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# The South African BANKERS' JOURNAL

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April, 1950

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*Contents include :*

A REVIEW OF THE SOUTH AFRICAN  
CANNING INDUSTRY—1.

W. S. Parker, B.A. (Cantab.)

BRIEF REVIEW OF ECONOMIC CONDITIONS  
IN THE UNION IN 1949

Dr. T. W. de Jongh

FINANCE AND BANKING IN BRITAIN

W. T. C. King

REPORT OF THE ANNUAL GENERAL MEETING  
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## A REVIEW OF THE SOUTH AFRICAN CANNING INDUSTRY—I.

By W. S. PARKER, *B.A.(Cantab.)*

**T**HE rapid growth of the secondary industries of the Union in the past decade, based largely on the existence of an extensive and protected wartime market, gave rise to problems of adjustment to the conditions of to-day which are now the earnest concern of many manufacturers.

The re-emergence of sales competition on the world's markets has proved to some industrialists that their products are fully competitive wherever offered, while others have been able to maintain more limited sales within the Union, assisted by existing tariff barriers to imports as well as by the added cost of shipping ; others, however, have found that the high standards of the quality and lower prices of many overseas products have endangered their markets. In addition, as a result of the rapid changes which have taken place in the constitution of the market for South African industrial products—for example, the decline in consumption by the armed forces, and the virtual cessation of contract-buying by the United Kingdom Government—many sections of industry have been thrown out of balance, and the need to concentrate on new products has been added to the need to find new sales outlets.

These are problems relating to the Union's secondary industry as a whole ; they are also related, to a greater or lesser extent, to the South African canning industry which typifies, in the vigour and speed of its growth as well as the new importance it has assumed in the economy, the pattern of secondary development in this country in the past ten years.

Long-established in the Cape on a relatively small scale, the canning industry responded swiftly to the stimulus of the great wartime demand and the Union has now an annual exportable surplus of canned goods. On the profitable disposal of this surplus depends the livelihood of a considerable number of workers and the success of the investment of large resources of capital, as well as the prosperity of the fruit growers and fisheries, now closely associated with the canneries.



The progress of the industry has been so swift, however, and the development so widespread that inevitably doubts have been engendered as to the soundness of all branches of this growth. It has been contended, for example, that the quality of many South African canned products cannot compete fully with the American or Norwegian counterpart; and again, that the high price relationship established in this country between the canneries and the fruit farmers with regard to the price of canning fruit both raises the price of fresh fruit to local consumers and at the same time tends to make the selling price of South African canned goods uncompetitive. It is not, unfortunately, possible to resolve these contentions fully, since recent statistical and other data relating to the industry are not comprehensive; an attempt will be made in this article, however, to measure the growth of the industry up to 1946, and to describe the phenomenal expansion which took place during the war years, when competitive marketing factors were subordinated to the need for meeting wartime demands and when, in addition, canners and fruit growers in the Union were considerably less handicapped by circumstances than were their counterparts in other countries. It will then be possible to assess the main requirements at that time of successful adaptation to post-war conditions, although it will not be possible to gauge accurately to what extent these requirements are being fulfilled.

For the purpose of this survey the South African Canning Industry has been divided into two main groups, the Fruit, Jam and Vegetable canning section and the Fish and Fish-Product Canning section. Insufficient data are available to allow a survey to be made of the canning of meat and other foods in the Union, but the production of this section is of relatively small importance when compared with the output of the main sections of the industry.

#### FRUIT, JAM AND VEGETABLE CANNING SECTION.

##### History 1928/29 to 1945/46.

During the ten years preceding the war this section of the canning industry made steady progress but remained on a relatively small scale. Production was concentrated in a few factories, the main products being canned fruits, jams, jellies and marmalades, canned green peas, baked beans, tomato products and soups.

Over this period the number of factories in operation showed only a small increase, but existing establishments added considerably to their plant and equipment; output increased by 80 per cent in value while expenditure on South African materials rose by 65 per cent. By contrast, in the following seven years, which included the years of the war, the gross value of the output increased by 517 per cent, while restrictions on imports of raw materials led to a substantial increase, of 726 per cent, in the value of South African materials used. The rise in the output of jams, jellies and marmalade accounted for a substantial part of this overall increase in production, but a further major contributing factor was the output of canned vegetables which, in response to the special demand, showed a rise of 540 per cent during the years 1938/39 to 1944/45.



The labour force needed to sustain this wartime increase in production was drawn mainly from non-European sources, the ratio of non-Europeans to Europeans employed changing from 4·7 to 1 in 1928/29 to 3·2 to 1 in 1938/39 and 8·3 to 1 in 1944/45.

The growing significance of this section of the industry as an employer of labour, particularly of non-Europeans, is illustrated in the following short table :—

EMPLOYMENT STATISTICS.

Year.	Number of Employees.				
	Europeans.		Non-Europeans.		Total.
	Male.	Female.	Male.	Female.	
1928/29 .. ..	105	53	467	296	921
1938/39 .. ..	236	118	623	500	1,477
1944/45 .. ..	683	160	3,909	3,065	7,817

Almost £1 million was paid in wages to these employees in 1944/45, two-thirds to non-European workers. The total wage bill in 1938/39 amounted to £130,091, of which £61,560 was paid to non-Europeans.

A few more figures are needed to supplement this outline: the number of factories engaged in fruit, jam and vegetable canning in the Union rose from 10 in 1929 to 12 in 1939; then followed the rapid wartime expansion, twenty-one factories being in operation in 1945. By 1949 this total had risen to approximately thirty-six. The rise in the value of goods produced showed a similar trend, amounting to £517,662 in 1929, £933,187 in 1939, and then rising sharply to £5,756,666, or more than six times the pre-war total, in 1945.

Since the war the industry has continued to expand, assisted by abnormal conditions of demand for foodstuffs on the overseas markets, and present day production exceeds 200,000,000 pounds of fruit, jams and vegetables per annum, a 500 per cent increase over the past nine years.

Approximately 22 factories, apart from meat and fish canneries, are engaged in the industry in the Cape Province, eleven in the Transvaal and three in Natal; the Cape industry is almost wholly situated within a distance of ninety miles from Cape Town, in the main fruit growing districts, while in the Transvaal the factories are close to the extensive market of the Reef. About 25 per cent are operated by proprietary companies, the remainder being public companies.

The majority of the concerns included in the total are members of the South African Food Canners' Council Incorporated, an organisation which represents the industry and maintains broad supervision over the marketing policy for South African canned products.

#### THE MARKET AND MARKETING PROSPECTS.

During the years 1939/48 the abnormal demand for all the products of the South African canning industry gave rise to a degree of expansion which would normally have taken many years to achieve. The task facing the industry is to maintain and, if possible, to expand this high level of production in the face of the disappearance of the special condi-



tions prevailing during the war and the immediate post-war years, and the return of competition from foreign producers. In this regard it must also be remembered that the protection afforded by tariffs imposed on imported canned goods, the shelter of import controls as well as the natural protection enjoyed by producers by virtue of their distance from overseas exporting countries have further facilitated the growth of the industry, although their remoteness from foreign markets has, in turn, handicapped South African exporters.

The main outlets for South African canned produce during the past ten years have been (a) the local market ; (b) the Union Department of Defence ; (c) the British Ministry of Food ; (d) Union Government Contracts ; (e) Commercial exports and Ships' stores.

The second and third of these outlets were largely responsible for of wartime development of the industry. In the case of the Union Department of Defence purchases declined sharply at the end of the war, while consumption under Union Government contracts has increased little compared with pre-war years and is, at most, likely to remain constant.

During the war approximately 80 per cent of the Union's production of canned goods was purchased outright by the British Ministry of Food and purchases were necessarily without close regard to standards of quality ; an extension of this "easy" market was temporarily assured by the terms of the recent South African gold loan agreement with the United Kingdom, which provided for the purchase of South African canned goods, including fish, to the value of about £3,000,000 annually. This agreement has fallen away and bulk purchases are now made on an *ad hoc* basis ; the revival of British home production and of the industries of other producing countries have, moreover, re-introduced a competitive element into the United Kingdom market, and the increasingly stringent requirements as to quality and price demanded by the British Ministry of Food are characteristic of the attitude of foreign commercial buyers generally.

#### SPECIAL MARKET FACTORS.

In addition to the return of competitive conditions generally the following special factors relate to the marketing of individual South African canned products :—

##### (a) *Canned Vegetables.*

The rapid expansion of production during the war was due in the main to the demand by the armed forces for canned root crops such as potatoes, carrots and beetroot, and for meat and vegetable rations. The market for these products in peace-time is limited ; on the other hand, demand remains strong for canned green peas, baked beans, mixed vegetables, tomato puree, sweetcorn and soups. Limitations on the production of the latter goods are imposed by the need for specialised machinery (for example, in processing green peas) and by the scarcity of supplies of raw materials ; but the demand exists, and subject to the producers' ability to maintain a uniform and consistently good quality of product and a competitive level of prices, this branch of the industry has an assured market. It must be stressed, however, that the quality of the product offered on the home market is as important in the long run as that of the goods produced for export.



(b) *Canned Fruit.*

The pre-war market lay mainly in the United Kingdom and within the Union. During the war exports to the forces were extensively developed since official allocations of then scarce tin cans for the packing of this product were made in proportion to the quantity exported. The limitation to further expansion is again the scarcity of supplies of suitable canning fruits, the maximum potential output of canned fruits being approximately 30,000,000 pounds, all of which could probably be absorbed on the local market.

(c) *Jams.*

A similar scarcity of fruit suitable for the manufacture of high grade jams exists, and since 1939 exports have included large quantities of melon and plum jams, the market for which is very limited under competitive conditions.

Within the Union the urban non-European population, especially the Native peoples, constitutes a potential market for bread and jam as substitutes for, or in addition to the staple maize diet. The joint demand for these commodities is likely, however, to be inelastic, since dietary habits change slowly and the purchasing power of this consumer group as a whole taking into account the general rise in the cost of living since the war, shows little if any tendency to continuous increase. This market, nevertheless, remains a potential field of development provided that canned products at suitably low prices and in small containers can be supplied.

(d) *Miscellaneous.*

A new line of production has been developed since the war in the canning of fruit and vegetable juices. Several canners are now producing goods of satisfactory quality, and hitherto little difficulty has been found in selling their output. Nevertheless the present ready market, which includes sales overseas but which is largely based on the Union and is therefore assisted in no small measure by import controls, will in time be open to United States competition. In this connection the difficulties at present being experienced by Californian farmers in disposing of their crops may well influence the intensity of the American selling effort.

Increased sales of home produced canned goods to the European population of the Union on a scale more than commensurate with the normal growth of the population can only be affected if standards of quality and price are fully competitive with those of imported products, despite the continuance of tariff protection and import controls. The duration of these controls is limited, however, and the justification of tariffs falls away when the South African canning industry has reached maturity or when it is seen that despite the protection of tariffs the industry cannot meet foreign competition.

Potential expansion of production, therefore, is likely to be limited by the requirements of the home market and of the neighbouring African territories, unless producers can continue to compete in Great Britain and develop export markets elsewhere. These markets are wide, as the world demand for foodstuffs has by no means been met, but their successful exploitation depends increasingly on the ability of producers to sell at competitive prices and to maintain a sufficiently high standard of quality.

(to be concluded.)



## BRIEF REVIEW OF ECONOMIC CONDITIONS IN THE UNION IN 1949

By Dr. T. W. de JONGH\*

From the economic point of view, the year 1949 was for the Union an eventful and critical period. It was the year which finally called for drastic measures to stem the continued deterioration in the country's international account position, in order to avoid the exhaustion of its already depleted gold and foreign exchange reserves. It also witnessed the devaluation of Union currency by about 30·5 per cent, concurrently with the devaluation of sterling, *i.e.* on the 18th September; a step which was likewise influenced by the country's balance of payments position. Furthermore, it reflected important changes in the post-war trends of various aspects of the country's economy.

Some measures had already been initiated toward the end of 1948 with a view to restricting imports of merchandise and contracting bank credit for non-productive purposes generally, but in 1949 these measures were intensified and extended, resulting ultimately in a drastic restriction of imports of consumers' goods in particular. In addition, in order to strengthen the country's foreign exchange resources, the Union Government explored the possibilities of borrowing from overseas countries, and this led to the flotation of a loan of £10 million on the London market toward the end of the year, which is to be duplicated at a later date, while early in 1950, arrangements were concluded with a group of American banks to obtain credits amounting to 20 million United States dollars, and with a group of Swiss banks to obtain a loan of 36·5 million Swiss francs.

With regard to the Union's internal economic position, apart from considering the internal effects of the measures referred to above, mention should also be made of (a) the strict system of price control which was maintained throughout the year, and which acted as buffer against the inflationary pressures caused by the restriction of imports and the strong inflow of capital following the devaluation of the South African pound, and (b) the curtailment of Government and municipal expenditures.

In addition, the year 1949 cannot be passed over without referring to the opening for business on the 20th September of the National Finance Corporation of South Africa. The Corporation, which was established with a view to promoting the development of an active money market and the utilisation of idle capital, accepts deposits on call from the public in amounts of not less than £50,000 at a time, on which it at present pays a rate of interest of  $\frac{7}{8}$  per cent per annum.

With the measures briefly listed above as background, an attempt may now be made to analyse the available economic indices in order to judge the Union's economic position in 1949 in relation to that in 1948. Unfortunately, the more important gaps referred to a year ago still exist in the country's available statistical information.

### NATIONAL INCOME

The Union's net national income, estimated by the Office of Census and Statistics in accordance with the "industrial origin approach,"

\* Reprinted from the March, 1950, issue of the S.A. Reserve Bank Quarterly Bulletin of Statistics.



increased from £784·1 million in 1947-48 to £831·7 million in 1948-49, *i.e.* by £47·6 million. Increases were registered under nearly all of the heads of income as classified by the Census Office, but, in particular, mention should be made of the increases of £13·4 million and £8·5 million in the income originating in "Private Manufacturing" and "Transportation," respectively. It should be noted, however, that these figures cover the years ended 30th June, and not the calendar years 1948 and 1949.

#### PRODUCTION

*Agriculture.* According to preliminary estimates by the Division of Economics and Markets, which also relate to the years ended 30th June, the gross value of agricultural production declined slightly from about £181 million (revised figure) in 1947-48 to about £179 million in 1948-49, *i.e.* by about 1 per cent. Considering that during the same period the price index for agricultural products showed an increase of nearly 12 per cent, it would appear that the physical volume of agricultural production declined by about 11 per cent between 1947-48 and 1948-49. To this may be added that, according to the Division, it would also appear that the physical volume of production in the calendar year 1949 was not as high as that in 1948.

