From The London End

Cripps Remains Calm

ON WEDNESDAY, Sir Stafford Cripps announced that the gold reserves at the beginning of this month stood at £406 million. He went on, with an air of extreme seriousness but no panic, that the drain was likely to continue for some time, and that measures were being taken to reduce it, if not stop it altogether. No dollar purchases from America or elsewhere for three months, he said, and no devaluation of the pound. And he made no secret of his belief that a complete solution of the crisis could be found without giving up full employment and social benefits at home. It is of course true that he did not quite explain what he proposed to do about restoring fundamental equilibrium. And that gave an opportunity to Mr. Eccles to dismiss the woolly proposals of doctrinaire socialists like Cripps and hold forth to the nation that the only way out was to slash the costs of production—even if it meant, as The Economist picturesquely put it, some "therapeutic" unemployment.

That exchange between the Chancellor and the leading financial expert on the Tory side is as fair an indication as any of the present state of the debate. Last week's Payments Agreement and the dollar talks in progress now are at best efforts to secure immediate relief. But the basic problem will remain unsolved, and will rear up in uglier form, as long as the international market maintains the present tendency towards chronic dollar shortages. If the recession in America continues—as it promises to—the inevitable spiral develops: less dollar earnings by Britain and other countries; therefore, less purchases by them in the American market; therefore, greater excess supply in America and yet further fall in American prices. It is this possibility which makes devaluation at the present moment not an attractive proposition to Sir Stafford and others. And that means that the British prices remain high—"too high" as everybody says—unless costs of production are drastically cut down.

There can be no quarrel with the proposition that with the international market becoming a buyer's market, a lowering of British costs of production would slow down the rate at which exports to dollar areas are at present falling. But how can it be done? *The Economist* in its current issue suggests a "programme of invoking the aid of competition *to* restore economic efficiency", which, to be sure, is beautifully put. But apart from such cliches as making "businessmen once again work for their living" and "a great loosening-up in every department of the national life", the only definite proposals it contains are: the abandonment of cheap money policy, payment by results wherever possible, and, "if there were no other way of persuading the Unions and their members to give value for their money", a moderate degree of unemployment.

There is nothing surprising in this attitude, given the faith in competitive "efficiency", and the conviction that no more squeezing of profits is possible. It follows that a reduction in costs, in which the British Government has some say, would be a reduction in wage costs—since raw-materiAr prices are given by, the international market. This may be achieved (a) by cutting money wagos, (b) by holding monkey wages at the present level and increasing production or (c) by increasing productivity faster than money wages. The objective of *The Economist* would be either (a) or (b). For in the suggestion that workers should be persuaded to give "value for money", there lies the insinuation that they are not doing it now and that they could be made to do so if the Government were bold enough. Logically, if production cannot be increased rapidly, the only way of persuading labour to give "value for money" is to throw up the policy of maintaining full employment. This, it is argued, would set in motion "healthy" competition in the labour market and restore money wages to the "proper level".

Now, this is presumably what the Tories would do if they are put in power. And, incidentally, it gives them for the first time something which could be put in the election manifesto. As against this, the Labour Party would probably offer a programme of drastic planning—planning quite different from what has yet been done in this country—in order to keep up full employment and social security. Either way, ruthlessness in policy is required, and it may well be that such a policy has to have the mandate of the nation before it is adopted. But there is no guarantee that events will wait till the general election next spring.

The suggestion that costs of production should be cut raises two minor issues, which are in a way inter-connected. First of all, by how much should British costs come down if her competitive power is to increase sufficiently in the world market? Secondly, is this just a British crisis, an indication of the rigidity of the British economy, or is it something exogenous?

The answers to both these depend upon how one views present developments in America. If what is happening is a "minor quaver"—or, as Mr. John Snyder put it, "one of the periodic adjustments which the United States has undergone since the end of the war"—then something, presumably, may be said, sooner or later, about the extent of the out in costs of production necessary. If the price-fall is halted, devaluation with appropriate import policies could also be made to pay. But is it really true that what is happening in America is a minor readjustment and nothing more? It will be some time before an answer to it is found; and till then, there is no saying how much worse Britain's position will become.

It is because of this that the argument that Britain's difficulties are due to the restrictive practices of the Labour Government is quite unconvincing. Belgium, for instance, is in no less difficult a position, in spite of her balance of payments surplus, achieved at the price of approximately 12 per cent unemployment at home. And her difficulties also arise from the extraordinary position occupied by the U.S.A. in the bourgeois world. Clearly, whatever one might say as to who is responsible for the present state of affairs in this country and elsewhere, all efforts to regain equilibrium will be fruitless if the American economy does not steady up soon. And a cut in British costs of production would in no way contribute towards it. If anything, it would work in the opposite direction! It is really the American Government which should act at this juncture—and art as much within America as in London and Paris. It is unfortunate that in spite of it all, Mr. John Snyder should take the complacent view that nothing is wrong in America, One wonders if Sir Stafford Cripps sends him home if not converted, as least less sure of his stand.

British Press Whitewashed

BRITAIN scans the skies these days—and hopes to see a cloud. But the weather remains as unhelpful as it is mysterious. The drought was broken by a miserable little shower of rain some days ago but that solved nothing and left the ground as dry and dusty as before. And the clouds hurried away as though ashamed.

Farmers are anxious and gardeners are despairing as crops either wither or at best fail to grow. The wells in the villages are drying up and even in the towns householders have to save water and expect to find the supplies reduced shortly. Still the cloudless days follow one another.

Next to rain in scarcity are dollars and the economists scan their skies as earnestly as the fanners. But while we await—somewhat with 'fear and trembling'—the results of the London conference of Finance Ministers, let us take a look at an event of some interest which occurred last week—the publication of the report of another Royal Commission, this time that on the Press of Britain.

The terms of reference given to the Commission when it was set up two years ago led many to believe that much 'dirt' about the domestic life of Fleet Street would be brought out into the open. The Commission was to "inquire into the control, management and ownership of the newspaper and periodical press and the news agencies, including the financial structure and monopolistic tendencies in control, with the object of furthering expression of opinion through the press and the greatest practicable accuracy in the presentation of news,"

What are its findings? The *Daily Worker* greeted the report with the headline "Press Report delights Proprietors" and the *Daily Express* with "The Press is Vindicated". It seems that the hoped-for sensation has been 'averted'. Whether this means that the Commission has been fooled by the pressmen who gave evidence before it or merely that there really is no 'dirt' to be revealed is the question which preoccupies public opinion at the present time.

On the question of newspaper 'chains" the Commission certainly seems to be rather complacent. It says that it finds that the case against them has been 'overstated'. It admits that the Kemsley chain owns no less than 17% of the total number of daily and Sunday papers but finds no evidence that the proprietor or his London office exercise any undue influence on the policy of provincial satellites. It contents itself with saying that it would "deplore any tendency on the part of the larger chains to expand."

On the question of the influence of advertisers on the policy of a paper, the Commission's findings are even more negative.