

Item 7 of the Agenda

TRADE UNION ACTION  
FOR  
COMBATTING AND  
PREVENTING THE SLUMP



---

INTERNATIONAL FEDERATION OF TRADE UNIONS - PARIS 1938

# QUESTIONNAIRE

## A. General and Special Causes of the Slump

### I. GENERAL CAUSES

- (a) To what general causes in your country do you attribute the outbreak of the last slump?  
(Information is required not on the well-known phenomena of the trade cycle under capitalism, but as to any specific theory of the 'crisis' held in your country or recognised by the Trade Unions.)
- (b) Are the decisive general causes to be found in your country in the industrial or agricultural field?
- (c) Can you supply information about the rate of investment, rationalisation, etc., in your country?  
Can you give concrete data regarding the proportion or disproportion between investment
  - (1) in the production goods and consumption goods industries?
  - (2) in industry and agriculture?
- (d) How has foreign trade developed, in broad outline, in your country since 1929?  
How has it been influenced by tariff policy?

### II. SPECIAL CAUSES

- (a) What special causes for your country exist in the field of credit?
- (b) What special causes exist in the field of currency policy?
- (c) What special causes exist in the field of cartel and monopoly policy?
- (d) Are changes in the structure of world industry or agriculture among the special causes of the slump in your country?
- (e) Is ill-advised industrial (or agricultural) policy among the special causes of the slump in your country?
- (f) Are special causes to be sought in budgetary policy?

## B. Measures to Overcome or Prevent the Slump

### I. MEASURES TO OVERCOME THE SLUMP

What general measures for overcoming the depression have been applied in your country?

- (a) in the industrial field (subsidies, etc.)?
- (b) in the agricultural field (subsidies, etc.)?
- (c) in the social sphere?
- (d) to what extent have work creation schemes been carried out?  
How are they financed? Through loans, out of taxation? What sums

have been made available for them? How many people—and for what length of time—have been found work in this way?

What demands have been put forward by the Trade Unions as regards methods of finance, etc.?

- (e) What currency or credit measures have been adopted?
- (f) What budgetary developments have taken place during the slump (deficit, increased indebtedness, increased taxation, etc.)?
- (g) If the last slump has not yet been overcome, what measures are still necessary for this?
- (h) Is there a tendency in your country to use autarchic measures as a way of overcoming the slump in the field of industry—agriculture? Of what nature are these measures?

## II. MEASURES TO PREVENT A NEW SLUMP

- (a) Are measures proposed or already being applied by the Government to prevent a new slump?  
Of what kind are these measures (planned work-creation, centralised distribution of public contracts, etc.)?
- (b) Have the Trade Unions already demanded such measures? What plans, if any, have already been worked but (see III)?
- (c) Has the government adopted economic or social measures which are of a slump-preventive nature?
- (d) Have economic measures been adopted in your country which may help in the control of booms and slumps (control of banks and credit, guidance of investment, supervision of trusts, monopoly boards, nationalisation, etc.)?
- (e) Does the Government, in its budgetary and fiscal policy, aim at preventing a slump? What policy is advocated by the Trade Unions?

## III. WHAT MEASURES DO THE TRADE UNIONS REGARD AS NECESSARY, IN A CAPITALIST ECONOMY?

- (a) What measures have a chance of realisation in your country?
- (b) What industrial or political organisations are concerned in the promotion of these demands?
- (c) What methods have been adopted to win the support of specific groups (farmers, small traders, middle classes, professional workers, etc.) for the policy of the Trade Unions?

We would request National Centres to reply to the questions in the order given and, in view of the fact that the questionnaire has summarised the most important questions, to give as full and detailed a reply as possible on each point, not merely confining themselves to a bare answer. In view of the comparative survey which is the main aim of the enquiry, we are anxious that in any case a reply shall be given on each point.

# BELGIUM

## GENERAL OBSERVATIONS.

In Belgium, the crisis did not make itself apparent by a sharp collapse, such as occurred in other countries in 1929. It was not until the second quarter of 1930 was under way that the index of production shewed a considerable decline. It then maintained one level until the beginning of 1932, when a fresh decline set in; this came to a halt around the middle of 1932, the lowest point of the crisis. The index then climbed slowly, but suffered a fresh setback during 1934. After the devaluation in March 1935, the index rose at first rapidly; subsequently the tempo of the rise slackened, but from the last quarter of 1936 the index moved up again. After having exceeded the average level for 1930, it now corresponds to that of 1929.

The passage from boom period to slump has thus not been a catastrophic collapse, but rather a gradual transition.

Thus, the export trade, a vital factor in Belgian economy, maintained a relatively good level in 1930, after the record years of 1928 and 1929. It was not until 1932 that the export trade collapsed. Wages had a tendency to rise until the second quarter of 1930. Then the decline set in, gentle in its early stages, but quickening in pace in 1931 and 1932. Then the decline was temporarily arrested, but in 1934 there were fresh cuts, and wages reached their lowest level immediately before the devaluation.

What are the causes which have led to the crisis not breaking out in Belgium at the same time and with the same violence as in other countries? The essential cause lies in the excessively low figure at which the franc was stabilised in 1926, which favoured exports to a considerable extent. This stabilisation at a level which was too low led also to intense over-capitalisation between 1926 and 1930, which led, in its turn, to the severe deflation between 1931 and 1935.

Another favourable factor was that Belgium, which is an importer of raw materials, benefited from the rapid fall in world prices for these commodities.

In conclusion, the four or five big banks and their branches having been able to cope with the situation until 1934, credit was not seriously weakened at the beginning of the depression. However, the same can not be said of a number of independent banks, not in the hands of the big banks of the country. These independent banks felt the pinch as far back as 1930. Since 1919, about 50 banks have closed their doors in Belgium. It must be pointed out that the majority of these banks played only a secondary role in the national economy.

A. 1. a. The general causes of the last crisis in Belgium lie in the contradiction between :

On the one hand, the increased capacity for production on traditional lines, and a population which is still expanding; this rise in the population would facilitate an expansion of the home market, bringing about a structural change in our economy, which is essentially export in character; and on the other hand, an effort at self-sufficiency on the part of the importing countries, creating disequilibrium between capacity for production and the demand for which they can pay.

The improvident optimism and unrepentant liberalism of the rulers of Belgium made them ignore this phenomenon. Let us note that, Belgium being an exporting country, it is easier there than anywhere else to observe the phenomenon of the dependence of capitalism on foreign markets.

1. b. The determining causes of a general nature arise mainly in the industrial sphere in our country. But the bottom dropping out of agricultural prices has also been a factor of importance in the slump in our economy.

