From the London End

The Murky Future

IT would be a daring planner who would presurne to predict with any certainty what the state of the British nation will be one year from today. Mr' Gaitskell, the Chancellor, remarked a day or two ago, that next year we could expect no improvement of living standards ever what they were at present. He was playing variations on the theme first popularised (or unpopulaiised) by his august predecessor, Sir Stafford Cripps. " It seems to me," he said, " that we had better accept that in present circumstances no general increase in consumption can be afforded. This may be too favourable a forecast, but it shows how completely unrealistic the continual pressure and demand for higher standards of living must be in present circumstances. If one group is to get more, others must get less." Although the prospect of an improvement in living standaids might seem bleak for the next few years, he summed up, it was in no way intolerable.

Now the difficulty with being a planner in the United Kingdom is that you have so little to plan. Even the nationalised industries have a good deal of autonomy, rates and prices being determined by certain recognised procedures and only broad questions, such as amount of gross capital expenditure, being left to the planners of the treasury. However, Treasury influence is at least present in deciding the policy of the Coal Board, electricity and gas authorities and in transport. Also, where there are actual shortages of certain materials, such as sheet steel, the Government, by a system of allocation, can'exert some influence over developments in the private sector of the'economy. But there the matter ends.

How, then, you might wonder, does Mr. Gaitskell *know* that we can expect no improvement in living standards in 1951, nor in the few years following, and, indeed, may even 'have a slight deterioration? The answer is that he doesn't know at all, but that it is necessary, if his policy is to work, that the public should *think* that there will be no improvement. To the British economy, in its present phase, a fall in real wages is like a blast from the bellows in the flames of a furnace. Devaluation, last year, had a double effect—it meant that the British worker had to work 40 per cent, longer on his products to exchange them for the same products from the dollar area—with one hour of American labour, as it were, Americans could get one hour and 24 minutes of British labour. But where British exporters could make a better bargain, the whole benefits of that bargain would go to them and not to their workers (the whiskey distillers, for instance, did not reduce their dollar prices and so got a large sterling premium on their exports).

Now when Mr. Gaitskell says we can expect no rise in living standards, he is making a wild guess. He offers this simple equation in support of his contention. Because of worsening terms of trade, he says, Britain will next year need to export " perhaps a further £300 million worth of goods." " When one recalls that even under favourable conditions when productivity was advancing rapidly, the annual increment of production has been some £500 million, it is easy to sec how heavy this burden is."

The next consideration was defence, that next year might absorb another £300 million of the national product and even more in succeeding years. Therefore, the Chancellor concludes, since the two debit items are larger than the credit item, things cannot be expected to improve and might even deteriorate. By such simple arithmetic processes the future of the country is foretold ! It may be that the experts of the Treasury are 5 per cent, out in their prediction of increased production, as they were last year. It may also be that the deterioration in the terms of trade will not occur at all—something for which there might be two causes. One remedy for the deterioration which is being widely advocated is that a wage rise should not be discouraged, as rising wages would increase British prices and so counteract the rise in prices overseas. The other possibility is that a cessation of US stockpiling might cause a violent fall in the price of raw materials. Thus, far from having to export £300 million more worth of goods to keep level with imports, we might even be able to buy the same imports with fewer exports.

As for the extra on the arms bill—that presupposes that no change will take place in old policies and that there will, be no improvement in relations with the USSR. If, as the result of the violence of present international events, the world were to come to its senses and *reduce* armaments, there would be no need to .deflect extra production to such . dead-end uses. Mr. Gaitskell is no doubt very well aware of these things, but it still remains his duty to pretend that he does not and that he can measure the future to the nearest hundred million pounds, for his aim is to minimise industrial'unrest by giving the trade unions a sense of the inevitability of the continuance of the present living standards and to maintain full employment by stimulating industrial activity. That is the Labour Party's formula for success.

Keeping Down the Cost of Living Index

In a parliamentary debate shortly before he relinquished his position as Chancellor of the Exchequer, Dr. Hugh Datton revealed, in a fit of candour that his aim, as Chancellor, was not so much to keep down the cost of living (which was a hopeless task in the circumstances) but to keep down the cost of living index. This was an easy task up to 1947, when the old index was replaced by a new, for the old index measured a comparatively narrow range of goods (on the basis of a household budgetary inquiry held in 1904) many of which had almost fallen out of use. A high weighting was given to such basic commodities as margarine and bread and fresh fruit and Vegetables were not included. The Government could easily subsidise the price of basic foods and pay the subsidies out of taxes imposed on things that did not appear in the index, such as beer and cigarettes.

In this way, the index was persuaded to remain almost dormant for the last six or seven years of its life, thus saving millions of pounds a year in those industries in which wages were determined on a sliding scale tied to the index. Also, union leaders, negotiating new agreements, found a usually valuable prop pulled away from under them, for real wages could not (officially) be shown to have fallen.

Then the old index was replaced by a new, more embracing in its reference, but, as Professor R. G. D. Allen (one of its designers) pointed out at the time, still by no means Chancellor-proof, and now this index is in turn suffering from hardening of the arteries or whatever it is that indexes get when they cease to respond to the stimulus of rising prices. The Government has now been persuaded to recall the Advisory Committee to design a new index on a more permanent basis. For the few years before that can be done, the present one will continue to blink at us owlishly, as if the vagaries of the modern world were really too much for it.