*Manufacturing.* There are still no up-to-date figures available on the total output of manufacturing industries in the Union, but judging from the monthly index of employment, it appears that, while the post-war upward movement was maintained to some extent during the first half of 1949, there was a slight declining tendency during the second half of the year. The index for total manufacturing employment which had increased from 165 in December, 1947, to 177 in December, 1948, compared with 100 in 1938, increased further to 180 in February, 1949, whereafter it remained on this level up to the month of July, and then declined to 173 in December, which represents a decline of about 2·3 per cent compared with the level in December, 1948. The average monthly index for the year 1949 was, however, still higher than that for 1948, namely, 178 compared with 173, respectively.

The declining tendency noted during the second half of the year largely took place in the durable-goods industries. The employment index for this group of industries, after increasing from 175 in December, 1948, to 180 by June, 1949, dropped thereafter to 166 in December, 1949, while that for the non-durable goods industries, after increasing from 179 in December, 1948, to 182 as late as October, 1949, declined slightly to 181 in December, 1949. The total decline of 2·3 per cent in manufacturing employment over the year 1949, was, therefore, the net result of a decline of 5·1 per cent in the case of the durable-goods industries, and an increase of 1·1 per cent in the case of the non-durable goods industries. The tendency for employment in the durable-goods industries to decline at a faster rate than that in the non-durable goods industries is in line with the history of the contraction phase of the business cycle.

*Mining.* With mining employment increasing from an average monthly index (base : 1938=100) of 95 in 1948, to 102 in 1949, there was a substantial increase in the physical volume of mineral production during the year 1949 compared with that in 1948. This, together with the higher price realised for gold after devaluation in September, caused the Union's total value of mineral production to rise from £126·8 million in 1948 to £146·0 million in 1949. Gold production increased from 11,585,000



fine ounces in 1948 to 11,705,000 fine ounces in 1949, or in terms of value, from £99·9 million to £114·9 million, respectively; while coal output increased from 25,968,000 tons in 1948 to the new record level of 27,569,000 tons in 1949, which meant an increase in value from £9·1 million to £10·2 million, respectively. Apart from coal, the value of other base minerals produced in 1949 also showed an increase over that in 1948, but in the case of diamonds there was a decline from £8·7 million to £7·6 million.

### FOREIGN TRADE

As a result of the import control measures imposed in 1949 (principally in respect of imports from the non-sterling area during the first half, and in respect of imports from all countries during the second half of the year), the Union's imports of merchandise (f.o.b.), which had increased from about £162 million during the first half of 1948 to about £190 million in the second half, declined to about £175 million in the first half of 1949, and about £140 million in the second half. Thus, imports declined from about £352 million in 1948 to about £315 million in 1949.

In addition, the control measures in force during the first half of 1949, plus the expectation of the measures imposed in the second half, caused a strong switch from imports from the non-sterling area to imports from the sterling area during this part of the year. Imports from the non-sterling area, after increasing from about £98 million in the first half of 1948 to about £112 million in the second half, dropped to about £81 million in the first half of 1949, while imports from the sterling area, which had increased from about £64 million in the first half of 1948 to about £78 million in the second half, increased further to about £94 million in the first half of 1949. During the second half of 1949, when the import control measures covered both areas, the former declined further to about £72 million, while the latter also dropped to about £68 million. Thus, imports from the non-sterling area declined from about £210 million in 1948 to about £153 million in 1949; while that from the sterling area showed an increase from about £142 million to about £162 million, respectively.

Exports of merchandise, the published figures of which include ships' stores and gold products, amounted to about £154 million in 1949 compared with about £135 million in 1948. After increasing from about £61 million during the first half of 1948 to about £74 million in the second half, they declined to about £69 million in the first half of 1949, but then increased again to about £85 million during the second half of that year, principally as a result of the increased value of the exports of wool and gold products. Of the exports of about £154 million in 1949 approximately £80 million went to the sterling area and £74 million to the non-sterling area, as compared with about £76 million and £59 million respectively during 1948.

### INTERNAL TRADE

While figures are not available on wholesale and retail trade for the Union, some indication of the trend in 1949 is afforded by the index of retail turnovers for Johannesburg published by the Johannesburg Chamber of Commerce. This index reflects a drop in average monthly turnovers from 100 in the base year 1948, to 97·4 in 1949, *i.e.* a decline of 2·6 per cent. Except for the first three months of the year, and again in September,



the monthly indices for 1949 fluctuated on a lower level than those for the corresponding months in 1948. Furthermore it appears that if the monthly figures were to be adjusted for seasonal movements, the resulting index would indicate a declining movement for the year 1949, compared with an upward tendency during 1948.

#### TRANSPORTATION

Railway earnings in respect of transportation services continued their post-war upward movement in 1949, although it would appear that, excluding seasonal movements, there was a declining tendency during the last four months of the year. The average monthly earnings increased, however, from £5·8 million in 1948 to about £6·3 million in 1949.

With regard to the physical volume of goods transported by the South African Railways, the index based on total freight ton miles relative to revenue-earning traffic, also indicates a fairly strong upward movement during the first eight months of 1949, and a downward tendency thereafter. Moreover, these tendencies are reflected in the index for the transportation of coal as well as in that for the transportation of goods and minerals other than coal.

#### BALANCE OF PAYMENTS

With the inclusion of the territory of South West Africa (since its exchange transactions are reflected in the changes registered in the Unions' gold and exchange holdings), preliminary estimates indicate that, excluding gold (but including gold products), the Union's current deficit declined from about £266 million in 1948 to about £211 million in 1949. Splitting these figures between the sterling and non-sterling areas, it is found that, while the current deficit with the former increased from about £85 million in 1948 to about £107 million in 1949, that with the latter declined from about £181 million to about £104 million, respectively. These movements reflect, of course, the net effect of the import control regulations in force in 1949, as referred to in more detail in the section on "foreign trade."

Taking account of the gold output, less net gold consumption in the Union, the net current deficit with the outside world declined from about £167 million in 1948 to about £109 million in 1949, and since it is estimated that the Union had a favourable balance on capital account of about £44 million in 1949, compared with about £82 million in 1948, it means that the total net deficit with the outside world declined from about £85 million in 1948 to about £65 million in 1949. In financing the deficit of £65 million in 1949, the Union claimed repayment of the full amount of the gold loan of £80 million to the United Kingdom, and received about £3 million on the loan of £10 million raised in London in December, while, on the other hand, its combined gold and exchange holdings increased by about £18 million, *i.e.* calculating the change in its gold holdings at the prices at which the transactions actually took place.

The large net current deficit of about £109 million in 1949 was mainly established during the first half of the year, when it amounted to about £86 million. As a result of the full import control measures imposed during the second half of the year, the net current deficit dropped to about £31 million in the third quarter, while in the fourth quarter, the Union actually showed a favourable balance of about £8 million on this account. In addition, the net outflow of capital experienced during the first half of the year, was much more than offset by a strong net inflow following



the devaluation of the South African pound, so that for the last quarter of 1949, the Union showed a net favourable balance of payments with the outside world of about £39 million, compared with the deficits of about £94 million in the first half, and about £10 million in the third quarter of the year.

#### MONEY IN CIRCULATION

The quantity of money in circulation in the Union declined sharply from £418·7 million at the end of 1948 to £348·1 million at the end of September, 1949, but with the Union's balance of payments taking a favourable turn during the last quarter of the year, the amount in circulation increased again to £372·3 million at the end of 1949. Thus the net decline in the money supply amounted to £46·4 million during the year, of which £45·1 million was accounted for by the decline in the banks' demand deposits and £1·3 million by the decrease registered in notes and coin in circulation.

The net decline of about £46 million in the money supply was largely accounted for by the Union's unfavourable balance of payments for the year, which, however, was partly offset by the net increase of about £7 million in bank credit in the Union, and a shift of about £8 million from time to demand deposits with the commercial banks. With regard to bank credit, the commercial banks' discounts and advances in the Union declined by about £30 million, but this was more than offset by (a) their depositing with the National Finance Corporation of South Africa the amount of about £17 million, (b) the increase of £6 million in their investments in the Union, and (c) the net increase of about £14 million in Reserve Bank credit, of which £12 million represented the Bank's net investment in Union Government Stock.

#### BANK DEBITS

During the first eight months of 1949, bank debits, except for minor fluctuations, continued to show the downward movement started in July, 1948, the index (base: 1938=100) standing at 321 in August, 1949, compared with 362 in December, 1948. Thereafter a fairly strong upward movement was set in motion, the index reaching the new record level of 386 in December, 1949. This upward movement reflected principally the effects of the increased turnover on the stock market and the increase in the value of Union exports, following the devaluation of the South African pound, as well as the activities of the newly established National Finance Corporation of South Africa. In spite of this increasing tendency towards the end of the year, the average monthly index stood at 332 for 1949, compared with 337 for 1948.

With the quantity of money in circulation declining at a faster rate than bank debits during the first eight months of 1949, and then increasing at a somewhat slower rate up to the end of the year, the velocity of circulation of the money supply showed an upward tendency over the year, its index (base: 1938=100) increasing from about 76 in December, 1948, to about 93 in December, 1949.

#### COMMODITY PRICES

Wholesale prices continued their upward movement during 1949, the index (base: 1938=100) for all goods increasing from 177·9 in December, 1948, to 188·1 in December, 1949. This increase of 5·7 per cent during the year was the net result of increases of 6·6 per cent in the case of imported goods and 5·0 per cent in the case of Union goods, but



in this connection it should be mentioned that, whereas the index for imported goods increased steadily from 209·4 in December, 1948, to 223·2 in December, 1949, the index for Union goods increased from 158·8 in December, 1948, to 168·9 in September, 1949, and then declined steadily to 166·7 in December, 1949.

Retail prices also continued to increase, but only up to June, 1949, when the index for all items (base : 1938=100) stood at 154·7 compared with 150·2 in December, 1948. Thereafter the index declined to 153·2 in July and remained at approximately this level up to the month of November, whereafter it returned to 154·2 in December. The net increase of 2·7 per cent between December, 1948, and December, 1949, was principally accounted for by an increase of about 5 per cent in the index for food.

Agricultural prices, on the other hand, after declining from an index (base : 1938=100) of 269 in December, 1948, to 260 in July, 1949, increased thereafter to an index of 295 in December, 1949. The sharp increase during the second half of the year was principally accounted for by the higher prices received for wool.

#### SHARE PRICES

The post-war downward movement in the prices of gold-mining shares was reversed during the year 1949. In view of the expectation of a possible higher price for gold and/or the possible devaluation of sterling, the index (base : 1938=100) for the shares of producing gold mines, after declining from 102·6 in December, 1948, to 95·8 in January, 1949, increased thereafter to 121·1 in August and 120·1 in the first half of September. Then, as a result of devaluation, it jumped to 142·0 in the second half of September and 148·0 in October, whereafter it declined slightly to 147·3 in December. Similarly, the index for the shares of non-producing gold mines, after declining from 291·9 in December, 1948, to 234·7 in January, 1949, showed an upward tendency thereafter to stand at 251·3 in August and 280·7 in the first half of September. Thereafter it jumped to 317·6 in the second half of September, and then to about 360 in October and November, whereafter it declined to 309·7 in December. In spite of these upward movements, the average monthly indices for 1949 in both cases, were still below those registered in 1948.

The prices of industrial shares, on the other hand, continued to decline during the first seven months of 1949, the index falling from 225·4 in December, 1948, to 180·5 in July, 1949. Thereafter the index increased to 192·5 in the first half of September and 200·1 in the second half, but fell back to 184·3 in December. The average monthly index dropped from 252·3 in 1948 to 193·4 in 1949.

#### REAL ESTATE TRANSACTIONS

Of the economic indices available for the Union, perhaps the most drastic change in 1949 compared with 1948, is revealed by the index for the value of property transactions. The sharp decline following the peak index of 550 established in June, 1948, was continued during 1949, the index falling from 370 in December, 1948, to 260 in December, 1949, *i.e.* to approximately the level which prevailed in the beginning of 1946. This sharp decline, from an average monthly index of 443 in 1948 to 326 in 1949, principally reflects a decline in the number of properties transferred. While property prices may have declined during the year, a



growing gap appeared between the prices quoted by sellers and those offered by prospective buyers. The relative scarcity of money in the Union was clearly reflected in this section of the country's economy.

#### COMPANIES REGISTERED

In view of the lack of figures on capital investment in the Union, it may be of interest to consider the data available on the nominal capital of local companies registered in the Union. Here, too, the picture is one of decline in 1949 compared with 1948.

The nominal capital of new local companies registered in the Union declined from £67·7 million in 1948 to £48·7 million in 1949, while the increases which took place in the nominal capital of existing companies declined from £74·4 million to £43·8 million respectively. On the other hand, the reductions which took place in the nominal capital of existing companies increased from £0·9 million in 1948 to £2·3 million in 1949, while the nominal capital of companies liquidated increased from £6·2 million to £7·8 million respectively, and that of companies removed from the register from £2·2 million to £3·9 million respectively. Thus the net increase in the nominal capital of local companies registered in the Union amounted to £78·5 million in 1949, compared with £132·8 million in 1948.

#### CONCLUSION

Summarising the tendencies noted above, and allowing for seasonal movements, it is found that those economic activities of the Union which had tended to decline during the post-war period, namely mining and stock-market activity, indicated distinct upward movements in 1949, while, on the other hand, most of the activities which had been on the upgrade in the post-war years, either indicated declining tendencies during 1949 or failed to maintain their respective upward movements throughout the year.

Imports of merchandise, commercial banks' discounts and advances, retail turnovers in Johannesburg and the value of property transactions, showed downward movements during the year, while retail prices, wholesale prices of Union goods, railway transportation and manufacturing employment (especially employment in the durable-goods industries), indicated either declining or levelling tendencies during the second half or last few months of the year. Contrary to this, there were those indices, such as bank debits, money in circulation and the value of exports, which, after reversing their post-war upward movements during the first half of 1949, increased thereafter, especially after the devaluation of the South African pound in September.

Taking account of the relative importance in the Union's economic structure of the tendencies noted above, it appears, therefore, that the Union's economic cycle entered a period of contraction in 1949. The drastic economic measures in force during the year, not only had the desired effect of changing the country's international account picture from an unfavourable to a favourable one, but the import and credit restriction measures also played an important part in the tendency for the Union's economic cycle to move away from the abnormally high level established in 1948. On the other hand, the devaluation of the South African pound in September opened up the possibilities for revival in the country's more basic economic activities.



## FINANCE AND BANKING IN BRITAIN

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By W. T. C. KING  
(Editor of *The Banker*, London)

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28th March, 1950.