1. c. The fall in the investment of capital was extraordinarily rapid prior to the crisis, above all in the big industries: coal, iron and steel, electricity, chemical products, textiles and glass. The majority of the undertakings in these branches of industry are, moreover, under the tutelage of the banks or of holdings supported by the banks; which has entailed excessive investment, and a considerable degree of over-mechanisation. As a result, rationalisation has sometimes been pushed to extremes. But it can be said that, to a great extent, anyhow, Belgium was driven to it by pressure from abroad. During this period, too, numerous incautious acts and some excesses were committed. Moreover, the period prior to 1930 was one of great abundance of capital.

But the most serious error of this over-capitalisation lies in their having completely lost sight of the necessity for a structural alteration in the industrial production of the country:

(1) It is evident that one sequel has been a more rapid development in the manufacture of investment goods—heavy industries—than in consumers' goods.

(2) It is rather difficult to give an accurate reply to this question in the absence of adequate statistics. It is evident that the process of investment and rationalisation prior to the crisis increased the relative weight of industry, and, above all, heavy industry—coal, metals, etc., in our national economy.

The number of persons permanently engaged in agricultural undertakings, according to the figures on 31 December, 1929, was 662,382, whereas the number of persons engaged in industry and commerce on 31 December, 1930, to 2,504,560.

To conclude, we cite certain figures shewing the increase in the worker's output every year from 1921 to 1936:

### OUTPUT OF BELGIAN COAL MINES AVERAGES PER WORKING DAY

	Per worker at coal face (kgs.)	Per worker (underground and at the surface) (kgs.)	Percentage of total output achieved by mechanical means
1921.....	3,252	453	—
1922.....	3,344	455	—
1923.....	3,499	469	—
1924.....	3,481	454	53.9
1925.....	3,555	472	62.5
1926.....	3,879	512	71.2
1927.....	3,905	513	81.0
1928.....	4,192	554	85.8
1929.....	4,446	576	88.9
1930.....	4,520	588	91.4
1931.....	4,572	591	92.6
1932.....	4,801	605	94.7
1933.....	5,007	663	96.4
1934.....	5,261	736	96.8
1935.....	5,444	776	98.5
1936.....	5,700	796	—

## OUTPUT OF BLASTFURNACES

	Output per worker (in tons)
1922.....	360.1
1923.....	435.3
1924.....	534.4
1925.....	428.7
1926.....	547.6
1927.....	524.8
1928.....	542.9
1929.....	524.5
1930.....	471.0
1931.....	561.6
1932.....	568.1
1933.....	621.7
1934.....	716.1
1935.....	756
1936.....	—

## OUTPUT OF STEELWORKS

	Output of crude steel per employed worker (in tons)
1922.....	205.1
1923.....	231.2
1924.....	268.7
1925.....	219.0
1926.....	308.0
1927.....	330.1
1928.....	324.9
1929.....	326.4
1930.....	285.3
1931.....	352.4
1932.....	414.3
1933.....	418.3
1934.....	470.0
1935.....	455.7
1936.....	—

## OUTPUT OF ROLLING MILLS

	Average output per worker (in tons)
1922.....	90.6
1923.....	114.0
1924.....	128.3
1925.....	102.1
1926.....	142.8
1927.....	152.3
1928.....	144.0
1929.....	155.3
1930.....	137.5
1931.....	133.4
1932.....	138.2
1933.....	140.8
1934.....	157.4
1935.....	159.4
1936.....	—

## ZINC FOUNDRIES

	Output per worker (in kgs.)
1927.....	26,863
1928.....	30,728
1929.....	30,391
1930.....	29,845
1931.....	29,775
1932.....	29,925
1933.....	39,493
1934.....	45,395
1935.....	45,955

As far as investments are concerned, we have no comprehensive statistics available. The statistics on the issue of capital can not, for several reasons, be regarded as equivalent.

*l. d.* The foreign trade of Belgium is now right in the midst of adapting itself to the numerous new situations created by the crisis. The following are the percentage changes in the trade of the Belgo-Luxemburg Economic Union from 1930 to 1935 :

### IMPORTS

Livestock and Foodstuffs	Raw Materials and slightly prepared goods	Manufactured goods	Minted gold, and silver, and specie	Totals
—		—		—
	<i>Percentage difference in value</i>			
— 49	— 39	— 50	—	— 44
	<i>Percentage quantitative difference</i>			
— 8	— 29	— 40	—	— 27

### EXPORTS

	<i>Percentage difference in value</i>			
— 55	— 14	— 49	—	— 39
	<i>Percentage quantitative difference</i>			
— 22	— 12	— 19	—	— 14

(a) The credit crisis did not in fact become apparent until the beginning of the year 1934, involving a fresh relapse into economic depression. The situation became critical at the beginning of 1935. The principal reason for it was the flight of capital, a consequence of the belief that was becoming more and more generally accepted that devaluation would be inevitable, particularly in a country which is pre-eminently an exporter (see above).

(b) The devaluation of the franc was postponed for political and psychological reasons, the effect of which was to put obstacles in the way of, or, rather, to delay, recovery. From 1926 onwards, there had been created in Belgium a veritable psychosis about gold.

(c) The policy of the cartels and monopolies in Belgium was an aggravating factor in the crisis.

It must, however, be made clear that in Belgium the domination of the banks over industry is the characteristic phenomenon of the economy, much more so than the cartels and monopolies properly so-called. The latter are less stable and of relatively recent date.

(d) The growth of industrialisation abroad, and particularly in many overseas countries, and the general tendency in economy towards self-sufficiency, have played an important part in the economic crisis in Belgium, a country which is a big exporter of semi-finished goods.

(e) Over-mechanisation is evident in certain industrial branches, chiefly in the heavy industries. The industrial policy of our country made the mistake of maintaining as the hub the manufacture of semi-finished goods, and of concentrating too much on export trade. The error was committed of paying no heed at all to the possibilities of the home market. The policy in agriculture paid no heed, either, to the necessity of the qualitative valorisation of commodities.

(f) In the first place, the policy of tax reduction operated prior to the crisis drained the resources of the Government, which neglected to build up reserves.

The policy of budgetary deflation which was put into operation subsequently aggravated the crisis.

B. Three periods have to be clearly distinguished in Belgium in this connection :

(1) The first period up to 1933 : the policy of this period consists, in its broad lines, of doing nothing against the crisis and of waiting for it to come to an end. This policy was engendered by an « optimistic » conception of the character of the depression.

(2) As the depression persisted, those in power came to the conclusion that it would not come to an end automatically, and that something had to be done. The Government then decided simply on a policy of deflation.

This second period continues until immediately before the devaluation in March 1935.

This deflation policy was pretty inconsistent and contradictory. The main idea was the reduction in costs, which necessarily involved cutting down the elements in costs. The first instrument was budgetary deflation. But this deflation, far from balancing the budget by reduction in expenditure, had the opposite effect, since income fell in an even greater proportion.

