From the London End

The Last of the Post-war Years in Britain

FOR Britain—and, indeed, for most of the world—the era Stigmatised inescapably as "Post War" came to an end in the middle of 1950, The year opened with the problems stemming from the war looming larger and more insoluble than ever. Sir Stafford Cripps was still the guiding genius of this country and of the whole sterling area; from beneath his beetling brows, his sharp vegetarian eye scanned the future and his doctrine was one of hard work and frugality if we would be saved. Having in June sworn that it would never happen, in September 1949, he took us through the shame of devaluation.

On January 12, the General Council of the TUC called a conference of Trade Union Executive Committees to consider policy with regard to wages and production. Financial speculation had, by that time, reversed the drain on sterling reserves, but it was known that this was due in the main to temporary factors and that increased exports had not yet reached the point where they could compensate for the deterioration in the terms of trade If wages and prices were to be allowed to rise, the tonic effects of devaluation would be lost, the downward drift continue, the country be faced with a shortage of raw materials through inability to pay for them, and full employment, on which the Labour Government had staked its reputation, be jeopardised.

In their appeal to the unions, the General Council did something that no official trade union body had ever done before—at least in Britain, the birth place of trade unionism: they appealed for a fall in real wages. "The General Council recommend Unions to reconsider existing wage claims and sliding-scale arrangements with a view to holding agreed wage rates stable whilst the Interim Index of Retail Prices remains between upper and lower limits of 118 and 106 . , ." Since there was no possibility of a fall in prices and the Central Council was motivated by fear of "dangerous inflationary tendencies which devaluation inevitably intensifies", this was in effect an appeal for unions to voluntarily suffer a five per cent, cut in real wages before they considered asking for increases and, where sliding scale agreements were in operation, tying wage rates to the price index, to suspend their operation until the upper level had been reached.

This policy was endorsed by 4,263,000 votes to 3,606,000, but in fact the narrowness of the majority was sufficient to ensure that it would never be carried out. The leadership of some of the unions (especially the mammoth Transport and General Workers' Union, with its million and a quarter vote, built up by Ernest Bevin) might be willing to make sacrifices to safeguard full employment and the Labour majority, but even this union could not fare the competition of other unions who were not prepared to follow its abstemious line. The leaders might lead, but the membership declined to follow; the Englishman's heart was in his stomach and he demonstrated his attachment to the good things of life by voting down the policy of restraint in conference after conference, so that by the end of June, the General Council itself, after five months of silence, had to issue a fresh statement, setting out a policy more in keeping with the reality of the situation. "There are, moreover, two developments which make impracticable a scheme of rigorous control operating generally on wage rate, . . . In the first place, although the cost of living figure has risen much more slowly than many people anticipated, there arises quite naturally a desire to preserve living standards. In addition, the relaxation of rationing and controls of various commodities has given an impression that we are rapidly climbing out of our difficulties and that the need for restraint no longer exists."

Between the statement of January and that of June lay six months of rapid change punctuated by significant events. In February, the Labour Party was returned to power, but with a majority reduced to such an extent that it was plain it could no longer govern in the confident style of a party enjoying the support of the majority of the electorate, It had polled 46 per cent, of the total votes cast but had gained a majority of six seats over its combined opponents—315 to the Conservatives 298, and Liberals and others 12. The Cabinet eschewed controversy (with the exception of the implementation of the Steel Act, which had been passed in the previous session) and set out consciously to placate its middle-class antagonists. Controls were rapidly abolished and application of the election programme for "mutualisation" of insurance, and national isation of cement and sugar was suspended—indeed, nothing more was heard of it. The Chancellor himself stated that the more rigorous enforcement of restraint on personal incomes called for after devaluation was now no longer necessary.

The barometer of Britain's health —the gold and dollar reserves of the sterling area—showed a rise of $263111, in the last quarter of 1949, $297111. in the first quarter of 1950 and $438 m. in the second quarter. This was the end result of a number of forces, some conflicting—e.g., the terms of trade had moved significantly against this country, the index of import prices going from 113 in June 1949 to 132 in June 1950, while that for exports in the same period moved from 113 to only 119; but the index of industrial production went from 130 to 142.

The other event of crucial significance was, of course, the outbreak of the Korean war on June 25, and the marked change in the international situation that followed. It was this that suddenly reversed the history of the world, not of itself but because of the changes that it brought about in the United States—the great ship that set the smaller craft rocking in its wake, and not least of all, the United kingdom. American stock-piling sent the prices of raw materials racing up. The Board of Trade's Wholesale Price Index rose ten per cent, between June and October; of the individual items, wholesale wool prices rose 50 per cent., cotton 12 per Cent., non-ferrous metals 5 per cent, the miscellaneous item, 20 per cent. This movement continued with accelerated speed, to the end of the year. Although it has involved the Uinted Kingdom in some difficulties and led to threats of unemployment towards the end of the year, due to an absolute shortage of things like sulphur and . some non-ferrous metals, it placed the raw-meterial producing sector the sterling area at a great advantage. The UK was able to cash in to some extent, for, with cash flowing freely in the Commonwealth and colonies, the market for her manufactures was suddenly revivified, while the cessation of Marshall Aid, so much dreaded a year ago, could be faced with traditional British aplomb. Indeed, so completely have positions been reversed that it is estimated that the Sterling Area has earned a net balance for 1950 of £250m. on foreign account, and sterling has developed into a short currency—there has even been talk of the necessity of " Attlee Aid " to overcome this shortage.

The urgent need for the UK, however, is to reverse the deterioration in the terms of trade which threatens not only the standard of living but the balance of payments. Allowing for invisibles, the UK debit balance of £66,m. in the second quarter had been converted into a credit of £12m. in the third quarter of 1950, but about half of the improvement is accounted for by a decrease in imports, entailing a running down of stocks which will have to be compensated for later on. The terms of trade will foe partially adjusted by a rise in wages and salaries, which will raise the price of exports—already substantial increases have been paid in the engineering industry and in certain sectors of the civil service, while the representatives of 600,000 railwayman are now before an arbitration tribunal claiming higher rates. This movement will undoubtedly take in an equal number of coal miners and will rapidly sweep through the rest of industry. The other remedy—a revaluation of sterling—is being advocated in some influential quarters and is no more unlikely than devaluation seemed in June 1949-

The index of wage rates, which had been steady at no from January to September, rose to 113 in November. Retail prices have risen one point each month since August and in November were at 116 (for both wages and retail prices the base date is June 1947). Earnings (which, unlike wage rates, include payments for overtime, piecework, etc) averaged 145s. 9*d.* for adult men in April 1950, compared with 139s. 11*d.* a year before and 123s 5d, in April 1947. Business prospects have remained good, the chief difficulty being in shortages of raw materials, present and impending. Profits have continued to rise above, the high levels of 1948 and 1949. In the first eleven months pf 1959, the *Financial Times'* record of profits, taken from company returns, show that 2,610 industrial companies earned £246,070,000 in the latest financial year, compared with £234,913,000 the year before. There are, of course, exceptions—breweries were ten per cent. down and shipping shoes and leather showed a slight; decline. On the other hand, 305 engineering firms showed a rise averaging 15% and 85 motor and aircraft manufacturers showed a rise of 30 per cent.

To sum up—the old problems have disappeared and the new problems are still in their infancy; we are in a position of dynamic (or even volatile) equilibrium; the vehicle is rushing along in grand style, but how far, it is in control we shall not know until we attempt to apply the brakes. We should benefit by a slackening of American stock-piling; but if the slackening were too radical, the old, problems would reappear in exaggerated form —with consequences that no one tan predict.