EXPERIENCE of the Government's first few weeks in office in the new Parliament has shed very little light on the leading question of how long it can maintain itself in its present uneasy equilibrium, but has probably confirmed its worst fears about the sheer physical strain of doing so. The parliamentary programme announced in the King's speech was, as had been expected, evidently designed to be conciliatory, but the Government has not sustained this mild tone in subsequent debates. On the vexed question of steel nationalisation, the provisions for which are already on the statute book, the Government has declared bluntly that it intends "to give effect to acts passed by Parliament." Moreover, on the wider plane, it has affirmed that it will pursue its policies "in the same spirit and on the same principles as during the past four and a half years," and will not hesitate to propose even contentious measures if it thinks them necessary for "the national well-being and the maintenance of full employment."

These indications that there is to be no wholesale retreat from the characteristic policies of the past—except, of course, for the pigeon-holing of blueprints for further nationalisation—are no doubt designed to strengthen the Government's hand in the difficult negotiations with the Trade Unions with the object of preventing the threatened thaw in the wage-freeze. On all sides, there are signs of impending rises in the cost of living ; and, unless the Government can devise some propitiatory measures, there is a real danger that the wages situation will get out of control.

## RISING GOVERNMENT EXPENDITURE.

This being so, it is easy to see why the Government has been taking care to reaffirm its Socialist principles ; but these reaffirmations made an inappropriate prelude to some of the difficult debates which it has had to face during the past month. On the economic front, quite the most important of these took the form of a challenge by the Opposition on the issue of rising Government expenditure. Twelve months ago, when presenting the estimates for 1949/50, Sir Stafford Cripps issued a solemn warning to spending departments that no supplementary votes would be permitted except in most exceptional circumstances such as those arising from a major change in policy. Despite this warning, and the parallel undertaking to Parliament which it implied, the Government found it necessary on the morrow of the election to ask for supplementary votes totalling no less than £148 millions (in addition to an extra £21 millions voted earlier in the year). Of this additional expenditure, nearly £100 millions was required for the health services, the estimated cost of which in 1949/50 was thus raised to nearly £370 millions ; the corresponding estimate for the coming year is £393 millions.

Not unnaturally, it is upon the rising cost of this service that criticism has tended to fasten ; but increases have occurred also in other social services. Including an additional £21 millions for Defence, the aggregate "ordinary" expenditure for the coming year will be about £3,450 millions, or roughly £140 millions more than the corresponding estimates made twelve months ago, despite the fact that in 1950/51 there will be savings



from the further decline in war terminal payments. Terminal expenditures, indeed, have now almost exhausted themselves, while terminal receipts such as those from the sale of surplus war stores (which have provided very large sums in the past few years) will soon shrink to a mere trickle. It is becoming apparent, therefore, that the economic and social policy of the Government rests, in effect, upon the assumption that taxation remains more or less at its present crushing level for an almost indefinite period ahead.

#### RISK OF INFLATION.

Meanwhile, the estimates contained in the new *Economic Survey* suggest that the budgetary position, as viewed against the wider background of the capital account for the national economy as a whole, will afford the Government even less latitude than had been hoped. There had seemed some prospect that the demands for capital maintenance and development in 1950 would show an appreciable reduction on those for 1949. As part of the "consequential measures" proposed after the devaluation, the Government envisaged a pruning of the programme for fixed investment by about £140 millions; in addition, it was expected that "floating" investment, i.e. additions to stocks and work-in-progress, in the new year would show an even larger fall (because in 1949 both Government and private stocks had risen sharply). Yet the *Economic Survey* assumes that gross capital formation at home will this year amount to £2,435 millions, or only £30 millions less than in 1949. At the same time, the "overall" external balance of payments is expected to show a surplus of £50 millions, compared with a deficit in 1949 now estimated at £70 millions. In other words, if inflationary pressure is not to increase, the aggregate flow of savings will have to be £90 millions larger than last year.

Yet, on the existing basis of taxation the amount of saving represented by the true current-account surplus of public authorities is expected to drop from £492 millions for 1949 to £435 millions for 1950. This decline, moreover, occurs despite an expected saving to the Exchequer of £81 millions in War Damage payments and certain other transfers which the private recipients can reasonably presume to treat as capital. In other words, the aggregate savings in or through the public sector will drop by £138 millions. On the other hand, it is assumed that business enterprises will be setting aside an additional £60 millions to provide for depreciation and for revaluation of stocks. Hence, without the aid of inflation, genuine private savings will have to rise by £168 millions beyond the level of £637 millions at which they are estimated for 1949. This seems a rather unlikely assumption when viewed in the light of the experience of the past two years. According to the official estimates, aggregate private savings (personal and corporate) actually declined appreciably in 1949. This means that, if the estimates of the volume of external and home investment are reasonable, the whole analysis implies that any tax concessions made in the interests of bolstering up the present wage policy may threaten an intensification of the inflationary pressure.

#### BRITAIN AND THE "E.P.U."

On the external front, the main financial preoccupation during the month has been with the problem of establishing the new European Payments Union which is due to replace the present Intra-European Payments Scheme next July. It has lately been revealed—notably by Mr. Hoffman's expression of "annoyance" with Britain—that the meetings in Paris earlier in the year had ended with the British negotiators in virtual



deadlock with their fellow-negotiators from other OEEC countries. The nature of the differences was not, however, fully disclosed until the eve of last month's resumed discussions in Paris, by which time Britain had framed proposals which, it hoped, would provide a workable solution for all parties. In January, it seems, Britain was still not sure whether she could join the proposed EPU; now she declares herself "anxious and willing to play her full part"—provided that measures can be agreed which will safeguard the international status of sterling.

To explain the difficulties which have arisen and the proposals designed to meet them, it is necessary first to recall the objectives and form of the proposed currency union. Its purpose is to establish a fully multilateral system of payments throughout the OEEC countries, and to ensure complete inter-transferability of their currencies when used for current transactions. To this end, each member in the group would each month notify to the Bank for International Settlements (acting as agent for the Payments Union) its holdings of the currencies of other members. Claims and counter-claims would then be compensated so far as possible, just as happens now, to a limited extent, under the existing IEPS; but the residual debits and credits in national currencies, instead of remaining as individual claims between the countries concerned, would all be merged into a single net debit or credit representing each country's position with the rest of the group as a whole. This would be done by converting the individual net debits or credits (after the first "compensation") into a debt due to or by the Payments Union, these final balances being expressed in a new unit of account having a prescribed gold value.

If these net balances of indebtedness exceeded defined quotas (relating to each country's volume of external trade), or remained outstanding beyond a prescribed term, they would be settled wholly or partially in gold. The quota would represent for a net debtor country the amount of credit it would receive from the rest of the group, and for a net creditor country it would be the amount of credit it had to provide. Because the gold payments by debtors who had overdrawn beyond their quotas might not suffice to meet the gold payments to creditors who had put up more than their quotas, the Union would start with a dollar reserve to be provided by setting aside \$600 millions of Marshall aid otherwise available for direct grants as at present.

#### SPECIAL ARRANGEMENTS FOR STERLING?

Britain's difficulty in contemplating this plan is that, according to other OEEC countries and also according to ECA, these multilateral arrangements should supersede all existing bilateral arrangements—notably, of course, the important series of payments agreements by which the use of sterling has been regulated since the end of the war. Under these agreements, Britain has secured a significant volume of external credit, the amount in particular cases being limited by a provision for gold settlements once the sterling accumulations had passed a prescribed limit, but in other cases being without specific limit. If these agreements merely lapsed upon the launching of the EPU, the sterling accumulations would in effect become an aggregated claim on Britain in the books of the Union, and a large part might therefore soon have to be settled in gold. To avoid this danger, Britain declares that she would at least have to take special steps, probably including a freezing of the existing sterling holdings of OEEC countries and the imposition of additional restrictions upon sterling accruals from other countries.

This, it is contended, would be a highly objectionable and anomalous



procedure. Certainly, it would be an odd consequence of the effort to establish currency multilateralism if its immediate effect was to narrow the availability of the one currency in the world which now has a wide international status. It has recently been estimated officially that in 1948 the visible trade conducted in sterling totalled some £5,000 millions out of a total world trade of £13,800 millions—a proportion of about 36 per cent. It is believed that, if invisible transactions were included, the proportion would actually exceed 50 per cent. This far-flung sterling system, it is argued, depends absolutely on the maintenance of the existing structure of payments agreements.

The problem, therefore, is to reconcile this special sterling system, which is already multilateral over a large part of its operation, with the project for promoting a new multilateralism within the smaller European region. Britain's prescription for this reconciliation is that the rules of the EPU should treat sterling as a special case, justified by its international standing. Accordingly, it is proposed that Britain should be allowed to retain its bilateral agreements, so that claims arising against Britain would not, if covered by these agreements, become claims against Britain at the EPU. In return, for this continuance of the bilateral facilities, Britain would forgo the right to receive credit facilities from the EPU, but would none the less assume the full obligations of membership. In particular, she would be prepared to run a credit balance at the Union up to the amount of her quota, if the trend of intra-European payments made her a net creditor—as, indeed, she is at present. There are the makings of a workable solution in these proposals—even though the chance of agreement is probably still being prejudiced by a lingering suspicion in Europe that Britain still wishes to cling to bilateralism for its own sake.

#### FALLING BANK DEPOSITS.

The seasonal fall in bank deposits in the first two months of this year was, as expected, very large. The record level of tax-collections in the period covered by the clearing banks' return for February resulted in a fall in "net" deposits by no less than £246 millions, to £5,646 millions. This was the biggest monthly decline ever experienced, and followed one of £71 millions in January. Even so, the contraction during the three months to mid-February was (at £218 millions) actually £11 millions less than in the similar period twelve months earlier.

This slight deceleration of the rate of fall during the phase of heavy seasonal repayments of floating debt by the Government was wholly due to the trend of advances, which since the devaluation have turned more sharply upwards. In the six months to February they rose by over £130 millions, or roughly twice their rise in the corresponding period of 1948/49 (when, however, some important funding operations were in progress). In view of the Government's reiteration, last autumn, of its requests to the banks to exercise all possible restraint, this steep increase has naturally attracted much attention. It has recently been disclosed, however, from the usual quarterly classification of advances by categories of borrowers, that a large part of the additional loans has gone to public and semi-public enterprises—notably to the nationalised electricity and gas industries. The increased demands of private industry seem to have been mainly due to the increased cost of financing stocks at post-devaluation prices. Certainly, there has been no sign that the banks are not strictly observing the official directives that they should lend only for "essential" purposes; on the contrary, complaints of tightness of credit are now being heard from many quarters.



## INSTITUTE OF BANKERS IN SOUTH AFRICA.

## REPORT OF THE ANNUAL GENERAL MEETING.

THE Forty-Third Annual General Meeting of the Institute was held on the 23rd March, 1950, and there was an attendance of seventy-five members.

Mr. J. F. Wight, Chairman of the Council, said it gave him much pleasure to introduce Mr. C. G. Mummery, who had kindly consented to preside over the meeting. Mr. Mummery was well known to most of those present as Assistant to the General Manager of Barclays Bank (Dominion, Colonial & Overseas) Cape Town, and he had served on the Council of the Institute for six years.

Before asking Mr. Mummery to take over the Chair, Mr. Wight extended a warm welcome to those present, particularly those who had come from some distance, and he would like to make special mention of the presence of Mr. C. P. Lewis, late Manager of the Midland Bank Limited, Farnham, Surrey, who was in South Africa on holiday.

Mr. Mummery thanked Mr. Wight for his introductory remarks, and expressed his appreciation of the Council's invitation to preside at the meeting. He was very sorry that our President, Mr. H. C. Greenlees, was unable to be present, but he had unfortunately not been able to arrange a visit to Cape Town to coincide with the meeting. Mr. Greenlees had asked him to convey his apologies to the meeting and his best wishes for a happy gathering.

The Secretary then read the notice convening the meeting.

Mr. Mummery then read apologies for their absence and messages of good wishes from :—Dr. M. H. de Kock. Messrs. C. D. Alcock, C. I. Bate, C. Cleaton Jones, R. B. Edwards, H. G. Freyer, G. W. Gatt, H. C. Greenlees, J. R. Haddow, A. Innes, J. T. Jurgens, John King, J. M. Leask, G. F. le Sueur, A. G. Martinius, A. McK. White, W. K. Robertson, Henry Robinson, J. S. Shiel, R. P. van der Merwe.

The minutes of the last Annual General Meeting held on the 24th March, 1949 were read and confirmed.

Referring to the Annual Report, Mr. Mummery said it would be noted with deep regret that Mr. W. A. Coombs and Mr. P. Berning had passed away during the past year, and he asked the meeting to stand in silence as a tribute to their memory.

Turning to the examinations held recently, Mr. Mummery extended his congratulations to all successful candidates, particularly the prize winners.

It was encouraging to note that there had been an increase of membership of 273 during the past year. Although the increase was gratifying, he suggested that there must be many officials who had not joined the Institute, and to these he issued a special appeal to seek membership. The greater the membership, the greater would be the scope of the Council to further the interests of the members. In this regard, it should be remembered that the fundamental aim of the Institute was to assist the younger members in making progress in their profession.

Encouraging reports continue to be received from the Branches of the Institute, and a debt of gratitude was due to the Branch Committees



for the work they are doing, particularly in the interests of the younger members, who should give them a greater measure of support than they had done in the past. The work of the Branch Committees was purely voluntary and, therefore, all the more creditable.

Mr. Mummery commented on the great improvement in the Journal, and stressed the appeal in the Annual Report for contributions from members.

Year after year, the Branch Secretaries reported that the various libraries of the Institute were made little use of by members generally. A great deal had been spent on the libraries, and candidates for the examinations were specially catered for. Candidates for the examinations would greatly enhance their chances of success, were they to study the books recommended.

The accounts of the Institute for the past year disclosed an excess of expenditure over revenue of £463, but he was happy to announce that the Banks had come to the assistance of the Institute in meeting this deficit. The greater part of the shortfall was due to the considerable increase in the cost of printing the enlarged Journal.

At the conclusion of the Chairman's remarks, Mr. J. H. N. Brebner proposed the adoption of the Annual Report and Financial Statement. This was seconded by Mr. W. Ralfe and carried.

Mr. A. Q. Davies said it gave him much pleasure to propose the election of Dr. M. H. de Kock as President of the Institute for the ensuing year. It would be remembered that Dr. de Kock was President of the Institute in 1937, and the Institute was fortunate indeed in having him accept nomination again. Mr. J. F. Arkell seconded the proposal, and Dr. de Kock was elected President with acclamation.

