	241,174,958 85,350,785	262,612,931 98,639,166	42,745,054 23,213,486	4,407,396 1,748,114	159,969,584 42,077,274	...	48,788,846 25,277,876	6,702,051 6,322,416	Bank of Montreal. Bk. of Nova Scotia, Canadian Bank of Commerce.	
659,410 056,091	...	182,775,879 40,179,280	200,636,709 44,768,920	33,111,834 8,254,774	5,487,039 1,111,570	104,193,203 20,983,729	...	48,185,249 12,318,250	9,659,384 2,100,597	Dominion Bank.	
027,007	366,222	279,978,239	301,819,514	64,645,197	9,338,442	146,957,049	...	70,158,744	10,720,082	Royal Bk. Canada.	
903,929	1,276,496	829,459,141	908,477,240	171,970,345	22,092,561	474,180,839	...	204,728,965	35,504,530	Total.	

CANADIAN BANKS

Bank of Montreal.....	Oct. 31, '43	468	7,200,000	Nil	3,240,000	7,200,000	7,800,000	486,667	1,958,128
Bank of Nova Scotia	Dec. 31, '43	276	2,400,000	Nil	1,080,000	2,400,000	4,800,000	328,631	777,184
Canadian Bank of Commerce	Oct. 30, '43	517	6,000,000	Nil	2,100,000	6,000,000	4,000,000	316,838	1,884,582
Dominion Bank	Oct. 30, '43	121	1,400,000	Nil	1,120,000	1,400,000	1,400,000	221,408	416,190
Royal Bank of Canada.....	Nov. 30, '43	652	7,000,000	Nil	5,250,000	7,000,000	4,000,000	877,776	2,570,270
Total		2,034	24,000,000	Nil	12,790,000	24,000,000	22,000,000	2,231,320	7,606,354

(Converted at rate of \$5 to £1).

INDIAN BANKS

Chartered Bank of India, Australia and China	Dec. 31, '43	14	3,000,000	Nil	3,000,000	3,000,000	3,000,000	596,372	1,499,651
Eastern Bank, Ltd.	Dec. 31, '43	10	2,000,000	Nil	1,000,000	1,000,000	600,000	109,171	...
Mercantile Bk. of India, Ltd. } Do. " B " Shares } Do. " C " Shares }	Dec. 31, '43	13	{ 750,000 750,000 1,500,000	{ 187,500 187,500 ...	{ 187,500 187,500 Nil	{ 1,050,000 1,075,000		216,924	214,391
National Bank of India, Ltd.	Dec. 31, '43	29	4,000,000	2,000,000	Nil	2,000,000	2,200,000	569,911	...
Total		66	12,000,000	2,275,000	4,375,000	7,050,000	6,875,000	1,492,378	1,714,042

22,037	1,087,936	78,712,262	88,918,258	13,818,738	...	40,390,756	2,179,404	20,338,842	12,190,518	Chartered Bank of India, Australia and China. Eastern Bank, Ltd. Mercantile Bank of India, Ltd. Do. "B" Shares. Do. "C" Shares. Nat. Bank of India,
398,413	37,815	22,885,363	25,030,762	6,561,298	...	14,174,746	1,674,122	1,950,185	670,411	
572,033	43,579	27,126,555	30,298,482	6,244,659	...	15,873,887	1,204,372	5,759,025	1,216,539	
559,272	...	56,138,175	61,867,358	21,276,501	...	22,928,592	10,267,437	6,683,570	711,258	
551,755	1,169,330	184,862,355	206,114,860	47,901,196	...	93,367,981	15,325,335	34,731,622	14,788,726	
Total.										

DOMINION BANKING STATISTICS

CANADA
BANK OF CANADA (\$ millions)

[illegible]

In May, 1940, under the Foreign Exchange Acquisition Order, the Bank's gold and most of its foreign exchange holdings were sold to the Foreign Exchange Control Board in return for Government securities.

CHARTERED BANKS (\$ millions)

	Deposits	Cash	% of Deposits	Dom. & Prov. Securities	% of Deposits	Current Loans to Public	Total Loans†	% of Deposits
1929.....	2,837	212	7·5	342	12·1	1,343	2,271	80·0
1935.....	2,476	216	8·7	861	34·8	829	1,263	51·0
1939.....	3,144	268	8·5	1,234	39·2	855	1,235	39·3
1940.....	3,250	287	8·8	1,311	40·3	969	1,317	40·6
1941.....	3,527	308	8·7	1,483	42·0	1,091	1,397	39·6
1942.....	3,905	340	8·7	1,807	46·3	1,075	1,367	35·0
1943.....	4,679	413	8·8	2,405	51·3	1,053	1,333	28·5
End of 1943.—								
March.....	4,443	370	8·3	2,372	53·4	936	1,220	27·5
June.....	4,754	415	8·7	2,371	49·8	1,148	1,427	30·0
Sept.....	4,786	420	8·8	2,563	53·6	989	1,246	26·1
Dec.....	5,149	463	9·0	2,627	50·9	1,104	1,401	27·2
1944.—								
March.....	5,140	459	8·9	2,806	54·5	931	1,229	23·8
June.....	5,753	518	9·0	2,982	51·8	1,061	1,385	24·1

* Average of month-end figures. † Excluding non-current loans and mortgages.