In a situation demanding that prices should be reduced in a fixed proportion, this reduction was, in fact, effected in an anarchical and contradictory fashion.

Nothing was done in the matter of interest and the prices of monopolies. Moreover, the cross-currents of international finance were constantly raising doubts about the value of the meagre results secured. Finally, and this is another contradiction, the deflation did not prevent the Government from expending considerable sums on public works and unemployment relief.

(3) Ever since April 1935, the ship of State has reversed engines, and the policy of economic deflation has given way to a policy of economic expansion.

## THE FIRST TWO PERIODS

### (a) Policy of Quotas.

Improving the position of banks (decrees of 22 August 1934) by the mobilisation of frozen credits. The credits of the bank were handed over to a semi-State institution, the National Company for Credit to Industry (this institution has been in existence for some time) to the amount of two milliards of francs. The banks, however, remained responsible for the credits handed over and could not obtain a return of more than 3 per cent. But the operation ensured them liquid funds to a equivalent amount.

By virtue of the same decrees, banks receiving deposits were prohibited from



holding industrial, commercial or financial interests. This meant the suppression of the system of the mixed bank. Financial houses were divided into deposit banks holding companies. But, in fact, the change is only a superficial one.

In the same way, the Government intervened frequently by the intermediary of public credit institutions already in existence, or specially created for the purpose, so as to restore and save from imminent collapse several large industrial undertakings.

(b) Policy of customs protection and quotas, much more than in the industrial sphere: endeavours were made to reserve the market for the home producer.

Re-organisation and improvement of the position of the Boerenbond and of its bank, the Algemeene Bankvereniging, which experienced great difficulties at the beginning of 1935.

(c) Extensive efforts at economy in the social sphere; but these efforts were counteracted by the increased expenditure resulting from the rise in unemployment.

(d) Total expenditure on public works (ordinary budget, plus extraordinary budget) for the years 1929 to 1934 are given below, in millions of francs:

1929.....	740
1930.....	906
1931.....	1,124
1932.....	525
1933.....	839
1934.....	756

These sums were raised by increased taxes and, chiefly, by loans. It is impossible to ascertain how many persons have found employment owing to this work, and the duration of their employment.

(e) Budget figures for the years 1930 to 1934:

Year	Nature of the budget	Surplus	Déficit
1930.....	Ordinary	—	858,693,825.58
—.....	Extraordinary	—	1,328,032,914.55
1931.....	Ordinary	—	1,216,744,940.12
—.....	Extraordinary	252,402,827.22	—
1932.....	Ordinary	—	1,565,700,614.47
—.....	Extraordinary	271,401,738.33	—
1933.....	Ordinary	665,921,597.05	—
—.....	Extraordinary	—	7,294,732.40
1934.....	Ordinary	—	336,053,036.74
—.....	Extraordinary	—	359,494,725.48

#### BELGIUM'S NATIONAL DEBT (in thousands of Belgian francs)

##### Internal Debt:

31 December 1930.....	25,975,742
31 — 1931.....	27,331,815
31 — 1932.....	28,956,618
31 — 1933.....	30,179,335
31 — 1934.....	30,427,484
31 — 1935.....	33,279,153

### External Debt:

31 December 1930 .....	26,638,815
31 — 1931 .....	24,507,347
31 — 1932 .....	25,507,347
31 — 1933 .....	19,710,337
31 — 1934 .....	19,497,490
31 — 1935 .....	22,174,127

### Debt Charges properly so-called:

1931 .....	2,688,692,000
1932 .....	2,502,096,000
1933 .....	2,685,453,000
1934 .....	2,630,452,000
1935 .....	2,497,006,000

(f) The cyclical crisis has been overcome. But nothing has been done to remedy the organic crisis. The programmes of the van Zeeland Governments tackle the problem obliquely and timidly.

(g) Belgian economy has not been able to avoid the general wave of protectionism and economic nationalism. However, the term « autarchy » in its full and proper sense can not be applied. There are, nevertheless certain autarchic tendencies. These tendencies are much clearer in agriculture and the food and drink trades than in other branches of industrial activity.

## B. Third Period : Policy of Economic Expansion

### I. (a).

(1) Devaluation of the Belgian franc by 28 per cent. The profit from the revaluation of the gold holding amounted to 4,352 millions, and was placed at the disposal of the State. Three deductions were made first, by virtue of various statutory provisions:

(a) repayment of part of the Treasury debt to the National Bank of Belgium .....	345 millions
(b) payment to the Grand Duchy of Luxembourg of its share in the product of the revaluation .....	155 —
(c) payment of the contribution towards the fund for regularising Government securities .....	1,000 —
	<hr/>
	1,500 millions

There remained a balance of 2,852 millions, which the Treasury uses as an adjustment fund, by drawing temporarily on this reserve, to re-establish it in due course.

At the present time, after having been partly used (repayment of certain foreign debts, public works, etc.) it has been re-constituted in full in gold at the National Bank of Belgium.

The rate of devaluation was chosen in such a way as to put our prices into harmony with those of the sterling group.

It is important to recall that no attempt has been made to place a premium upon export trade. In order to do that, devaluation would have had to be effected at a level out of harmony with the level of sterling prices.

Devaluation has been a complete success. It was operated in excellent conditions. It led the way for a general revival of our economy, at long last released from the grip of deflation.

(2) Credit policy tending to create an abundance of money on the market and to reduce interest rates at short, medium, and long term.

(a) The restoration of confidence following on devaluation led to the return of expatriated capital, attracted by large investments of foreign capital, which sought refuge in Belgium. Devaluation lured hoards of capital from their hiding-places. This abundance of capital was the prime factor in the reduction of interest rates, principally those on short-term loans.

(b) With a view to reducing the rate of interest for short and medium-term borrowing, the Government set up an Institute for Re-discount and Guarantee (Royal decree of 13 June 1935). This institute is neither a private company nor a State organism, but it constitutes a public utility corporation of a mixed character. The capital, amounting to 200 millions of francs, was subscribed by the banks. The obligations of the Institute towards third parties are guaranteed by the State up to an amount of 3 milliards of francs.

The Institute was created to respond to certain needs of credit which the banks could not fulfil, and to permit at all times the mobilisation of such of the bank credits as, by reason of their character, their form and their term, are not normally re-discountable by the institution of issue.

The Institute for Re-discount and Guarantee obtains its funds by auctioning 60 or 90 day Treasury certificates. These issues are easily subscribed at an extremely low rate.

(c) The conversion of Rentes (Government securities) had for its object the reduction in the rates of interest for long-term borrowing. It also contributed to a reduction in the burden of public debt. This operation was a brilliant success. In the 1936 budget, it represented an economy of over 700 millions. All Government securities bearing more than 4 per cent interest have been converted into a unified security bearing 4 per cent.