On the proposal of Mr. D. G. Lloyd-Jones, seconded by Mr. W. J. Martin, the Vice-Presidents for 1949 were re-elected en bloc with the addition of Mr. H. G. Greenlees (retiring President), Messrs. A. W. Alison, A. Q. Davies and H. W. Jeffreys, and the exception of Dr. M. H. de Kock (President for 1950-51).

Mr. J. Clarke was re-elected Honorary Treasurer on the proposal of Mr. H. J. F. Dumaresq, seconded by Mr. C. A. Coldrey.

Mr. A. G. MacMahon proposed that the election to the Council of Messrs. H. G. Freyer, A. B. Herbert, H. C. Huskisson and J. L. Maltby be confirmed. This was seconded by Mr. D. R. Sprenger and carried.

Messrs J. Clarke, C. M. Goldsbury, J. A. Henry, L. Morris, R. E. Neville and E. H. Orchard, who were due to retire in terms of the Constitution, were re-elected on the proposal of Mr. Paul Bester, seconded by Mr. D. G. Lloyd-Jones.

Mr. L. Morris proposed the following amendment to the Constitution :—

That Clause 4 (a) of the Institute's present Constitution be amended to read :—

Members shall be :—

1. Those elected by the Council from officials on the staff of any of the Banks operating in Southern Africa which are on the Council's list.
2. Those elected by the Council on account of their official position, or their attainments otherwise ; such members shall not be eligible for election as Associates.



The proposed amendment which was seconded by Mr. J. D. Odendaal gave rise to considerable discussion and it was clear that a number of members present were not satisfied with the wording of the new clauses. An amendment was proposed referring the whole matter back to the Council for further consideration and this was duly seconded and supported by a number of speakers. After clarification of one or two points by the proposer of the motion and the Chairman of the Council, however, support for the acceptance of the proposal became crystallized and the amendment was subsequently withdrawn. On being put to the vote of the meeting, the proposal was carried by 47 votes to 3.

On the proposal of Mr. A. G. MacMahon, seconded by Mr. D. R. Sprenger, Mr. R. G. Welsh was re-appointed auditor for the ensuing year.

Referring to the lack of contributors to the Journal from members, Mr. MacMahon felt that this was mainly due to the fact that members were shy of submitting articles which might be rejected as unsuitable. Mr. J. A. Henry said the Council would be only too pleased to receive contributions, and that contributors would be given every encouragement.

Mr. L. Morris said that the Branch Committees had done a great deal to further the interest of the Institute and its members, and he felt that this was a fitting occasion on which to record the sincere appreciation of their endeavours. Mr. J. W. Thams said it gave him great pleasure in supporting Mr. Morris's remarks. He had been present at the inaugural meeting of the Pietermaritzburg Branch, and was most favourably impressed with the enthusiasm of its members.

Mr. W. Ralfe deplored the lack of support given to the Cape Town Branch Committee by local members. In spite of the large membership in this area, lectures and other functions were very poorly attended.

There being no further speakers, the Chairman declared the meeting closed.

Mr. C. M. H. Tooke proposed a hearty vote of thanks to the Chairman, who had so ably conducted the meeting and this was carried unanimously.

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### STUDY GROUP PAMPHLETS

Members are advised that sets of these pamphlets may be had, free of cost, from the Secretary on application.

The pamphlets cover a wide range of subjects on practical banking and will prove of much interest and assistance to candidates for the examinations of the Institute.

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*Outside Great Britain there is hardly a country, whether capitalist, socialist, or mixed, where banks have been allowed to pursue their trade without being subjected to some form of control devised to deal with banks as banks; and yet there can hardly be any country with a history so free from banking failure as ours has been over the past half century.—W. J. Thorne, "Banking."*



## EXAMINATIONS DEFENDED

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By R. W.

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IT is fashionable to-day to decry examinations. They are not a fair test, it is said. They encourage unintelligent cramming. They give an advantage to those who have a certain knack of displaying their knowledge and concealing their ignorance. They foster an ugly spirit of competition. School examinations (external ones in particular) help to defeat the true idea of education. Passing them becomes the be-all and end-all of school life. They impose an intolerable strain and are dreaded alike by teachers and taught. And, after all, those who excel in them are not always those who become the most useful or distinguished citizens in after-life.

These are among the most common objections, all of which are now well-known and widely canvassed. Some of them contain a good deal of truth, but others are of little weight, and the whole indictment is not sufficiently strong to justify the abandonment of the examination system. Even if all that could be said against it were true, the question remains, what are you going to put in its place? To that question no satisfactory answer has ever been given. And so we had better look at the objections again and see what precisely they are worth.

To take the last first, is it true that the successful passer of examinations is often a failure, more or less, in after-life? All experience seems to contradict that rather airy assumption, though, of course, exceptions exist. "Who takes the lead in this country?" asked Robert Lowe, virtual Minister for Education in a British Government of last century. "Those who in early life have shone in contests and examinations." Macaulay was still more explicit. "Whatever be the language, whatever be the science, which it is in any age or country the fashion to teach, those who become the greatest proficient in those languages or those sciences will generally be the flower of our youth, the most acute, the most industrious, the most ambitious of honourable distinction." It was not only the Victorians who talked like that. The other day a writer of long teaching experience wrote to the *Spectator*, "Generally speaking, boys and girls who have shone at examinations have made good in life. Such at least has been my experience . . . On the other hand I have not found many dolts achieve eminence."

Macaulay spoke, as above, about being "ambitious of honourable distinction." You cannot have that without competition. And what is wrong with competition? Examinations are necessarily competitive (1) when they are for scholarships and bursaries awarded on scholastic grounds; (2) when passes are given only to a certain number, and a first-class, say, is a rare distinction. You cannot dispense with competition. Even between different schools (or banks) there may well exist a healthy spirit of competition.

Whatever may be the case in industry, it is clear that in the professions and the Civil Service there is no need to fear competition. If promotion is not to be by favour or by mere mechanical routine, it must be by competition, and that often means by examination. J. S. Mill in his "Political Economy" defended competition (1) as a safeguard against monopoly ("Wherever competition is not, monopoly is"), and (2) as an incentive to overcome the natural indolence of mankind. Now the examination



system is effective in exactly these two directions. It has been pointed out that when the Victorians wished to reform an institution they usually began by instituting or improving its examination system. They did that with the universities, they did it with the Civil Service. "The Commission on the University of Oxford reported in 1852 that 'examinations have become the chief instrument not only for testing the proficiency of the students but for stimulating and directing the industry of the place. The general effect has been exceedingly beneficial.' The Northcote-Trevelyan Report of 1854 which led to the first introduction of competitive examination for the Civil Service is well enough known."

The writer of the above sentences goes on to affirm that, while it is perfectly true that there are qualities which can scarcely be discovered in examinations, on the other hand "a man who takes a high place in a competitive examination is likely to possess an aptitude for hard work and is certain—*ipso facto*—to possess very considerable stores of knowledge and the training to use it." We may compare with that the opinion expressed by one of the greatest of all educationalists, the late H. A. L. Fisher, that the successful passing of an examination requires the possession and cultivation of certain valuable qualities such as exactness, a good memory, power of concentration, ambition and determination—the very qualities that are needed most in the practical work of life.

"An aptitude for hard work." With many that aptitude is lost or not allowed to develop because of the mollycoddling they receive in early life. Why should children, why at least should young people, be afraid of hard work? Why should they be encouraged in this pusillanimous self-love? As Mr. Compton Mackenzie said not long ago in an interview, "the idea that you must not strain the young mind is nonsense." He thought that the present popular idea of education as being something very pleasant and agreeable badly wanted looking into. "It is no good trying to abolish hardship."

Examinations are no doubt a hardship, but life is not all a bed of roses, and only those who learn that lesson pretty early on can hope to succeed. An examination is just a test, and all day long and every day life is being tested, its weaknesses laid bare, its strength discovered, its worth proved. "Life," it has been truly said, "is an unending series of examinations." Why then shrink from them—whether at school or after? Few people can be expected perhaps to relish them, to meet them with open arms, "happy as a Lover." But it can be maintained that many pupils work best when they know that they have a definite hurdle to surmount in a limited time and can expect sufficient reward for their success. Another point made by an authority on the subject is that a good examination syllabus prevents teachers or lecturers from cantering off too wildly on their own hobby horses. Delightful people these are as a rule, but—*ars longa vita brevis*. In other words, they waste an unconscionable deal of time. Besides, they set the poor examinee a bad example, for, as Mr. Eric Partridge warns him, "examiners detest irrelevance."

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It is a rather picturesque historical fact that George Washington was a stockholder and depositor in the Bank of England, which took care of his funds while he was fighting British armies.—A. G. Hart, "Money, Debt and Economic Activity."



## THE THIRD ANNUAL REPORT OF THE REGISTRAR OF BANKS

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THIS report, for the period ending 31st December, 1948, has to some extent lost its value, due to the lateness of publication. The Registrar explains that the delay in submitting the report is due to pressure of work, and it seems a pity that the official charged with the oversight of an important statute should be so hard pressed that his annual statutory report cannot be ready until many months after the close of the period reported upon. The Registrar of Banks is also the Registrar of Building Societies and it would seem that the work involved is too much to expect one person to handle.

The position as to registration of institutions in terms of the Banking Act of 1942, as at 31st December, 1948, was as follows, viz :—

Registered : 5 commercial banks.

2 peoples' banks.

1 loan bank.

6 deposit receiving institutions subject to section 2(2).

Provisionally registered : 2 deposit receiving institutions.

Apart from these there were applications pending in the case of one loan bank and no fewer than 28 deposit receiving institutions. The Registrar again points out that the principal cause of delay in registration is the intensive examination and revision of the constitutions of applicants necessitated by the requirements of the Banking Act. He adds that these tasks have now (July 1949) been all but completed and that it is hoped to dispose of all remaining applications in the near future.

The report goes on to deal with various matters in connection with our commercial banking institutions. These matters are of little interest to officials working in commercial banks and there is no need to deal with them here.

Under the heading of "Rulings and opinions" the Registrar records a ruling of some importance. The Companies Act of 1926, Section 90ter (1), as applied by the Banking Act, lays upon a banking institution the duty of seeing that the "profit and loss account shall be made up so as to show as far as is reasonably *practicable* a true statement of the profit and loss for the period it covers." Where the auditors' certificate to the profit and loss account includes the words "subject to the fact that transfers have been made therefrom to/thereto from Reserves for Contingencies" the ruling is that the disclosure of the amounts transferred to or from undisclosed reserves cannot be deemed to be "*practicable*." As the Registrar rightly remarks : "any other approach would entirely nullify the very purpose of secret reserves."

The remainder of the report consists of a series of admirable statistical tables and some critical remarks on commercial bank credit policy during the latter part of the four year period ended 31st December, 1948. Due to the unavoidable delay in publication of the report the statistics now have mainly a historical interest, but a few comparative figures for the commercial banks may perhaps still be of some interest :—



## COMMERCIAL BANKS—"IN THE UNION"—FIGURES IN £1,000's

	Mar. 1945	Mar. 1948	Dec. 1948
Total liabilities to public .. ..	268,049	415,491	378,950
S. A. Reserve Bank Notes and other cash (a) .. ..	5,563	8,470	10,658
Balances with S.A. Reserve Bank :—			
Statutory (b) .. ..	24,491	39,343	36,373
Free balances (c) .. ..	115,492	144,661	60,328
Total cash reserves (a, b & c) ..	145,546	192,474	107,359
Other liquid assets .. ..	81,723	112,007	129,909
Total loans, overdrafts and discounts ..	44,850	120,447	156,124

These few figures provide only the barest outline of the great changes in banking business during the immediate post-war years, and the Registrar in his report draws particular attention to the decline in the "free" balances with the S.A. Reserve Bank. The report also makes a point of the fact that, even after a decline had set in, in other figures, advances increased by some £36 million between March and December, 1948. Those who may be interested are referred to the report itself, where a wealth of statistics is given.

The Registrar's main criticism seems to be embodied in the following phrases :—

"The banks appeared to have become so accustomed to the 'happy days' of previously unknown liquidity and surplus reserves which had prevailed since the Union's departure from the gold standard at the end of 1932, that they were unable to appreciate that the situation had in the meantime been completely reversed and they appeared to be unable to appreciate what action these changed conditions called for. It was left to the Minister of Finance, early in December, 1948, to impress upon the banks that prevailing conditions called for action in connection with virtually every class of credit extension and that the immediate national reserve problem called for the greatest caution on the part of the banks. This admonition, in turn, had to be followed up by a further appeal to the banks by the South African Reserve Bank 'as a matter of positive public policy, to contract credit facilities for non-productive purposes generally, and to restrict advances in the case of the less essential and over-developed industries, with due regard to the obvious need for exercising discretion and avoiding unnecessary disturbances.' "

These sentences raise grave questions as to the extent of the duties and responsibilities of commercial banking institutions in a so-called free economy, but discussion of them in the present context would perhaps hardly be appropriate.

A. F. A. Ing.

*"It has always been recognised that a state of full employment will only lead to woe if it is not accompanied by a much greater sense of responsibility on the part of the trade unions—and also, to be fair, of the trade associations."—Economist.*



## BOOK REVIEWS

*Balance Sheets and the Lending Banker*, by J. H. Clemens, A.C.I.S., A.I.B.

IN his preface Mr. Clemens writes: "The book has been planned primarily as a study of balance sheets, from the special point of view of the banker. The emphasis is therefore upon accounts rather than bank lending," and it should be said at once that the plan has ably been fulfilled. Mr. Clemens writes out of a mind packed with practical banking experience and wide reading of his subject.

Part I is "mainly theoretical" and deals generally with balance sheets and their constituent items. Interwoven with this is a series of ratios which can be used as tools to unearth and set forth trends of, and conditions in relation to, businesses whose balance sheets may, for lending purposes, need close scrutiny. The list of ratios is an impressive one and numbers well over a dozen. Among the more important the following may be mentioned, viz. :—

*Assets and liabilities ratios* (e.g. percentage of current assets to fixed assets, or percentage of demand liabilities to total liabilities)

*Debtors/Creditors ratio* (obtained by dividing debtors and bills receivable by creditors and bills payable.)

*Current ratio* (i.e. current assets divided by current liabilities).

*Liquid ratio* (i.e. the ratio which liquid assets (cash mainly) bear to current liabilities (not fixed long term liabilities).

*Turnover ratio* (obtained by dividing cost of sales for the year by the average stock).

*Gross profit ratio* (i.e. gross profit expressed as a percentage of sales).