SOUTH AFRICA
RESERVE BANK. (£000)

March 31st	Notes in Circulation	Deposits			Reserve	Foreign Bills Discounted
		Banks	Govt.	Other		
1936	14,627	27,089	5,658	2,563	29,398	5,203
1937	16,398	22,881	4,830	3,540	28,346	5,592
1938	17,396	17,573	1,577	2,720	23,513	5,852
1939	18,577	18,817	6,438	2,713	26,813	7,592
1940	20,416	25,153	10,506	3,464	32,980	8,236
1941	24,574	44,520	7,861	5,088	48,189	7,119
1942	30,738	50,177	18,178	6,027	48,154	6,043
1943	41,432	90,728	14,343	5,661	65,980	9,241
1944	51,323	124,804	13,121	4,391	88,575	22,531

COMMERCIAL BANKS
(Position in the Union) (£000)

	Deposits	Cash	% of Deposits	Investments	% of Deposits	Discounts and Advances	% of Deposits
End of							
1937 ..	93,497	20,480	22	12,199	13	58,793	63
1938 ..	98,983	28,463	29	15,858	16	52,945	53
1939 ..	100,441	27,894	28	16,997	17	54,333	54
1940 ..	124,796	49,422	39	31,676	26	42,572	34
1941 ..	147,292	55,105	37	49,115	33	43,307	29
1942 ..	197,068	104,018	53	53,189	27	38,402	19
1943 ..							
March ..	197,702	96,281	49	66,100	33	38,365	18
June ..	216,489	114,752	53	64,181	30	35,751	17
Sept. ..	220,744	119,754	54	64,237	29	37,870	17
Dec. ..	234,026	131,362	56	63,752	27	39,082	17

AUSTRALIA (£A millions)

[illegible]

* Notes in hands of public for the same periods were £A 86.7 millions, £A 125.6 millions, £A 123.4 millions, and £A 172.0 millions respectively.

\$ Including banks special wartime deposits with Commonwealth Bank in terms of National Security (Wartime Banking Control) Regulations.

NEW ZEALAND
RESERVE BANK (£NZ millions)

	1941 Average	1942 Average	1943 Average	1943 End May	1944 End May
Note Circulation	17.4	21.5	27.6	27.4	31.9
Deposits	21.6	32.2	43.5	50.4	50.5
Cash Reserves	18.9	22.3	30.0	29.6*	30.5
Investments	3.8	4.2	5.0	10.5	11.7
Advances	21.9	29.9	37.3	42.7	43.1

* Gold (£NZ 2.8 millions) and sterling exchange.

TRADING BANKS

Deposits	81.5	92.2	107.6	112.2	119.9
Cash Reserves	17.7	23.8	32.9	37.7	42.9
Investments	21.0	28.1	37.7	37.7	38.6
Advances	49.7	45.1	43.0	41.7	45.4
% of Deposits	61.0	48.9	40.0	37.2	37.9
Net Overseas Assets	12.0†	13.3	11.3	11.9	11.3

† End December.

**BANKS WITH LONDON OFFICES AND BRITISH BANKS
TRADING ABROAD**

LIABILITIES **ANGLO-PALESTINE BANK, LIMITED**

December 31	LIABILITIES					ASSETS					
	Capital and Reserves	Bills Payable	Current, Deposit and Other Accounts	Guarantees, Endorsements and other Engagements		Cash in Hand and at Bankers	Balances with Banking Correspondents	Bills Discounted	Investments*	Advances, etc.	Premises
1939.....	1,079,497	295,673	7,360,575	619,252		1,057,873	285,923	483,170	3,175,438	4,133,580	219,761
1940.....	1,079,497	386,138	7,184,112	750,904		2,848,688	387,972	450,274	1,118,276	3,613,503	234,732
1941.....	1,079,498	318,671	9,111,574	1,786,489		2,900,025	647,670	2,610,967	4,698,853	3,048,376	231,062
1942.....	1,079,498	...	14,107,833	810,812		6,145,924	400,387	426,753	4,696,412	3,144,025	171,332
1943.....	1,079,498	...	25,446,016	1,053,343		10,449,838	488,117	266,567	12,330,519	...	169,832

* Including investments in subsidiaries.

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

January 31	ASSETS									
	Capital and Reserves	Current Deposits and Other Accounts	Acceptances and Commercial Credits	Cash at Bankers, In Hand and at Call	Balances with Banks abroad	Bills Discounted	British Government Treasury Bills	Investments	Advances etc.	Customers' Liability on Acceptances
1940	1,050,000	1,238,016	645,920	52,906	65,881	*674,443	£	384,196	624,486	645,920
1941	1,050,000	1,620,548	524,181	0,932	29,892	188,977	730,000	416,112	219,960	524,181
1942	1,050,000	2,352,861	286,040	1,245,542	14,979	64,916	1,045,000	699,525	303,340	286,040
1943	1,050,000	1,905,761	401,165	8,890	3,984	120,315	835,000	1,006,631	141,850	401,165
1944	1,050,000	2,411,763	187,207	9,419	5,545	125,780	1,005,000	1,060,465	331,980	187,207

* Including British Government Treasury Bills.

* Including British Government Treasury Bills.

BANK OF AMERICA
N.T. & S.A.

December 31	Liabilities		Deposits	ASSETS				
	Capital, Surplus, and Reserves	Liabilities to Customers of Credit, etc.		Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.
1939.....	\$ 118,853,365	\$ 18,815,872	\$ 1,482,791,676	\$ 248,265,914	\$ 801,478,671	\$ 2,790,000	\$ 711,054,697	\$ 31,530,765
1940.....	156,337,691	16,605,640	1,632,228,397	308,355,705	684,956,296	3,720,000	778,295,100	32,088,972
1941.....	160,378,646	14,211,905	1,908,383,921	429,065,787	689,393,909	3,720,000	914,589,953	31,857,940
1942.....	160,402,363	16,812,502	2,586,140,699	605,041,385	1,282,029,443	3,720,000	848,205,671	30,956,358
1943.....	166,384,995	21,228,217	3,498,153,209	732,032,645	2,091,712,722	3,720,000	1,066,662,642	25,883,705