(d) The Government also undertook the reorganisation of the market for mortgage and for property credit (credit foncier). The Royal decree of 7 January 1937 set up a Central Office for Mortgages, and subordinates all mortgage institutions to public control.

(e) The Government contributed towards establishing low rates of interest for long-term credits by issuing several long-term loans at very favourable rates.

(f) Finally, a decree of 23 July 1937 authorises the National Bank to operate the « open market policy ». Industrial and financial concentration led to concentration in the distribution of credit, the consequence of which was the decrease in bills, which were being replaced more and more by advances on account. In this way, the National Bank was increasingly losing influence on the market in convertibles. Thanks to the decree of 23 July 1937, the Bank regains a part of its influence.

(3) The Government has effected fairly substantial fiscal reductions, which have had a favourable influence on economic activity. It must, however, be stated that this policy was not inevitable, as the economic revival, the high level of prices and profits were already reducing the relative burden of taxation.

Moreover, we are of opinion that tax reduction in times of prosperity is bad policy; the Government is thus committing the same error as the Governments of the boom period between 1927 to 1930, who found themselves, at the onset of the depression, with empty treasuries.

(4) The commercial policy of the State has tended towards making the export trade more profitable. To prevent reprisals, prices of goods for export were not out. This policy has been entirely successful.

(5) As far as the organic crisis from which our national economy is suffering, it can be said that nothing practical has been done to remedy it.

The Government had created, in April 1935, an Office for Economic Recovery (O.R.E.C.) entrusted with the task of coordination, and with the supervision of measures taken by the Government to promote the re-habilitation of the country's economy. It was also entrusted with the task of assuring, in agreement with the Ministry of Finance, the employment for purposes of economic re-habilitation of the profit on the revaluation of the gold holding in the National Bank. The O.R.E.C. also had to consider the capital problem of country's economic reorientation. This structural transformation, a vital necessity for our industry, must have for its aim primarily the creation of new industries producing finished goods. The Trade Unions also insistently demanded this. But the real activity of the O.R.E.C. has remained largely well within the ambitious objects which the Government allotted to it.

A half-hearted effort at directing investment was made for the industry supplying rolling stock, owing to some orders from the railways. But, for lack of a direct hold on the Railways and Local Transport Company, they stopped when only quarter the way there.

In the absence of adequate measure for fighting against the organic crisis, Belgian economy is in reality in a critical situation, which is hidden by high prices and an extraordinary abundance of money, which is partly « bad money ».

Devaluation has hindered selection between the economic units which are profitable, and those which are not; in effect, all devaluations have for their object the restoration of profits, taking instinctively as their criterion the marginal undertakings, which thus escape the pressure of natural selection.

In the course of the depression, the State had intervened on various occasions to save banks or large undertakings from disaster. But this intervention was made without relation to any method entirely empirically, under the pressure of immediate circumstances, and without thought of leadership.

On account of its salvage operations, the State created a certain number of para-State credit institutions, apart from those which were already functioning prior to the crisis. All these institutions, which had been used for re-starting banks and defaulting industrial undertakings, were coordinated in March 1936 by the creation of an Office for Liquidating Crisis Agencies (O.L.I.C.). But the present tendency is for liquidating the O.L.I.C. itself as soon as possible, and the Ministry of Finance is hard put to it to prevent it. Moreover, the Office has not been able to make a single constructive effort towards really improving the situation in certain industries.

One of these measures of improvement would certainly be the reduction of the capital of a large number of private undertakings, but nothing has been done in this respect.

(a) Agriculture has benefited from devaluation and the economic recovery: price increases, reduction in unemployment, increase in purchasing power, etc.

The majority of the measures adopted by previous Governments have been maintained. However, certain customs duties have been reduced, and certain quotas expanded, with a view to keeping a check on prices. But nothing has been done as regards the qualitative valorisation of national agricultural production.

(c) In the social sphere, the Government has pursued a policy of adjusting social insurance (pensions, family allowances, etc.) to the cost of living. Attention should also be drawn to holidays with pay, and to the skeleton law enabling the 40-hour week to be introduced in industries or sections of industry which are dangerous, unhealthy and exhausting. Finally, the Government proposes to put into force in the near future compulsory unemployment insurance covering all persons.

(d) Actual expenditure for public works (ordinary budget plus extraordinary budget) in 1935 and 1936 were:

1935 .....	794 millions
1936 .....	1,011 —

The first van Zeeland Government had prepared a general programme of public works, on bold and ambitious lines; this programme also had for its object the re-orientation of the country. The execution of a large part of this programme had been entrusted to the Office for Economic Re-habilitation.

The sums set apart for expenditure were as follows:

1936:	
Extraordinary O.R.E.C. ....	1,182 millions
Extraordinary, properly so-called .....	1,121 —
1937-1938:	
Extraordinary O.R.E.C. ....	2,306 —
Extraordinary, properly so-called .....	995 —
	<hr/>
	5,604 millions

Nevertheless, this programme is far from having been applied in full. The total actual sums expended for public works, even including those in the ordinary budget, do not even attain one-half the 1936 allocations.

Several months ago, too, it was decided to slow down the execution of the public works, in view of the extent of the general economic recovery, which had already provided work for the unemployed to a considerable degree. In point of fact, unemployment has declined by 50 per cent. since the beginning of 1935.

The work of the O.R.E.C. was financed by the adjustment fund of 2,852 millions which was at its disposal. Other work was undertaken from ordinary budget revenue. Let us recall, however, that, thanks to a flourishing budgetary situation and to loans undertaken at very favourable rates, this adjustment fund has been made up in full.

It is impossible to ascertain the number of persons who have, directly or indirectly, found employment as a result of the carrying out of the public works, which were, moreover, only a secondary factor in the re-absorption of the unemployed.

In conclusion, the following are some details concerning the activity of the O.R.E.C. in the sphere of public works:

The credits whose appropriation is decided by the O.R.E.C. are intended to give a large measure of support to municipalities, provinces and public bodies inadequately provided with funds, with a view to enabling them to combat unemployment, by giving their citizens the facilities which are granted in other and more favoured parts of the country.

In this way, the O.R.E.C. subsidises the organisation of collective measures of anti-aircraft protection, the construction of sewers, filter-stations, the erection and equipment of various schools, improvement of watercourses and municipal roadways, and the distribution of water, gas and electricity.

(e) See above. We will have something to say later on the situation with regard to the budget.

(f) See above.

(g) See above.

## B. II.

(a) The Government has not adopted any measures which could really prevent the advent of a new slump.

There is no plan for spreading out contracts, and the plan for public works can take shape only very slowly.