A number of other ratios are given, but the above short list will suffice to give an idea of the analytical approach to balance sheets and the relevant revenue accounts. Examples of most ratios dealt with are given in the text, based largely on a sample balance sheet, which appears early in the book, and which is used with brilliant effect throughout, together with the appropriate manufacturing, trading, profit and loss and appropriation accounts.

The author then turns to Part II, which is "mainly practical," and asks whether the tools provided by the ratios are sound, whether they are the right tools and what is the verdict of experience on these questions. It is in this part of the book that some of Mr. Clemens' most telling points are made. For instance he likens a balance sheet to "a 'still' produced when the action of a film running through a lecture room projector is stopped for a moment to enable a particular position to be closely examined. It is then viewed instinctively as a matter of suspended motion in connection both with the movements which led up to that position and those into which it merges when the projector is started up again." How often has one wished that this view was more widely held and that bank men would not look upon a balance sheet as a picture of a fixed position, good for a year, two years, or even longer. After carefully considering the various ratios the conclusion is reached that "the only completely logical and valid ratio is the gross profit ratio," but that when several different ratios are used, "each in itself of indifferent evidential value and all point in the same direction their combined verdict may be irresistible."



Then follows a chapter on over-trading, defined as "trying to maintain a scale of operations with insufficient working capital and above all with inadequate cash resources." The quotation by itself shows the calibre of the writer and the whole of the chapter might with advantage be learnt by heart by every South African bank manager.

Chapter X deals with the practical questions which arise in every bank lending—why the request to borrow? for what purpose? will it be enough? what is the source of repayment? and so on. The penultimate chapter suggests a form in which a record of borrowers' balance sheets and accounts may be set out by a bank, so as to throw up vital trends at a glance. The suggested record covers three years' balance sheets or more and is designed to show sub-totals for current and fixed liabilities, liquid, circulating and fixed assets, with notes on sales, gross profits, overheads, net profits, etc., and it is claimed by the author that with such a record "it has been found possible in practice to detect many material trends."

It is difficult in a review to give an idea of the full quality and flavour of this book, but this can be said—it is a book to be read and studied by all practical bank men, whether managers, accountants or other and, not only that, it is a book which should be kept handy for reference. Perhaps Mr. Clemens' most important contribution is his insistence upon *trends*—upon the moving, changing nature of every business and above all on the necessity for cash as the life blood of every business. A final quotation must suffice:—

"But above all the *leitmotiv* of this book, which it is hoped will come back to the reader again and again, when other themes have been forgotten, is LIQUIDITY, actual or potential. Cash must be available, or obtainable, in every business in the right quantity at the right time. Its presence means vigour and stamina: its absence weakness and instability. The flow of cash is the ultimate test of sound business and sound lending alike."

A. F. A. ING.

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*Scottish Banking Practice—Foreign Business*, by David Rodger, A.C.I.S.  
(Published by Wm. Blackwood & Sons Ltd., Edinburgh & London, 2/6d.)

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**I**N this sixty-eight page booklet, issued under the auspices of the Institute of Bankers in Scotland—one of a series of fourteen pamphlets each dealing with a section of Scottish Banking Practice—Mr. David Rodger sets out to provide practical advice on problems connected with foreign business which might have to be dealt with at any branch bank today.

Dividing his subject into five main chapters the author gives a most able and lucid description of the general organisation of a Foreign Department, dealings in foreign exchange, the practical handling of exchange remittances and the financing of foreign trade and of foreign travel, most of which are, of course, subjects calling today for ever increasing care and attention by bank officials the world over.

While pointing to the need for careful adherence by banking readers to detailed instructions laid down on specific points by individual banks and making no claim to any text-book exposition of the subjects covered, Mr. Rodger succeeds most happily in giving an extremely useful outline,



from the practical point of view, of a wide range of transactions and colours these pictures in an interesting way with succinct particulars of the more important documents, etc. met with in practice. The real measure of his success, however, lies in the attractiveness of his deft style, free from any trace of that "heaviness" or "technicality" which so often renders most writings on the subjects in question uninviting, if not obscure, to any but the qualified specialist.

This booklet was intended primarily for the benefit of any who might not be fortunate enough to have had much specialised experience in the type of transactions in question, and the Scottish Institute of Bankers is fortunate indeed in the result, for the author obviously brings to his task a wide knowledge of the theoretical as well as the practical side of his subject which enables him to point, in the booklet, more specifically to the "things to watch out for" and the circumstances in which it is advisable to seek instructions or guidance from superiors.

Foreign business is, of course, governed or controlled almost completely today by exchange control regulations and general references to the incidence of such regulations naturally often appear. With extreme foresight, however, a brief review of the main feature of Exchange Control operative in the United Kingdom has been included in a small pamphlet which has been bound, not in the main booklet, but separately, so as to facilitate reprinting of that section alone when changes in the exchange regulations are deemed to warrant such a step. The booklet is served by an index and is rounded off by the inclusion of suggestions for further reading on individual matters.

While intended, of course, for readers in Scotland, it is nevertheless to a very large degree applicable to South African conditions and it should be of real use and interest to banking men in South Africa, and invaluable to the student.

Copies may be ordered through the Secretary of the Institute, P.O. Box 2213, Cape Town, at the published price.

C.C.W.J.

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*Nothing has strengthened the esteem of gold in the public eye more than the abuse of paper money over the past ten or twenty years, selectively penalizing most of the industrious and thrifty and selectively benefiting the distrustful and the speculator. The seductive ease of covering government expenditures at the print-shop is something that statesmen always will have difficulty in resisting.—National City Bank of New York, Monthly Letter, November, 1949.*



**BARCLAYS BANK (D.C. & O.)****STATEMENT BY THE CHAIRMAN**

*to the Ordinary General Meeting held in London on 28th December, 1949.*

**S**INCE our last Meeting the directors have appointed to the Board Mr. R. W. Foot, O.B.E., M.C., and Sir Eric G. Machtig, G.C.M.G., K.C.B., O.B.E. Mr. Foot's wide business experience and Sir Eric Machtig's long and intimate knowledge of Commonwealth affairs will be of great value to the Bank, and I feel sure the stockholders will approve their re-election to the Board when we reach that item in the agenda at the annual meeting.

Early in the year, Mr. Barnes, our deputy-chairman, paid a visit to Kenya, Tanganyika and Mauritius. He has now just returned from the Middle East where he was able to visit our branches in Israel and Cyprus.

During the year we were glad to welcome again Sir Ernest Oppenheimer, who came on a short visit to England.

Before dealing with the changes in our local boards overseas and other appointments, I particularly wish to mention the impending retirement of our general manager, Mr. A. T. Dudley. Mr. Dudley leaves us this year, I regret to say, before the date of the annual meeting, after forty-four years' banking service. He joined the Colonial Bank in 1919 and has held a number of senior appointments both at home and overseas, including that of local director in New York. He was appointed a general manager in 1945. Mr. Dudley has a wide knowledge of the Bank's business, together with personal experience of many of the territories in which we operate. He will be much missed by his many friends in the Bank overseas and in this country. I know he will take with him your warmest good wishes, and that you would like me to express your gratitude to him for all his good work.

Mr. R. D. Smith, formerly an assistant general manager, has been appointed a general manager of the Bank.

In our overseas local boards and general management there have been several changes. Mr. G. Murray has retired from the South African board, of which he had been a member since 1934; his long service in that capacity, and formerly as one of our senior managers in Africa, has been of great value and we are grateful to him for all he has done for the Bank.

Mr. M. W. J. Bull, formerly a general manager in South Africa, who retired last year, has been appointed a member of the South African board and we are glad to have the continuing benefit of his intimate knowledge of South African business.

Sir Herbert J. Stanley, who has been a member of our Cape local board since 1942, has also retired. I should like to take this opportunity of thanking him for his services during his term of office.

Mr. R. P. van der Merwe, one of our general managers in South Africa, who has been in charge of our affairs at the Cape for many years, has retired after 44 years' able and devoted service to the Bank. He will be much missed by his many friends in South Africa, both inside and outside the Bank, and we offer him our best wishes in his retirement.

Mr. C. D. Alcock, who was manager of Circus Place branch during most of the war and later became an assistant general manager in South Africa, has been appointed a general manager there and has succeeded Mr. van der Merwe at the Cape.



In June this year, Mr. A. P. S. Clark, our local director, Palestine, retired on pension after forty-two years' service. As I mentioned in my statement last year, Mr. Clark has been in Palestine for over thirty years and has a profound knowledge of that territory and its many problems. His wide experience has been of the utmost value to the Bank, and I am pleased to say that he is continuing temporarily in charge as local director.

Our local director in Tel-Aviv, Mr. J. Hackmey, who was appointed to that position on his retirement from the management of Tel-Aviv branch three years ago, has retired. During Mr. Hackmey's period as local director he has been confronted with many difficult problems and we are indebted to him for the loyal service he has rendered to our Bank over a very long period and often in most trying conditions.

Mr. R. F. R. Smith, formerly manager of our Circus Place branch, has been appointed an assistant general manager of the Bank.

I deeply regret to have to report the sudden death in April last of the secretary of the Bank, Mr. Alan Grave, who had held that office since 1945. His death was a great shock to us all and many of us here are feeling the loss of a loyal friend as well as a faithful and conscientious colleague. Mr. C. F. S. Pringle, formerly assistant secretary, has been appointed secretary in succession to Mr. Grave.

Stockholders will, I know, be interested to hear that since our last Meeting, we have extended our operations to a new territory—British Honduras, the only British colony in Central America—where we opened a branch in October last. I am pleased to say that the branch appears to have made a satisfactory start.

Before dealing with the balance sheet and profit and loss account, I would like to say a few words about our staff. Conditions both in England and in many countries overseas are still difficult although steady progress has been made in improving the staff position. Pressure of work is still high but the staff continue to give an excellent service and they are deserving of the highest praise. The question of living accommodation is still a major difficulty in many areas, although during the last twelve months some progress has been made towards improving conditions. Unfortunately, it is a problem which seems likely to remain with us for some time yet. At the annual general meeting you will be asked to pass a resolution of appreciation of the work of the staff, and I feel sure that this will be no mere formality but a true reflection of your sense of gratitude for all the good work they have done during the past year.

The staff of this Bank now number over 10,000, this milestone having been passed during 1949, which has been a year of exceptional activity. This has been reflected in a further small increase in our profits after allowing for increased taxation. I do not think we can assume that this level of activity will be maintained throughout the current year; indeed owing to restrictions of one kind or another, there has been a sharp reduction in some directions during recent weeks. If this should persist, the Bank's earnings might be adversely affected.

We shall propose to you that the dividend of last year be repeated; as the figures show, it now enjoys the protection of a good margin. We are transferring £200,000 out of profits to the Bank's reserve fund, bringing this up to the figure of £8,000,000 and £150,000 is being applied in writing down the premium on the new capital subscribed for the Development



Corporation, which was issued at a premium of 50 per cent. I am glad to say that the Corporation is becoming increasingly active, and we believe that the foundations for a useful and valuable business are being laid. I feel sure that our stockholders will not expect to see quick results or spectacular profits. We have, as you know, always held the view that results could only be shown over a period of some years. In the meantime, it is satisfactory to know that small profits are being earned. These have only been made possible by keeping running expenses low and strict attention is paid to this aspect of the matter.

In my statement last year I referred at some length to the situation in Palestine and stockholders will doubtless wish to know how the Bank has fared since then in the new State of Israel and in the adjoining Arab territory. As soon as circumstances would permit we sent to Israel under a senior official, a special staff to clear up outstanding matters. A great deal of progress has been made and there is every reason to believe that the amounts which we set aside against possible loss and to which I referred last year are likely to prove more than adequate. Our branches in Western Jerusalem, Tel-Aviv and Haifa are again functioning normally even if their activity has not yet returned to its former level; and the same can be said of our branches in Nablus and Gaza. There are, nevertheless, serious difficulties still to be dealt with; among them the very high cost of living in the State of Israel, in spite of steps that have recently been taken to reduce it, presents a problem not only for the State itself but for everyone in it. The neighbouring Arab States also have pressing problems both political and economic. It is greatly to be hoped that the conclusion of peace treaties between the Jewish and Arab States will be pressed forward so that the present atmosphere of suspicion and ill will may be dissipated and that this part of the Middle East may once again enjoy peace and prosperity.

Turning now to the balance sheet, the most striking change to be noticed is the sharp reduction shown in our deposits. On the assets side advances to customers remain at much the same figure as last year, and consequently, represent a substantially higher proportion of our resources. They slightly exceed the total of our investments so that the ratios of these items to our total deposits now stand at 30·88 per cent and 29·02 per cent respectively. Although cash has fallen sharply to 20·27 per cent, the balance sheet still shows a very liquid position, more especially since under the heading of bills discounted we hold over £42,000,000 of Treasury Bills of the British and South African Governments, and British Exchequer Bonds maturing early in 1950.

The investments, which are the second largest item in our assets, stand at £99,832,156 and include for the first time our shareholding in the National Finance Corporation of South Africa. Although the amount is not large—£75,000—it has a rather special interest for us. The new Corporation, which was established in terms of an Act passed by the Union Government, has a capital of £1,000,000 subscribed for by the South African Reserve Bank, the commercial banks, building societies, mining houses, insurance companies and other financial institutions. It commenced operations on the 19th September. Its object is to help to integrate the financial structure of South Africa. Your Bank is represented on the board of the new concern, which is designed to play an important part in the financial life of the community; its progress and development will be watched with close interest.



Having in mind the sharp fall which took place in gilt-edged securities during the year under review, stockholders will wish to know how the Bank has been affected. Although the depreciation in values that we have experienced has been severe, it would undoubtedly have been greater had our investments not been almost entirely confined to those Government securities which have a definite date for redemption, and for the most part to those which are of short or medium term. This policy which we have been following for some time past can, I think, be said to have proved its worth under existing conditions. Our investments amounting to £99,832,156 appear in the balance sheet at under cost and below market value.

The shrinkage in our deposits reflected in the current balance sheet is notable for being the first decline of any importance in this figure to be recorded since this Bank was formed in 1925. The fall in deposits has taken place almost entirely in South Africa, where great changes have occurred during the past twelve months. As an illustration, it is interesting to see that whereas on the 30th September 1948, our balance with the South African Reserve Bank stood at over SA£65,000,000, this figure had shrunk to SA£23,000,000 twelve months later.

The great change which has come over the picture in South Africa during the past year has been due to more than one factor. While opinions may differ as to the main cause, it seems to me that the whole matter may be best summed up in simple language by saying that South Africa—like the United Kingdom, and, for that matter, like numerous other countries—has for some time been living beyond her means. The effect of the heavy adverse trade balance is clearly shown not only in the figures of our own Bank but also in the published figures of the South African Reserve Bank, where the reserve ratio on 9th September 1949, fell to 29.1 per cent., the lowest recorded.