Commodities

No Export Surplus in Groundnuts

Thursday, Morning.

THE Oilseeds market has recorded a spectacular rise under the lead of castorseeds which have climbed up to an all time peak level. Export business in castorseeds and its oil at progressively higher rates fanned bullish enthusiasm to such an extent that an orgy of speculation aided by the tight supply position, precipitated a regular crisis. The tense international situation, needless to say, was primarily responsible for the inflationary psychology. The Committee of the Grain and Oilseeds Merchants' Association, however, saved the situation. From some quarters it had been suggested that ceiling levels should be fixed but the idea did not find favour and it was ultimately decided to disallow business in contracts beyond February-March delivery.

Trade quarters are now inclined to lower their crop ideas in groundnuts, due to absence of late rains. The oil content of the new crop is also reported to be not so satisfactory, with the result that the country may face a deficit of about one to two lakh tons. It is estimated that export business in groundnuts, handpicked selected groundnuts and* groundnut oil, all combined, has been done to the extent of over 1½ lakh tons in all. The Saurashtra Government has relaxed control on export of groundnut and its oil to other States in the Union.

The Food Ministry of the Government of India, it is reported, has been greatly perturbed by the stupendous rise in edible oilseeds and measures are being contemplated to meet the menacing situation. In the meanwhile, Pandit Bhargava's bill for prohibiting the manufacture of Vana-pati has not been referred to a Select Committee as Pandit Jawaharlal Nehru gave an assurance that the Government would appoint a Committee to go into the question of adulteration of ghee.

The groundnut oil market in Madras also faces a crisis. Shippers are not able to get deliveries from th«S sellers who, apparently taking advantage of the higher spot prices, have been selling ready instead of giving delivery against old contracts. Huyers in the market have decided nut to buy any oil for any position for some time to come. Arrangements arc being made by the buyers to pool their resources so as to ease the near shipping positions and all market activities in that centre remain suspended.

The linseed section which had been in the doldrums for the past few weeks has also become very active and many speculators have transferred their attention to this section.

The sensational rise of over Rs. 5 per cwt. has been recorded in castorseeds during the last fortnight. Pull operators have tightened their grip following heavy purchases in seeds and oil by foreign interests.

The Government of Bombay has revised upward the ceiling rales of cotton seeds. The rates have been raised to Rs. 10 from Rs. 8 per Bengal maund in the Northern and Central Divisions and to Rs. 9 from Rs. 7 in Southern Divisions as the reasonable wholesale price for the current season. The Government would, if the need arose, purchase stocks at these rates.

New Sugar Policy

The new sugfer policy announced by the Government of India raising the price of sugar from Rs. 28-8 to Rs. 29-12 per Bengal maund and the introduction of a gradation in prices in UP and Bihar rising upto Rs. 33 for South Bihar, in recognition of variations in the cost of production have come as a surprise. It is for the first the that the Government has accepted the principle of differentiation in the costs of production in the same industry. It leaves the door open for spoon feeding and favouritism to certain sections of the industry while from the consumer's view point, such differentiation appears unfair and unwarranted. Worse still, it is likely to lead to further inefficiency in the industry. An inducement has been given to factories to produce in excess of 107 per cont, of the production in 1948-49 or 1949-50 as suuh excess production will be allowed to be sold in free markets. Whether it will result in higher production or will only lead to malpractices by unscrupulous elements in order to derive benefit from the concession, still remains to be seen.

The minimum prices for sugarcane have been raised from Rs. 1-10 io Rs. 1-12 while price of the best quality gur in surplus areas has been revised upward from Rs. 18 to Rs. 19 and in deficit states, the ceiling prices are to vary from Rs. 20 to Rs, 23. No licenses will be necessary for manufacture of gur. In Bombay State the price for the best quality gur for the

Oilseed Prices

(Seeds per cwt. and oil per quarter in Rs. and as.)

	November 29	High	Low	Dec. 13
Groundnuts				
Khandesh quality ...	42 11	45 10	42 14	45 6
Coromandel	42 3	45 0	42 6	44 12
Bold Ready	41 10	44 14	41 14	44 6
Bold Dec.-January ...	41 10	44 12	41 13	44 5
Bold Feb.-March ...	41 10	44 15	41 14	44 6
Linseed				
Bold Ready ...	41 4	43 0	41 6	42 8
Bold December ...	41 6	42 15	41 6	42 8
Bold Feb.-March ...	40 2	42 4	40 4	43 0
Bold April-May ...	39 10	42 0	39 14	*
Castor seed				
Fair Average ...	38 12	44 4	39 2	44 0
Madras quality ...	39 2	44 8	39 6	44 4
Madras December ...	38 6	44 4	38 12	44 0
Madras January ...	37 8	43 8	37 12	43 0
Madras Feb.-March ...	36 8	43 4	36 14	42 12
Oils				
Groundnut, ex-mill ...	23 4	25 0	26 6	25 0
Groundnut Rly. receipt ...	22 12	24 6	22 14	24 4
Groundnut December ...	22 7	24 3	22 9	23 15
Linseed	21 8	22 4	21 8	22 0
Castor-Commercial ...	20 6	23 4	20 8	23 0

* Trading suspended.