The Government's policy is absolutely negative, and non-constructive. The Government—whatever may be said of it—remains optimistic and liberal, and the illusion of economic recovery pushes into the background the wish for bolder and more thorough reforms. The economic policy pursued is one of conservative intervention.

(b) The Labour Plan: it becomes steadily more obvious that only a plan of a Socialist nature, such as the Labour Plan, can succeed in removing the organic crisis from which our national economy suffers.

The Trade Union Movement, while awaiting the application of the Labour Plan, demands the public supervision of credit, transport, electricity supply and the raw material industries, and the reorganisation of our national industries. It also demands that a start be made on largescale public works, in order to overcome or alleviate unemployment if a new depression occurs.

(c) See replies (a) and (b).

(d) The Government has created certain bodies and certain influences which, although not representing any real planning, do give a possibility of being useful in the future in an active fight against a fresh slump, or could to a certain extent level out booms and slumps. This possibility of action, however, depends entirely on the people who are at the head of these organisations and control the steering-wheel. Apart from a few exceptions, which only go to confirm the rule, these are all people who have taken part in the deflationary policy and are imbued with this spirit of conservative intervention, which has no comprehension for present-day needs.

(1) The most important of these bodies is the Office for Economic Recovery. We have already mentioned this above.

(2) A Royal Decree of 9 July, 1935, introduced supervision of banks and regulation of the issue of shares and securities.

Only the deposit banks are covered by this supervision, which is carried out by an autonomous public body, the Banking Commission, and by chartered accountants accredited to the Banking Commission. The commercial banks, financial holding companies, etc., are not covered by the supervision, which is certainly a great disadvantage. Nor do the public and semi-public credit institutions come within the scope of the Decree.

The deposit banks are obliged, as far as their liquidity and the size of their own funds are concerned, to abide by such proportions as are periodically laid down by the Banking Commission. The Decree aims mainly at protecting the interests of depositors and savers, and it is therefore of a definitely negative and non-constructive nature. The regulation of the banks' liquidity limits and funds by the Banking Commission, which is equivalent to controlling the volume of credit, may, however, serve in future as a lever for a policy of controlling trade cycles. This would, however, require amendment of the Decree. This policy will in practice always be contrary to the interest of the depositors. The Banking Commission can also fix maximum rates of interest applicable to certain categories of credit.

In virtue of the Decree, the banks are prohibited from owning shares or obligations, or being partners in commercial companies (other than deposit banks).

A great disadvantage of this legislation is that it has aggravated the inelasticity of the credit system. Remembrance of the bitter lessons of the slump makes the banks prudent. The present regulation restricts the expansion of credit.

The same Decree of 9 July, 1935, instituted a system of supervision of the issue of shares. It aims at combatting the abuses and excesses which have occurred all too often in this field; it is therefore essentially of a negative nature.

The Banking Commission, after having made suggestions necessary for the

reduction or the disposal at intervals of issues, can, giving its reasons, prohibit the announcement, offer and public sale of shares for a period not exceeding three months.

(3) The Government has intervened in some cases in order to brake the rise in prices in certain monopoly products. But this intervention has been completely empirical, made just on chance. In practice, it has been completely illusory and inefficacious.

The Government in reality has no influence on the monopolies.

A Bill to supervise cartels and monopolies has been drafted by a Government committee, but this draft aims solely at combatting the abuses of monopolies. It is of course necessary to await its practical application before being able to judge; the results will mainly depend on the persons charged with its application.

As far as nationalisation is concerned, nothing has been prepared. The majority of the Government is, moreover, opposed to all « Etatism ».

(4) A skeleton Act of 10 June, 1937, envisages the coordination of activities, organisations and powers of a number of public credit institutions.

This Act will allow of rationalisation of public credit, which has in the last few years extended to a considerable degree. The Act is very important especially for middle and long-term credit. The enforcement of the Act will probably create a certain number of levers allowing of influence being brought to bear on trade cycles and of reorientation of the country's economic structure. But it is necessary to await the administrative regulations before judgment is passed. Much again depends on the persons who manipulate the new levers.

Up till now, only one set of regulations has been published, those relating to the National Bank. These regulations authorise the National Bank to pursue an open market policy, but to an extent which is quite inadequate, and they reduce the representation of the private banks within the National Bank.

(e) The financial situation of the State is at the moment really very good. While, two years ago, on the eve of devaluation, there was a likelihood of a milliard deficit on the ordinary budget, budget equilibrium is today largely assured, in spite of the increase of expenditure arising out of increased prices and the readjustment of Civil Service remuneration to meet the rise in the cost of living. Economic recovery has certainly increased revenue, but the Government has also lightened taxation to an aggregate of more than one milliard. Although this lightening of taxation has been made under the political and psychological pressure of part of public opinion, we do not think that this policy was necessary. It would obviously be preferable to constitute reserves as abundant as possible in view of a fresh depression. It is true that the reserve of 2,852 millions francs in the O.R.E.C. has been entirely reconstituted, but this will not be adequate in a period of budget disequilibrium and enormous unemployment.

It is important to note, on the credit side of the Government's financial policy, an intelligent policy of redeeming public debts, under which conversion and consolidation of the internal debt have been carried out, resulting in a significant lightening in budgetary charges for the future. In the same way, foreign debts have been repatriated by repayment by means of internal loans on much more advantageous terms.

The Government has, however, not dealt with reorganisation of the fiscal system, and income tax is completely inadequate and very imperfectly developed; at the present time indirect taxation is predominant.

(f) This question is exceedingly complex in our country. It is, moreover, rather of a political nature. We prefer to abstain from replying here.

(Summer 1937.)

# CZECHOSLOVAKIA

## A. I. General Causes of the Slump

(a) In addition to those general causes arising out of the nature of capitalist economy, the following phenomena should be noted as contributing to the recent economic crisis :

1. Rationalisation, which in the course of years eliminated several hundred thousand workers from production and had particularly serious results in those cases where wages were not adjusted to increased production. As a result the discrepancy between production and consumption was still further increased.

2. The policy of deflation, which followed the path of least resistance and decreased consumption, primarily by lowering the purchasing power of the workers. Deflation also had serious effect on the banking and credit systems. The value of the old bank debts was so decreased in the deflation that in many cases they could no longer be borne. This led to the freezing of bank credits and to disturbances in the entire banking system, making material help from the State necessary in some instances. The freezing of credits also caused the entrance of the banks into industrial activity and the formation of large industrial concerns by individual banks. That again necessitated and at the same time made possible a conscious concentration and rationalisation in the interests of the largest possible profits, without any consideration being given to the social results.

3. Industrialisation in various countries, where the development of new industries was encouraged by limitation of imports from abroad, and by different protective measures.