It is no doubt true that some slowing down in the phenomenal rate of progress of recent years had to come, but the underlying factors governing the situation were for a time obscured by the flow of capital from the United Kingdom, which reached altogether abnormal proportions during the year 1948. When this flood tide eventually receded the bare facts quickly became exposed, showing unmistakably the need for drastic regulations to control imports. It was inevitable that adoption of these measures should create inconvenience and hardships, but when considering the whole picture we should not allow our view to be obscured by these temporary factors; although at the time they loom large on the horizon, they are in reality symptoms of maladjustment rather than of any fundamental change. It is, perhaps, true to say that those who recently took an unduly gloomy view of the picture were doing as much harm as those who, a year or two ago, felt that there was scarcely a limit to the opportunities for expansion and profit.

It is too early yet to say exactly what effect the recent devaluation of sterling and of the South African pound will have on the economy of the respective countries, but in the case of South Africa it must, I think, be admitted that until this change took place the "terms of trade" were weighted heavily against her; while on the one hand she had to pay greatly increased prices for her imports, she was obliged to dispose of her staple article of export at the old price. The "terms of trade," however, have now moved once more in her favour, and, although the dollar



price of gold remains unchanged and restrictions on imports from the U.S.A. may have to be maintained for a time, it seems certain that South Africa should in the near future be able to restore her sterling resources to a figure which will permit of normal imports from the United Kingdom.

The idea of devaluation is, naturally, repugnant to those who are by training particularly concerned with the fulfilment of obligations and the sanctity of contract; the word itself has an ominous sound. Moreover, the road to salvation is not usually to be found by following the line of least resistance, or through some "short cut." There can surely be few people today so credulous as to believe that, by this means alone, anything of permanent value will be achieved. While some may profit others will lose, but, generally speaking, it is the creditor who suffers. Thus one more blow is struck at the habit of thrift, a habit which has now become so much out of fashion that those who still try to practice this difficult and almost forgotten art are, perhaps, no longer considered of much account. Nevertheless, the attitude towards such questions is significant, for the prospect of becoming a shiftless, thriftless, predatory society is not a pleasing one for any of us to contemplate. It may well be that this is the fate we shall be laying in store for ourselves if the savings of the people are to be indefinitely penalised by crippling taxation, which not only destroys the urge to build up and progress, but encourages all forms of waste and extravagance. It seems to me that, as in the case of other specific remedies for different complaints, the effectiveness of taxation becomes impaired by too much use. As an antidote to inflationary ills it has arrived at, and in fact long passed, the point at which it ceases to be effective. Indeed, the stage has now been reached when it helps to create those very conditions which breed the disease itself. Private extravagance in the individual, moreover, cannot be dissociated from over-spending and wastefulness in public affairs, for the one reacts upon the other and both lead in the same direction.

But, for good or ill, the step has now been taken, and we cannot believe that devaluation was accepted lightheartedly. Indeed, all the exhortations and speeches on this subject—some of which may at times have been a little bewildering and even seemed contradictory to a public not versed in these matters—appear to show that the contrary was the case. It may be true that there is sometimes a tendency for the critics themselves to be too dogmatic on the subject of devaluation. While great injustice may be done to large sections of the community, this is not necessarily the case, for the old rate of exchange may have given a fictitious value to one currency, in terms of other currencies, prior to an act of devaluation, so that some corrective may have been overdue. Without the test of a genuinely free market, however, which means the price at which the willing buyer and the willing seller come together, there is no one who can say with certainty what the true figure should be.

One of the weaknesses inherent in any rigidly controlled economic system is that the structure erected upon it is based upon a number of arbitrary assumptions. For example, there was nothing sacrosanct about the old relationship between the dollar and the pound, which lasted throughout the greater part of the war. Yet this rate was taken as the basis on which our post-war economy was planned. Without the aid of some pressure gauge such as that provided by a free exchange market, the stresses and strains to which the whole fabric of the national economy is subjected cannot be accurately assessed at any given moment. Those



in charge of our affairs of State are controlling the mechanism without having in front of them, as it were, the familiar panels of an instrument board to indicate where the leaks are occurring and where the pressures are too high. Certainly the public at large has very little means of knowing what is really happening. The failure to apply corrective measures at the right time means that eventually we are brought hard up against reality with a sudden shock. The extent of the recent devaluation is a measure of the miscalculations which have been made. Under a less rigid system the exchange rate would soon have reflected the current trend of affairs and remedial measures might well have been adopted at an earlier stage. The need for such a drastic readjustment at the last moment might thereby have been avoided.

To anyone accustomed to orthodox methods it may appear surprising in retrospect to find that the great changes that have come over the scene in recent times, both in the United Kingdom and in South Africa, have not been accompanied by a rise in short-term money rates. These have shown practically no change throughout the whole period. On October 13th, however, the South African Reserve Bank raised its official rediscount rate from 3 per cent to  $3\frac{1}{2}$  per cent, the rates quoted by the banks in South Africa for commercial loans and advances, and also for fixed deposits, being simultaneously adjusted. This particular instrument has been laid by for so long now that there appears to be some reluctance to make use of it again; as with a weapon that has long been rusting in the armoury, one grows to mistrust its efficacy, and even in time to forget how it was once used. It may be true that the element of money rates has to some extent been overshadowed by new factors, which have perhaps reduced the field of its effectiveness; nevertheless, if brought into play at the right time I believe it could have exercised a powerful influence and that in the future it may resume something of its former importance. While it is a natural desire on the part of Governments to raise loans from the public on favourable terms, the rate of interest should not be regarded as the sole criterion of success, and the prestige of a chancellor should rest on a surer foundation.

Whatever views may still be held about the virtues of a controlled economy, the belief that by this means any country concerned with international trade can insulate itself from external conditions has surely now been shattered beyond repair. While the severity of the upward and downward swings of the trade cycle can be mitigated to some extent and the curve of business activity may be smoothed out, this does not mean that economic laws can be indefinitely suspended. Eventually these forces make themselves felt; they have, in fact, just done so in unmistakable fashion. I believe it to be true, nevertheless, that the effects of devaluation need not all be bad. If we prove resolute enough in confronting the danger of a rising spiral of costs some real benefit may be derived, but this will require a degree of discipline not easily achieved; failure to achieve it would mean that we should find ourselves, within a short time, faced with the very same problem and perhaps in a more acute form.

Undoubtedly the time has come for us to recapture that sense of urgency and of the imminence of danger that was present to all of us throughout the war. Although events in the economic field may be less dramatic and are certainly less easy to interpret, their influence is, nevertheless, real and far-reaching and may even be of a more lasting character.



BARCLAYS BANK (D. C. & O.)  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER, 1949.

Reserve Fund .. .. .	£	s.	d.		£	s.	d.
Writing down investment in Barclays Corporation Ltd. . . . .	200,000	0	0	Profit unappropriated on 1st October, 1948	181,980	0	0
Premises Reserve Account .. .. .	150,000	0	0	Net profit after providing for taxation and after deducting transfers to inner reserves, out of which reserves provision has been made for diminution in value of assets .. .. .	666,879	0	0
Interim Dividends less Income Tax .. .. .	—						
Proposed Final Dividends less Income Tax.. .. .	313,346	0	0	<b>Note</b>			
Balance Carried Forward .. .. .	185,513	0	0	The aggregate amount of the Directors' emoluments was £44,479 including £21,229 other emoluments and £2,200 Directors' Fees paid by Subsidiaries.			
	£848,859	0	0		£848,859	0	0



# BARCLAYS BANK (D. C. & O.)

(Registered as a Commercial Bank.)

## BALANCE SHEET 30th SEPTEMBER, 1949.

CURRENT LIABILITIES, PROVISIONS AND OTHER ACCOUNTS	£	s.	d.	CURRENT ASSETS	£	s.	d.
Current, deposit and other accounts, taxation based on profits to date, reserves for contingencies and balance of profit and loss				Cash in hand and balances with bankers	60,551,590	0	0
Balances in account with subsidiaries				Barclays Bank Limited (holding company) and fellow subsidiaries	9,173,990	0	0
Barclays Bank Limited (holding company) and fellow subsidiaries				Money at call and short notice	10,450,000	0	0
Proposed final dividends less income tax				Remittances in transit	5,472,169	0	0
Notes in circulation				Bills discounted	60,669,854	0	0
Acceptances and other liabilities on account of customers				Investments at under cost and below market value: Securities of the British, Dominion and Colonial Governments (including securities lodged with the Crown Agents for the Colonies as security for note issue and with others)			
	£	s.	d.	Quoted on London Stock Exchange	54,595,036	0	0
Authorised—7,228,500 "A" shares of £1 each	7,228,500	0	0	Quoted on overseas stock exchanges	42,204,631	0	0
500,000 "B" shares of £5 each	2,500,000	0	0	Unquoted	418,612	0	0
				Other investments:—	97,218,279	0	0
Balance divisible into such shares as the directors may determine	271,500	0	0	Quoted on London Stock Exchange	697,388	0	0
	£10,000,000	0	0	Quoted on overseas Stock Exchanges	1,916,489	0	0
				Advances to customers and other accounts	2,613,877	0	0
Issued—6,621,500 "A" shares of £1 each fully paid converted into stock	6,621,500	0	0	Liability of customers for acceptances, etc...	106,206,444	0	0
500,000 "B" shares of £5 each, £1 paid	500,000	0	0		23,978,380	0	0
Reserve Fund				FIXED ASSETS:—	376,334,583	0	0
				Investment in subsidiary:			
				Barclays Overseas Development Corporation Limited—			
				200,000 shares of £10 each fully paid at cost less amounts written off	2,350,000	0	0
				Investments in fellow subsidiaries at cost less amounts written off	139,404	0	0
				Bank premises at cost less amounts written off	4,255,022	0	0
					£383,079,009	0	0

**NOTES.**—1. Contracts for outstanding capital expenditure on premises amount to approximately £513,000.  
2. Balances in South African, Colonial, Egyptian, Israel and Palestine currencies have been converted at par rates of exchange and other currencies at rates ruling on 30th September, 1949.

3. The accounts of Barclays Overseas Development Corporation Limited as at 30th September 1949 are annexed. Investments in subsidiary nominee companies have been written down to nil: these companies do not trade, they made neither profit nor loss during the year and are not dealt with in group accounts in view of the insignificant amounts involved.



## ELECTION OF ASSOCIATES AND MEMBERS

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At the Council Meeting held on the 16th March, 1950, the following were elected :—

### *Associates.*

Forty-two members who have passed the Final Examination of the Institute to be elected to Certificated Associateship.

### *Members.*

- Mr. P. C. Ammers, Netherlands, Durban.
- Mr. R. C. J. Bateman, Barclays, Troye Street, Johannesburg.
- Mr. L. Benade, Standard, Parys.
- Mr. W. J. A. Bergh, Barclays, Windhoek.
- Miss L. J. Bezuidenhout, Barclays, Kenhardt.
- Mr. S. S. Blake, Barclays, Box 244, Bloemfontein.
- Mr. G. A. Carver, Barclays, Klerksdorp.
- Mr. A. P. de Kock, Netherlands, Box 379, East London.
- Mr. N. du Toit, Volkskas, Pretoria.
- Mr. W. Edmayr, Barclays, Bloemfontein.
- Mr. P. T. Engelbrecht, Barclays, Wesselsbron.
- Mr. L. N. Fourie, Barclays, Brits.
- Mr. P. J. Fourie, Barclays, Postmasburg.
- Mr. C. Goedknecht, Netherlands, Box 1076, Johannesburg.
- Mr. R. Green, Barclays, Box 414, Pretoria.
- Mr. H. F. Griessel, Barclays, Box 244, Bloemfontein.
- Mr. O. P. Gush, Standard, Grahamstown.
- Mr. F. S. P. Holtzhausen, Barclays, Petrusburg.
- Mr. H. L. Kool, Standard, Barberton.
- Mr. A. Kruger, Barclays, Gobabis.
- Mr. D. O. Martin, Standard, Box 587, Bulawayo.
- Mr. E. F. Nicholas, Barclays, Box 269, Johannesburg.
- Mr. C. P. O'Conner, Barclays, Benoni.
- Miss S. St. C. Paul, Barclays, 359 West Street, Durban.
- Mr. E. O. Pfeifer, Barclays, Box 285, Windhoek.
- Mr. A. R. Pitot, Barclays, Empangeni.
- Mr. M. A. Power, Standard, Sir Lowry Road, Cape Town.
- Mr. B. Pretorius, Barclays, Box 244, Bloemfontein.
- Mr. B. D. Sills, Standard, Uitenhage.
- Mr. J. P. T. Slater, Standard, Grahamstown.
- Mr. M. J. Stephenson, Barclays, Bloemfontein.
- Mr. C. E. Tarboton, Barclays, Hospital Hill, Johannesburg.
- Mr. E. J. Toerien, Barclays, White River.
- Mr. J. H. Uys, Barclays, Bloemfontein.
- Mr. M. F. van As, Barclays, Main Street, Port Elizabeth.
- Mr. B. E. Vanghan, S. A. Reserve, Box 980, Durban.
- Mr. S. van Rooyen, Standard, Greytown.
- Mr. L. P. J. van Vuuren, Barclays, Market Square, Johannesburg.
- Mr. C. S. Venter, Barclays, Maitland Street, Bloemfontein.
- Mr. P. J. S. J. L. Venter, Barclays, Pietersburg.
- Mr. A. G. Visser, Standard, Maitland.

### *Honorary Life Members.*

- Mr. N. Bam, Barclays, Benoni.
- Mr. H. Joubert, Land Bank, Pretoria.



Mr. J. E. Simpson, Land Bank, Pretoria.

Mr. G. H. R. von Seidel, Barclays, Box 434, Pretoria.

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## STAFF APPOINTMENTS

STANDARD BANK OF SOUTH AFRICA, LIMITED.

Mr. T. C. Brand, Manager, Jansenville.

Mr. J. H. N. Brebner, Acting Accountant, East London.

Mr. J. R. A. Hulley, Acting Manager, Smith Street East, Durban.

Mr. R. L. McIntyre, Acting Inspector.

Mr. R. G. Moyle, Acting Inspector.

Mr. J. H. Pietersen, Manager, Victoria West.

Mr. C. R. Ward, Acting Accountant, Smith Street East, Durban.

Mr. J. N. Whitaker, Acting Inspector.

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## OBITUARY

ALLAN MACFARLANE CROCKART

It is with regret that we record the sudden death on the 8th February, 1950 of Mr. A. M. Crockart of Barclays Bank (D.C. & O.), Troye Street branch, Johannesburg.