(b) These causes of the slump apply to both industrial and agricultural production, Czechoslovakian agriculture also being affected by the developments outlined above. Although Czechoslovakian agriculture was granted greater tariff protection, it was not possible to prevent a fall in the prices of farm products. As a result, a discrepancy arose between the revenues from farm products and the prices of the supplies needed by the farmer. In view of the importance of agriculture in the Czechoslovak Republic, especially in the eastern part, it is clear that special reasons for the development and deepening of the last economic crisis arose out of the agricultural conditions.

(c) We are not able to give exact and comprehensive answers to the questions as they were formulated in the questionnaire, but must limit ourselves to a description of rationalisation as it worked out in concrete cases. We shall give some illustrations of the influence of rationalisation on the labour market and on the entire economy, taken from the reports of the Factory Inspectorate.

In Czechoslovakia there are 11 Owen machines in operation, each operated by 9 persons, and in every shift one machine does the work of from 80 to 90 bottle makers, working by hand. In 1930, only about 400 bottle makers out of the original number of 3,000, were employed in the manual work. Within 24 hours an Owen machine produces 15,000 to 35,000 bottles, according to the size. A bottle maker, working with his hands, can in 8 hours produce 250 beer bottles, while the machine, in the same time produces 8,000.

The Fourcol Machine, for producing plate glass, displaces workers in the same way. In 1930, 76 machines of this type were used. One of these machines, in 24 hours, produces 1,000 square metres of finished plate glass, 1.5 to 2 mm. thick. 60 % of the plate glass workers, of whom there are about 6,000 in Czechoslovakia, can now make twice as much plate glass as all of the workers together could formerly.



A more important industry is coal mining. In 1927, 75,893 miners were needed in order to mine 11,643,839 tons of coal. But in 1936, we needed only 40,666 miners to mine 12,352,867 tons. The production of coal increased by 6 %; the number of workers decreased by 47.7 %. The average output per shift increased by 135 %! In the Ostrau district, in 1921, 47,058 workers mined 8,975,800 tons. Thus production increased by 15.6 % and the number of workers decreased by 44 %. The production of a single miner, per shift, increased by 160 %.

Another important Czechoslovakian industry is the sugar industry. In the production year 1921-22, 170 factories with 21,558 workers produced 662,928 tons of sugar. In the production year 1930-31, 146 sugar factories with 15,190 workers produced 1,141,246 tons of sugar.

Similar developments can also be found in other industries.

Agriculture too was not left untouched by rationalisation, although it is not possible to determine its exact extent. Its effect can be seen in the migration of people to the industrial districts, partly a result of the limited demand for workers on the farms.

(d) The course of foreign trade is illustrated by the following figures :

	IMPORTS	EXPORTS
	in 1000 Kč.	
1929 .....	19,987,858	20,498,869
1930 .....	15,714,503	17,473,732
1931 .....	10,832,881	13,188,614
1932 .....	8,157,914	7,391,890
1933 .....	6,125,196	5,923,023
1934 .....	6,391,566	7,287,549
1935 .....	6,735,017	7,951,128
1936 .....	7,894,702	8,074,570

However, these figures do not show the development of foreign trade with complete accuracy, because the general sinking in world market prices played an important part in this exceptional shrinkage. As statistics for world trade in general are not available in Czechoslovakia it is impossible to make the comparisons necessary for an accurate picture. It remains incontrovertible, however, that Czechoslovakian foreign trade suffered great losses in the economic crisis, primarily through the loss of the neighbouring markets in central, southern and eastern Europe. The agricultural depression is largely responsible for this, because by special duties and also by veterinary and other administrative requirements, it prevented the import of agricultural products into Czechoslovakia and in that way made the export of industrial goods from Czechoslovakia more difficult. This excessive protection of agriculture also made trade relations with Hungary bad, so that, in accordance with its own political purposes, Hungary used the opportunity to terminate the trade treaty. The losses suffered by Czechoslovakian industry and workers as a result have never been made good.

A second but equally important cause of the decline in foreign trade was the unregulated condition of currency and exchange. The foreign exchange restriction and the clearing agreement made export from the rich industrial Czechoslovakia to the poor agricultural countries very difficult.

Last of all, uncertain political conditions hindered the exportation of Czechoslovakian goods to those neighbouring countries, where previously the largest part of the Czechoslovakian exports had gone. The depression changed the whole structure of Czechoslovakian foreign trade, causing it to leave the nearby markets and gain markets overseas and in the countries with free currency.

## II. Special Causes of the Slump

### a) IN THE CREDIT SYSTEM.

Czechoslovakian banking is built on a different principle from Western European banking. Our banks endeavour to control industrial production and to intervene in the direction of industrial firms. The Czechoslovakian banks were unintentionally drawn into this situation. Scarcity of goods after the war caused increased production and led to large investments. Inflation, although it was moderate in Czechoslovakia, created a favourable situation for obtaining credit during the first post-war years. The deflation policy, heedlessly begun soon afterwards, had very bad results. The immoderate capital investments squeezed production, of which value declined in the deflation process, so that bank debts, mortgage charges and interest became almost unbearable. These conditions increased the risks and the administrative costs of the banks, so that interest for industrial credit, including various administrative costs of the banks, was as high as 11 to 15 %. The Czechoslovakian National Bank, which, during deflation, diminished the currency circulation and restricted credit is also to blame for this course of events.

### b) CURRENCY POLICY.

The Czechoslovakian National Bank, unmoved, carried on its policy of deflation and in that way deprived the national economy of its necessary financial means. By deflation, the purchasing power of Czechoslovakian currency within the country was artificially kept on a higher level than its value abroad, so that Czechoslovakian goods on the world market were more expensive than world prices. The reasons for this can be found in the Act of 1922 for the stabilisation of Czechoslovakian currency. This Act set the relation between Czechoslovakian currency and the American dollar too high and in that way overvalued the crown.

### c) CARTEL AND MONOPOLY POLICY.

The influence of cartel and monopoly policy on the economic crisis in Czechoslovakia was not fundamentally different than in the rest of the world. Until the beginning of the economic crisis it was very difficult to follow the activities of the cartels and monopolies. It was only in 1933 that a law was passed concerning cartels and monopolies that introduced the requirement of registering cartels and monopolies in the cartel register. Further, the law openly intended that the activity of cartels should be regulated or forbidden, in so far as it interfered with social and economic life. The Cartel Commission, made up of representatives of the Ministries involved, decided on those questions. However, its decisions had to be unanimous. The requirement of unanimity in all decisions destroyed the effectiveness of the law. The trade Union Movement is therefore working for amendment and improvement in this law. Under present conditions, administrative pressure is often the only defence against excesses of the cartels.

d) The structural changes in world economy are an important cause of the industrial crisis in Czechoslovakia. Czechoslovakian industry is, to a great extent, built on export. (The Czechoslovak Republic includes about one-quarter of the area of former Austria-Hungary and also one-quarter of the inhabitants of that monarchy. It took over, however, in many types of production 80 % or even more of the industry of Austria-Hungary.) After the war, the neighbouring countries began to build up their own industries, and to protect them by establishing high tariffs and other restrictions on imports. Today, for example, we find the textile industry in countries where it had never previously existed (Hungary, Rumania, etc.). This change was also furthered by the low living standards in those countries. Many Czechoslovakian firms, who were in international cartels or who had some other international connections, moved their factories with all of the equipment, only without the workers, out of Czechoslovakia into other countries. In that way competition arose which limited the market for Czechoslovakian industry or at least reorganised its former markets. It was not only the agrarian countries

which began industrialising, but also other countries, which, in the interests of self-sufficiency set up industries, of which the products had previously been imported from Czechoslovakia. The glass industry was particularly affected by this.

In this chapter we would also include the measures for protection of the native labour market which almost all countries have expressed in terms of restrictions on immigration. This particularly affected the former Hungarian part of our republic, which until the foundation of the new State had been very neglected, and from which every year tens of thousands of people emigrated, particularly to America. As a result of the checking of this stream of emigration there developed, in comparison with the pre-war days and the first post-war years, a great increase in population for whom there was no place, because of the declining demand for labour.

#### e) MISTAKEN INDUSTRIAL OR AGRICULTURAL POLICY.

We have shown that the agricultural crisis influenced Czechoslovakia's trade policy in that through it difficulties in the export of industrial goods arose. The policy of the largest party in the country, the Agrarian Party, which was endeavouring to raise the prices of its own agricultural production, destroyed the natural exchange of goods between the neighbouring agricultural countries and the primarily industrial Czechoslovakia. Therefore, this question can be answered positively.

#### f) SPECIAL CAUSES OF THE CRISIS IN THE BUDGET POLICY.

It can not be said that the budget policy of Czechoslovakia was an especially responsible cause of the slump, but it must be maintained that, just as in other countries, in Czechoslovakia too, the consumption power of the broad masses is heavily burdened by the system of taxation, by indirect and consumption taxes.

### B. Measures to Overcome or Prevent the Slump

Czechoslovakian industry has not received any direct financial support from the State. In individual cases, the State took over the guarantees for credits granted and helped by reducing taxes. The promotion of the export industry was regulated by a special law. This law provided for a fund to insure export credits, and secured the state guarantee for such credits. These guarantees could be granted up to the amount of 2,000 million Kč.

Beyond that, the State has attempted to regulate industrial conditions by making possible the reorganisation of entire industries by means of « syndicates ». In this connection, two government decrees were issued, which have the validity of laws. These decrees were for the creation of syndicates in the glass and textile industries. Theoretically the syndicates are voluntary bodies. Its however, a sufficient majority of the undertaking in the industry concerned (usually 75 %) is in favour of creating a syndicate, the minority must also enter the syndicate and submit to its rulings. According to the government decrees, the syndicate is a semi-public body with a representative of the Ministry of Trade, Commerce and Industry acting as chairman. Representatives of the Ministries involved sit on the administrative body, including the representative of the Ministry for Social Welfare, who protects the interests of workers and consumers. The chairman has rather comprehensive powers. Also the representatives of the Ministries have the right to veto decisions which are contrary to the public interest or the interests of those whom the Ministry protects. The syndicate has the right and the obligation, in addition to its economic and organisational responsibilities, to concern itself with the activity of the syndicate, to facilitate collective agreements, and to see that such agreements are kept. In connection with the syndicates, special advisory councils are established. In these sit the representatives of the workers and consumers as well as of the factory owners. The advisory councils must be heard before every impor-

tant decision of the syndicate. This law was actually carried out, except in the case of two divisions of the textile industry, because the industrialists feared that the State and the Trade Unions and Cooperatives would succeed in interfering in the affairs of private industry. The law has served the industrialists as a weapon, by means of which they have, in individual industries, forced the outsiders to enter the cartel, and thereby have built up almost monopolistic cartels in those industries.

Czechoslovakian agriculture is well supplied with subsidies. The expenditures of the Ministry of Agriculture are regularly six times as high as those of the Ministry for Trade, Commerce and Industry. Also the budgets of the various provinces, into which the country is divided for administrative purposes, contain large items for supporting agriculture. In addition there are also the agricultural subsidies from the lower administrative bodies. It is therefore not possible to state even approximately the amount which agriculture receives in the form of subsidies. The aim of national agricultural policy is to make agriculture not only self-supporting, but profitable. These two principles motivate all the activity of the state in the realm of agriculture and also of agricultural industry. Agricultural planning is really good, but it serves exclusively or almost exclusively the interests of private enterprise.

The most important part of the agricultural planning which contributed towards overcoming the agricultural crisis is the Corn Board. In accordance with the Act, governing this monopoly, a mixed society was formed with representatives of the State, of agricultural producers and of Consumers' Co-operatives. This society was to control the trade in grain, flour and feeds. The products, whose management was to be under the corn monopoly, could only be sold to agents of the monopoly. At the same time the buying and selling prices for grain and flour were set by a government proclamation, so that the influence of speculation on prices was completely eliminated. To guarantee the effectiveness of the corn monopoly, the amount of land under cultivation was also regulated. An announcement from the Ministry of Agriculture always determines what land is to be planted with the various grains.

Another important branch of agricultural production in Czechoslovakia is the lumber industry. The lumber syndicate was set up with extensive State influence, corresponding to the importance of the State forests, to eliminate overproduction and avoid reciprocal underbidding in prices. An advisory council was established in connection with the syndicate, with representation of the Trade Unions. This council is concerned among other things with the social problems of the workers in the forests and in the saw mills.

Similar measures were drawn up also for wool, cheese, paprika, and hops. Public intervention in the case of hop production was also of importance in that there too, the areas to be put under cultivation were to be determined by the State.

Some branches of agricultural industry were also protected by State subsidies and other legal measures, particularly, the sugar, alcohol and brewery industries. In the sugar industry the maintenance of the cartel agreement was made possible by provisions, established by law, regulating the setting up of new sugar factories. The political power of the agrarians is again demonstrated in the case of the alcohol industry. A law was passed governing the mixture of alcohol and benzine for fuel purposes, with the result that the production of agricultural alcohol manufacture was increased at the cost of the industrial alcohol factories. The government helped to overcome the depression in the beer industry by granting the breweries tax reductions, under the condition that the domestic production should be allotted in quotas, and the distribution of the quotas maintained.

### c) SOCIAL MEASURES.

An important social measure was the amendment to the law, concerning pensions for employees, which introduced the so-called social pension for private

employees, older than 55 and unemployed for longer than one year. Since the new social pension is calculated at the same rates as the normal old-age pension, it really means a lowering of the age limit for the old-age pension.