We extend to his widow and daughter our sincere sympathy in their bereavement.

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## RETIREMENTS

Mr. G. G. TROTTER.

Mr. G. G. Trotter, Manager of the Vereeniging Branch of the Standard Bank of South Africa, Limited, retired on pension on 29th March, 1950.

Mr. Trotter joined the Standard Bank's service in 1905 at Estcourt and in 1911 was appointed Teller of Standerton Branch. He afterwards served at Benoni, Ermelo and Bethal being appointed Accountant of the latter Branch in 1915. Mr. Trotter then served in a similar capacity at Brakpan Branch and Krugersdorp Branch prior to his promotion to the management of Stanger Branch in March, 1924. He also held managerial appointments at Theunissen Branch, Koppies Branch, Pietersburg Branch and Vereeniging Branch, which last position he held until the date of his retirement.

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Mr. J. H. DE VILLIERS.

We have to advise the retirement on pension on the 28th February, 1950, of Mr. J. H. de Villiers, formerly Accountant of the Newcastle Branch of the Standard Bank of South Africa, Limited.

Mr. de Villiers entered the Standard Bank's service in 1913 at Carnarvon, and in 1918, was appointed Accountant of Williston Branch. He subsequently held similar appointments at Wepener, Willowmore, Ladismith (Cape) and Newcastle, from which last named position he has now proceeded on retirement.



## WILLIAM LEWIS SMITH.

Mr. Smith, formerly first teller at the Durban branch of Barclays Bank (Dominion, Colonial and Overseas), proceeded on five months furlough on the 14th August, 1949 prior to retiring on pension.

Mr. Smith joined the Natal Bank Limited at Barberton in 1906, and served in various capacities at Barberton, Pretoria, Benoni, Durban and Johannesburg before being appointed teller at Durban in February, 1935.

Our best wishes go to Mr. Smith for his future health and happiness.

## BRANCHES OPENED AND CLOSED

## THE STANDARD BANK OF SOUTH AFRICA LTD.

*Paarden Eiland Branch, Cape Town.*

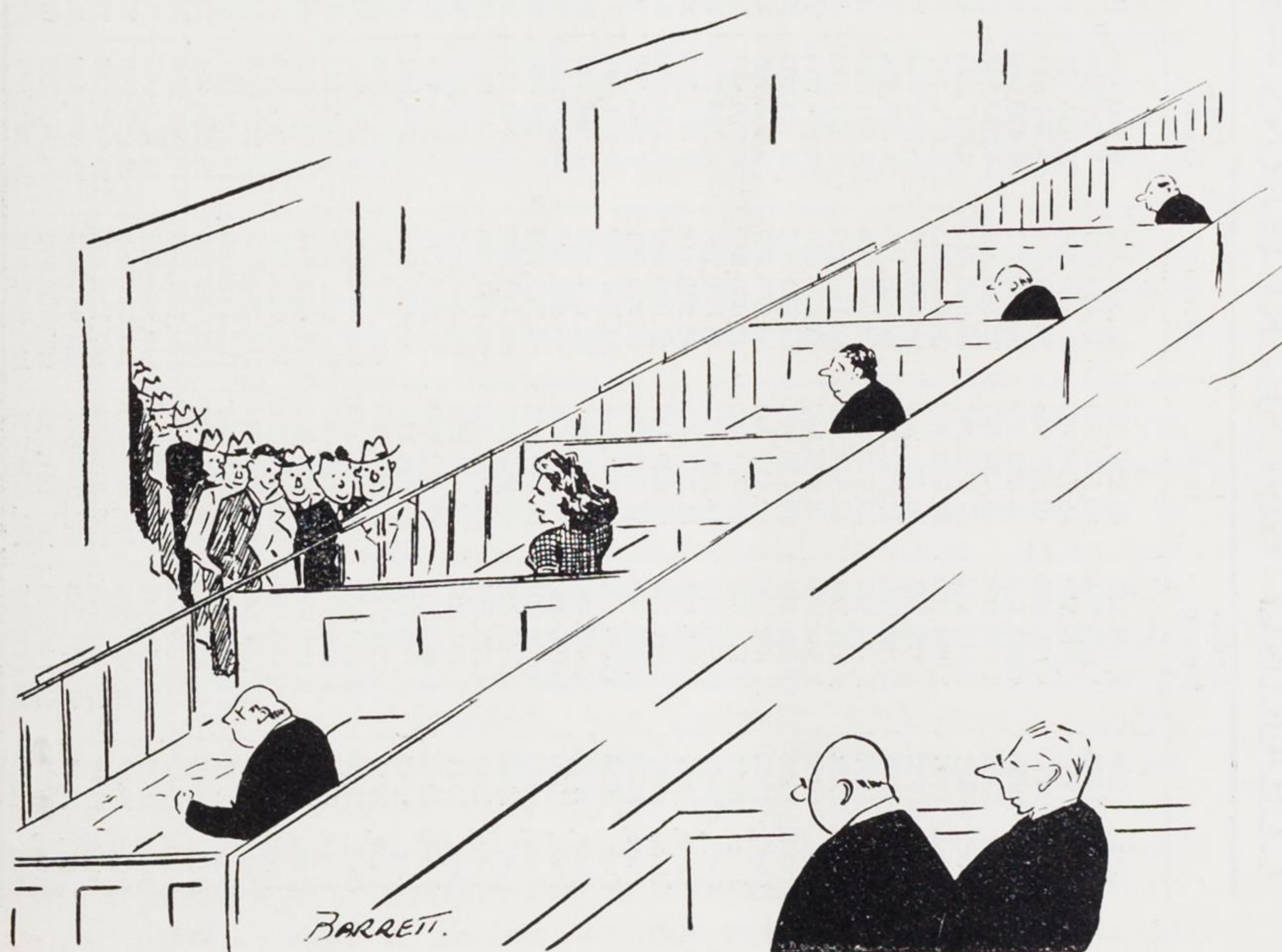
A Branch of the Bank was opened at Paarden Eiland, Cape Town, on the 1st March.

*Smith Street East Branch, Durban.*

A Branch of the Bank was opened at 144, Smith Street, Durban on the 3rd April.

*Kloof, Natal.*

A Sub-Branch of the Bank under the control of Durban Branch was opened at Kloof on the 13th February.



"I'm not sure whether I like your lady cashier idea or not."



CLEARING HOUSE RETURNS, 1950.

Month	Bloem- fontein.	Cape Town.	Durban.	East London.	Johannes- burg.	Pieter- maritz- burg.	Port Elizabeth.	Pretoria.
	£	£	£	£	£	£	£	£
January ..	3,088,372	27,440,547	23,078,134	5,608,650	144,729,416	2,468,307	10,292,217	38,516,823
February ..	3,592,953	31,091,852	25,545,671	6,701,434	146,220,086	2,890,971	11,913,533	36,238,430
March ..	4,390,661	36,497,862	28,022,376	5,025,355	149,562,772	3,584,443	13,194,563	38,908,695

CLEARING HOUSE RETURNS.—Total for Half-years ending :

	Bloem- fontein.	Cape Town.	Durban.	East London.	Johannes- burg.	Pieter- maritzburg	Port Elizabeth.	Pretoria.
	£	£	£	£	£	£	£	£
Dec., 1928	5,189,157	43,822,788	33,500,792	6,200,116	114,605,175	—	17,247,708	37,299,219
June, 1929	5,303,346	45,563,568	31,474,941	7,107,568	114,950,800	—	16,009,912	36,132,206
Dec., 1929	5,639,559	45,776,908	32,863,856	5,995,727	113,515,657	—	15,807,194	37,878,417
June, 1930	4,190,885	46,577,855	28,950,470	5,557,611	114,239,586	—	13,195,337	35,206,476
Dec., 1930	4,463,165	39,652,208	31,228,175	4,428,069	115,005,030	—	11,929,586	33,652,214
June, 1931	3,478,004	39,454,397	37,593,989	5,017,558	113,721,186	—	11,782,512	32,128,227
Dec., 1931	3,013,417	37,709,487	32,040,643	4,077,525	112,644,995	—	10,238,857	30,824,130
June, 1932	2,374,030	32,004,002	26,594,445	4,674,107	94,740,319	—	9,622,436	28,750,364
Dec., 1932	1,921,125	30,191,259	25,439,981	3,976,602	106,446,139	—	9,040,064	26,339,438
June, 1933	2,194,053	37,448,638	29,053,153	4,736,284	191,005,874	—	9,995,617	33,682,934
Dec., 1933	2,719,537	39,152,470	32,963,205	5,571,004	189,927,641	—	12,842,465	31,970,525
June, 1934	2,921,761	40,548,203	33,130,937	5,872,363	243,046,793	—	13,281,053	38,003,483
Dec., 1934	2,884,889	38,905,507	33,013,566	4,444,984	232,698,159	—	13,953,915	44,304,215
June, 1935	2,886,281	40,438,991	34,681,319	6,024,487	210,081,687	—	13,727,778	38,040,104
Dec., 1935	3,127,289	40,118,044	35,239,787	5,658,795	212,807,834	—	14,593,291	36,951,742
June, 1936	3,514,633	45,511,588	37,030,032	6,226,631	264,165,142	—	15,053,451	42,279,678
Dec., 1936	3,519,678	48,339,171	48,530,290	7,560,153	316,086,982	—	17,884,634	46,615,503
June, 1937	3,513,595	51,255,979	45,268,419	6,906,500	355,937,247	—	18,525,790	48,456,647
Dec., 1937	3,538,247	50,823,102	47,039,990	6,273,636	245,043,559	—	17,516,951	49,170,165
June, 1938	3,398,760	51,082,997	45,771,681	7,368,126	269,900,555	—	17,138,424	49,076,079
Dec., 1938	3,539,101	50,696,945	51,231,887	7,214,648	311,464,771	—	17,415,981	50,361,743
June, 1939	4,955,480	52,143,495	52,032,830	7,195,843	283,619,639	—	17,478,394	51,565,536
Dec., 1939	6,130,983	52,751,739	58,495,245	6,831,806	257,827,115	—	19,621,212	55,016,580
June, 1940	6,026,996	59,447,625	62,307,115	7,819,860	291,078,575	—	22,177,708	60,075,294
Dec., 1940	6,278,218	62,207,735	63,711,379	7,940,184	283,960,238	—	28,188,020	61,588,322
June, 1941	6,170,563	64,599,268	68,071,426	9,111,935	306,915,068	—	23,990,549	67,921,586
Dec., 1941	7,274,681	78,100,955	90,505,957	9,435,399	340,465,958	—	29,148,151	90,985,331
June, 1942	7,486,232	85,192,802	94,896,792	10,254,421	336,249,517	—	24,805,452	96,926,426
Dec., 1942	7,702,740	90,695,115	96,537,553	10,288,981	346,593,396	—	27,429,416	93,558,899
June, 1943	7,794,245	93,510,706	107,347,770	11,873,438	385,026,316	8,012,285	27,776,931	110,650,063
Dec., 1943	8,814,130	101,151,283	102,512,990	11,168,363	440,517,173	8,245,947	29,937,700	119,391,959
June, 1944	8,476,676	97,242,035	107,989,387	12,563,443	409,004,386	8,519,050	27,058,630	125,439,989
Dec., 1944	9,127,620	99,580,307	107,698,344	11,967,603	462,824,130	8,378,578	31,891,215	120,097,593
June, 1945	9,816,134	107,082,091	102,640,476	12,797,013	506,660,639	9,234,464	29,188,591	145,894,043
Dec., 1945	10,854,260	118,361,790	110,269,222	12,821,053	545,764,908	9,942,728	34,098,201	141,077,518
June, 1946	11,851,338	135,665,294	122,142,282	16,525,797	825,624,561	11,516,244	39,261,800	161,696,308
Dec., 1946	14,480,102	158,821,766	137,920,158	18,588,460	720,837,275	12,114,961	54,888,322	176,171,359
June, 1947	15,123,225	168,489,884	139,453,495	17,995,219	718,265,572	12,807,343	49,653,198	174,189,540
Dec., 1947	17,785,544	176,107,464	146,938,820	21,814,446	704,407,783	13,655,841	59,257,481	187,731,329
June, 1948	20,904,898	208,492,059	147,712,768	25,953,546	786,918,548	15,464,269	64,059,369	210,440,416
Dec., 1948	20,904,898	208,492,059	147,712,768	25,933,546	786,918,549	15,464,269	64,059,369	210,440,416
June, 1948	21,454,233	211,010,695	154,940,656	28,079,842	729,724,455	16,830,393	79,808,424	226,075,753
Dec., 1949	21,104,543	201,681,789	157,026,566	26,742,042	688,025,263	17,139,283	72,722,129	218,784,189
June, 1949	21,642,607	181,673,732	143,685,594	27,382,794	816,134,018	16,251,236	73,803,095	230,629,342



SOUTH AFRICAN RESERVE BANK.

Statement of the financial position of the South African Reserve Bank as at the 24th day of February, 1950:—

[illegible]

Ratio of Gold reserves to liabilities to public 67·6 per cent.

*This inability of governments to defend the value of money against the forces which threaten it is not merely a temporary phenomenon ; it is rooted in the social structure and political systems of their countries. The parties campaign in order to win votes and so get into office , the citizens, from producers and officials to pensioners, the old and the sick, are organized into groups which know how to watch over their own interests ; the party leaders and governments become dependent on such groups, which all have it in common that they put forward claims for adequate and increasing incomes for their members ; it is an extremely delicate task for a government to try to restrain a group which has real grounds for claiming higher money incomes ; and when such grounds are lacking and the level of incomes is in danger, the government is called upon to protect the threatened earnings. It is true that the nature and pernicious consequences of inflation are now fairly well recognised by the organized groups and that no one wants the value of money to deteriorate if it can be avoided. As, however, each group regards higher incomes as the best way of furthering the interests of its members, and as the efforts in this direction are facilitated by the existence of a seller's market, the consequence is nevertheless a tendency to a general rise of prices and a decline in the value of money.—Gustaf Söderlund (Skandinaviska Banken Quarterly Review)*



SOUTH AFRICAN RESERVE BANK  
(£ S.A. thousands)

End of—	LIABILITIES				Total Liabilities or Assets	ASSETS					Ratio of Legal Reserve to Lia- bilities to Public	
	Notes in Circu- lation <sup>1</sup>	DEPOSITS				Gold Coin and Bullion <sup>2</sup>	Foreign Bills	Treasury Bills Dis- counted	LOANS AND ADVANCES			Invest- ments
		Bankers	Gov't.	Other					To Gov't.	Other		
1940—Dec.	24,569	44,284	2,435	5,955	81,855	71,454	775	—	3,600	74	1,675	56.9
1941—Dec.	30,236	49,533	15,616	7,359	107,117	73,682	346	—	—	—	28,134	44.3
1942—Dec.	39,761	98,956	2,573	6,935	153,568	138,022	946	—	2,800	112	7,259	52.2
1943—Dec.	51,175	124,923	5,379	6,329	193,137	155,091	13,353	—	—	1,470	18,949	45.9
1944—Dec.	60,026	154,224	4,101	7,365	231,399	179,615	24,119	—	11,000	2,154	9,683	43.5
1945—Dec.	68,031	184,565	11,773	6,255	275,293	205,809	59,043	—	—	3,604	2,689	41.1
1946—Dec.	65,860	148,236	30,934	6,897	259,916	230,681	11,044	—	—	5,762	3,003	91.4
1947—Dec.	65,789	168,715	9,687	10,950	262,171	187,117	53,068	—	—	8,189	2,997	73.5
1948—Dec.	68,566	96,453	6,389	10,053	190,249	44,965 <sup>3</sup>	32,361	520	11,500	90,927 <sup>3</sup>	3,083	31.0 <sup>4</sup>
1949—Dec.	68,509	53,931	4,892	6,287	150,608	45,410	57,151	—	14,700	9,694 <sup>5</sup>	15,624	60.0
1949—July	66,253	36,939	3,254	9,531	126,618	36,518	2,650	5,710	39,100	27,586 <sup>5</sup>	9,770	32.2
Aug.	65,223	39,125	7,071	9,751	129,201	33,058	6,576	1,530	46,900	25,293 <sup>5</sup>	10,624	29.6
Sept.	65,572	41,691	6,925	6,367	128,566	29,747	22,900	4,030	42,800	11,951 <sup>5</sup>	10,004	31.6
Oct.	66,152	39,182	6,187	6,666	126,434	29,358	30,350	100	33,800	11,469	12,462	34.3
Nov.	66,273	50,228	5,685	6,346	137,106	29,555	43,926	—	26,800	10,865	11,093	37.1
Dec.	68,509	53,931	4,892	6,287	150,608	45,410	57,151	—	14,700	9,694	15,624	60.0
1950—Jan.	65,149	55,446	9,814	6,562	158,850	46,690	56,976	—	—	10,171	28,674	61.3
F. b.	64,866	63,530	20,497	6,640	176,798	51,657	68,647	—	—	10,516	31,470	61.3

1. From June, 1924, this item includes the notes of other banks for which liability was assumed by the Reserve Bank.
2. Up to June, 1946, valued at cost; from the 30th June, 1946, up to December, 1949, valued at the statutory price of 172s. per fine ounce; as from 31st December, 1949, valued at the new statutory price of 248s. per fine ounce.
3. Gold loan to U.K., February, 1948—£80 million.
4. In terms of the Amendment to the South African Reserve Bank Act, this item has been calculated, from the 12th October, 1948, after deducting from the Bank's liabilities to the public an amount equal to its foreign assets.
5. Repayment of gold loan to U.K.—March, £10,005,000; April, £10,005,000; May, £15,007,500; June, £15,007,500; July, £15,007,500; August, £2,501,250; September, £12,463,125.



**COMMERCIAL BANKS**  
(£ S.A. thousands)

End of—	LIABILITIES IN UNION			ASSETS IN UNION					RATIO TO LIABILITIES TO PUBLIC		
	DEPOSITS			CASH RESERVES			Discounts, Loans and Advances	Invest- ments	Cash Reserves	Discounts, Loans and Advances	Liquid Assets
	Demand <sup>1</sup>	Fixed	Savings	Notes of S.A. Reserve Bank	Balances with S.A. Reserve Bank	Balances with National Finance Corpora- tion of S.A.					
1940—Dec.	99,720	18,637	6,439	3,537	44,624	—	42,572	31,676	39.3	33.9	—
1941—Dec.	124,025	15,581	7,686	4,369	49,472	—	43,307	49,115	37.2	29.2	—
1942—Dec.	168,908	18,627	9,533	4,278	98,452	—	38,403	53,190	52.5	19.4	—
1943—Dec.	195,796	28,418	11,166	5,295	124,746	—	39,070	63,751	55.7	16.6	83.4
1944—Dec.	222,830	33,666	13,963	6,276	154,145	—	42,891	64,893	59.7	15.8	84.2
1945—Dec.	264,265	40,712	16,485	7,629	184,311	—	46,776	82,284	60.0	14.5	86.1
1946—Dec.	291,636	32,684	15,978	7,973	148,023	—	90,895	93,234	46.2	26.6	75.4
1947—Dec.	337,444	38,839	15,852	8,721	168,614	—	116,923	103,122	45.4	29.7	73.4
1948—Dec.	336,055	25,452	15,806	9,436	96,701	—	156,124	117,171	28.3	41.2	62.6
1949—Dec.	296,295	17,969	15,191	10,731	53,894	17,350	126,032	122,778	25.1	38.1	63.9
1949—July	276,684	18,822	15,348	7,188	36,414	—	152,513	116,331	14.4	48.8	52.4
Aug.	280,230	17,174	15,366	8,205	39,549	—	148,922	119,364	15.7	47.4	54.0
Sept.	268,304	17,293	15,381	5,868	41,598	1,000	144,054	111,078	16.5	47.7	56.1
Oct.	275,189	17,448	15,379	8,589	39,006	10,550	134,620	114,979	19.2	43.4	56.9
Nov.	284,295	17,896	15,286	8,452	49,866	17,600	123,391	120,388	24.2	38.5	62.6
Dec.	296,295	17,969	15,191	10,731	53,894	17,350	126,032	122,778	25.1	38.1	63.9
1950—Jan.	290,543	20,431	13,918	8,521	55,343	14,600	118,454	126,726	24.7	36.4	64.1

1. This item includes balances due to Governments and to Foreign Banks.



# THE STANDARD BANK OF SOUTH AFRICA, LIMITED

(REGISTERED AS A COMMERCIAL BANK)

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Assistant General Managers :

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# **NATIONAL FINANCE CORPORATION OF SOUTH AFRICA**

(Established by Act of Parliament, No. 33 of 1949)

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**PAID-UP CAPITAL £1,000,000**

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## **OBJECTS**

The **Establishment** of a **Short-Term Money Market**  
in the Union.

The **Utilization** of **Idle Capital** in the national economic  
interest.

The facilitation of the **Participation** of **Foreign Capital**  
in the development of the Union.

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## **THE CORPORATION IS AT PRESENT PREPARED TO ACCEPT DEPOSITS REPAYABLE AT CALL**

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The **Current Rate** of interest paid on **Call Money** is  
 $\frac{7}{8}$  per cent. per annum.

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For further information write to :

The Secretary,

National Finance Corporation of South Africa,

P.O. Box 427,

Pretoria.



# NEDERLANDSCHE BANK VOOR ZUID AFRIKA

(NETHERLANDS BANK OF SOUTH AFRICA)

(Registered as a Commercial Bank)

Established 1888.

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South African Head Office	PRETORIA
Branch Office	LONDON

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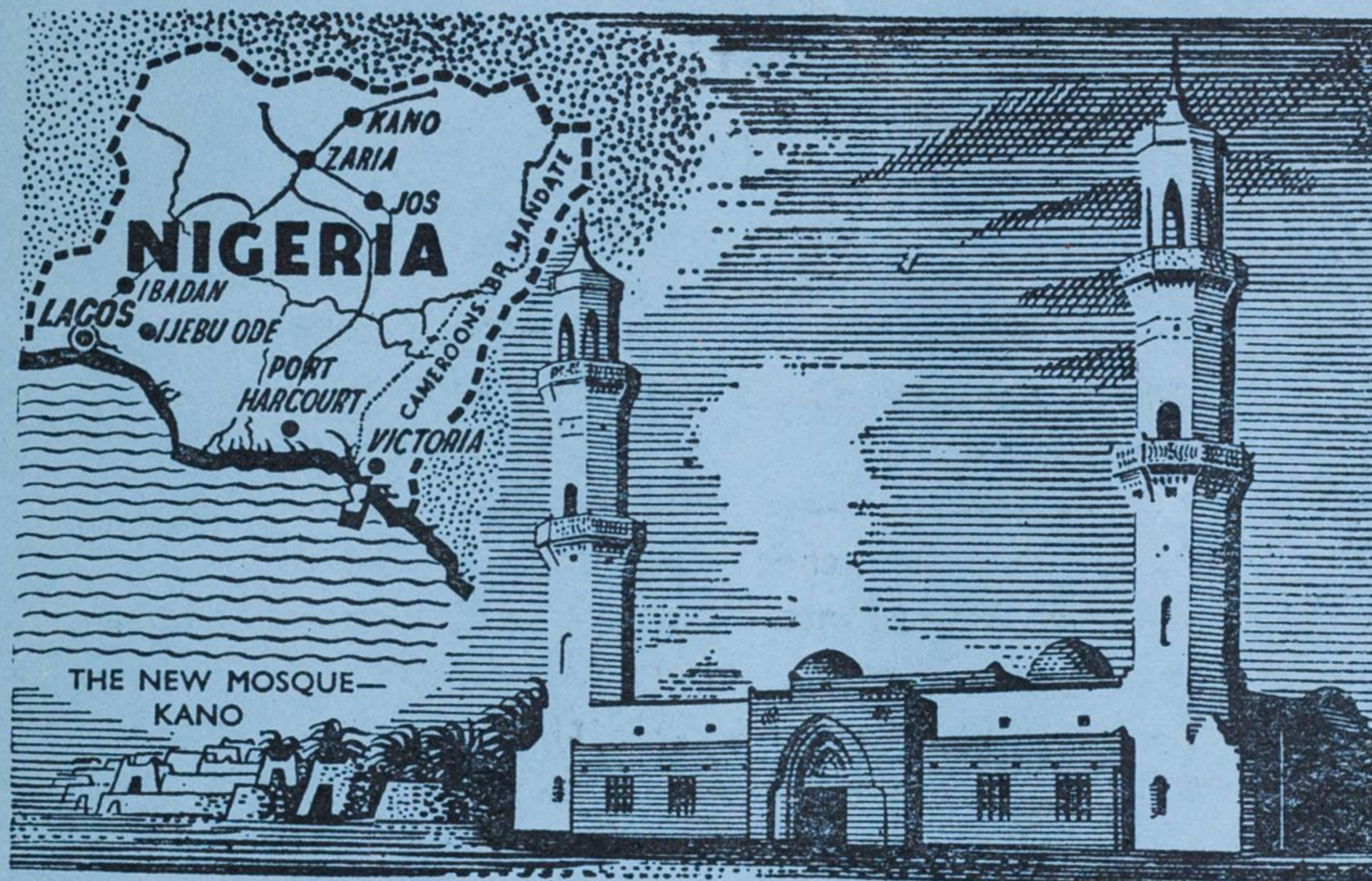
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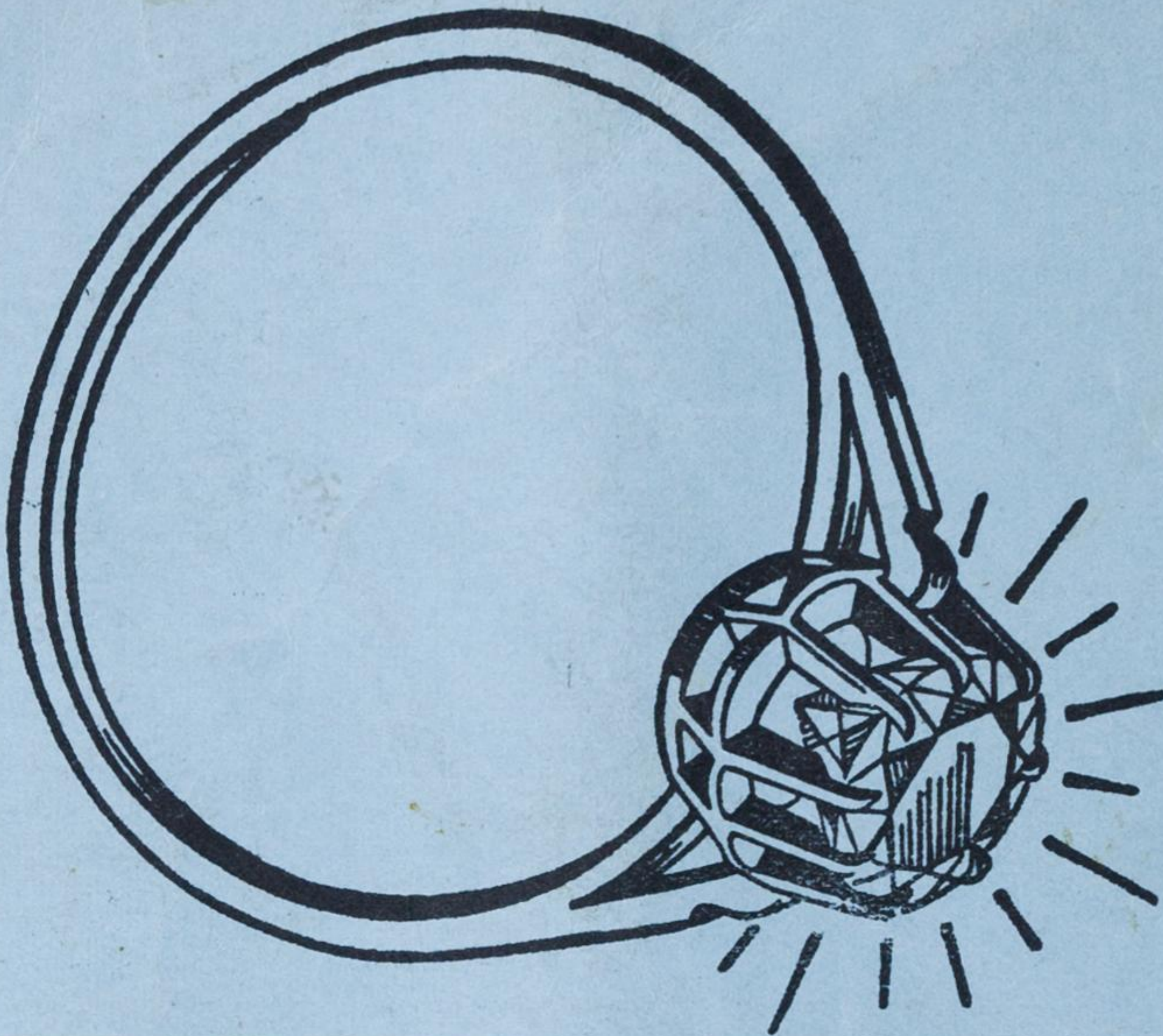
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