Shortening of hours in various industries can also be considered as a measure to overcome the crisis. In public works as well as in work subsidized by the State, the 40 hour week was introduced by government decree, but without maintenance of wages. In some industries it was also possible to obtain a definite shortening of hours, and in some cases with maintenance of wages. This happened particularly in those industries which were requesting State protection or certain exemptions. When such negotiations were going on, the Trade Unions always demanded definite compensations in their working and social conditions. In this way, new regulations were established, especially in the alcohol factories, the breweries, etc.

In addition, much was done in a social way to offset the effects of the crisis and to relieve the lot of the unemployed. In 1929, the law concerning state contributions to unemployment insurance, which is paid out by the Trade Unions, was materially improved. It can be said, that without this change, the Trade Unions could never have borne the costs of caring for the unemployed. As a matter of fact, later the law was changed a little for the worse, but in spite of that it is much better than the law in effect before the crisis. In all, the State contributed to the Trade Unions for unemployment insurance, between the years 1929-1936, 2150 million Kč. For other kinds of relief, such as food distribution (intended primarily for the unorganised unemployed), the support of children of the unemployed, and the maintenance of homes for unemployed youth, the State, during that time, spent 1960 million Kč.

Another important measure was the government regulation concerning the closing down of factories and the mass dismissal of workers. According to this regulation, published in 1934, no factory dared to close its doors without previously receiving permission from the authorities. Before the authorities gave their permission, the Ministry for Trade, Commerce and Industry, together with the Ministry for Social Welfare, had to investigate the reasons and the necessity for closing the business. This order was particularly important because it served to prevent the closing of factories for speculative reasons as, for example, as the result of a cartel agreement. In many cases the factory owners did not dare to ask for permission, as they were afraid that the representatives of the government would discover their trade and production secrets.

In many cases, the reasons compelling the closing of plants were exposed. They principally lay in the dependence of our industries on bank credit. By the intervention of the government it was frequently possible to obtain new credit and to make possible the continued operation of the plant. In those cases where it was necessary to permit the factory to cease operation, certain measures of protection for the workers were laid down which had to be fulfilled as a condition for receiving the permission. The government order specified that in the case of mass dismissal of the workers or the closing of a plant, an indemnity had to be paid to all workers, in some cases that substitute work must be procured for them, and in every case that the plant would be obligated to rehire its former workers at the time of reopening.

The living standard of the workers during the crisis was protected by a government regulation that prohibited the termination of collective agreements. According to the regulation, the agreements could not be terminated, even when they had normally expired, unless both parties to the agreement gave their approval. In the textile industry there was even more extensive protection of the collective agreements through a government regulation specifying that a collective agreement applying to the majority of the textile plants in a certain division or district of the industry could, by a decree of the Ministry for Social Welfare, be made binding on all of the plants in that division or district of the industry.

In 1937, a government decree was issued which applied this principle to all industries. According to this regulation, the Ministry for Social Welfare, after an enquiry, could extend an agreement regulating labour and wage conditions in a number of plants, to all plants, including those which did not participate in the original agreement.

It is not possible to give a truly accurate answer to this question.

1. There are no central statistics, which include all of the investments of the State and other public bodies.

2. It is difficult to judge which expenditures were made for « normal » investments and which for « additional » investments in order to create work. The so-called PRODUCTIVE UNEMPLOYMENT RELIEF was clearly a measure for restoring prosperity. For this purpose, from 1930-1937, 490 million Kč, were expended. This unemployment relief was the contribution of the national government to the relief work which the national government, the provinces, the districts, the local committees and other public bodies carried out in the public interest. The State contributed, out of the budget for productive unemployment relief, 10 Kč, daily for the wage of every worker employed. From that it can be estimated that, through the work thus subsidized, wages of more than 1,000 million Kč, were paid to the workers.

In addition, provincial activity was carried on, Contributions or loans were guaranteed to large projects which were being financed out of other public funds.

In 1935, the national government expended Kč. 91,000,000 in this way, creating opportunities for work for 89,397 people. The entire building costs amounted to 973 million Kč.

We have by no means covered all of the exceptional costs and expenditures for increasing work opportunities. The increase in the public debt as well as the proceeds from the loans mentioned above give some indication. The Trade Unions supported these methods of combatting unemployment and recommended the introduction of contributions from the factory owners for unemployment relief to cover the increased expenditures.

#### e) MEASURES IN CURRENCY AND CREDIT POLICY.

Undoubtedly the most important measure as far as currency is concerned was the devaluation of the Czechoslovakian crown, by which the domestic purchasing power of Czechoslovakian currency was adjusted to its value abroad. There were two devaluations. The first was in February 1934. At that time the gold content of the Czechoslovakian crown was lower 1/6. The second devaluation, of the same extent, took place in October 1936. These measures were particularly favourable for Czechoslovakian foreign trade and led, especially in the first case, to no increase in the price of consumption goods. In so far as the index for food costs began to rise in 1934, it was primarily because of the prices of grain and flour as a result of the new regulation of the corn monopoly. The increase in prices after 1934 was mostly a reflection of the general world tendency.

The government also intervened in regulating interest. When it laid down the organisational requirements for reorganising the Czechoslovakian banking system, through the banking law, a governmental decree was also published in 1933, concerning competition between financial institutions. This decree radically lowered interest rates, requiring that in the various financial institutions, the interest on deposits should fluctuate between 3 and 4 1/2 % and on loans between 5 1/2 and 7 3/4 %.

Another measure concerning currency and credit policy was the creation of the Rediscount Institute, whose duty it is to look out for the stability of state paper on the exchange (to buy and sell on the exchange) and to intervene against undisciplined speculation. In this way the demands of the Trade Unions for an

open-market policy were partially fulfilled. Although the activity of the Redi-count Institute is not all-embracing and therefore it can not be as effective as operation on the free market, nevertheless the salutary effect of its activity should not be underestimated.

f). The Czechoslovakian national budget is made up of two parts : the budget of the State administration proper, and the budget of State undertakings. The budget for State administration was as follows during the years of the crisis :

	REVENUE	EXPENDITURE
	in 1000 Kč.	
1930 .....	9,419,867	9,366,904
1931 .....	9,843,827	9,838,525
1932 .....	9,323,376	9,318,708
1933 .....	8,634,170	8,632,537
1934 .....	7,631,839	7,630,665
1935 .....	7,985,255	7,983,298
1936 .....	8,033,531	8,032,195
1937 .....	8,456,469	8,453,742

The budget for State undertaking shows the following development in the same period :

	REVENUE	EXPENDITURE
	in 1000 Kč.	
1930 .....	10,395,748	8,833,477
1931 .....	10,613,640	9,064,319
1932 .....	10,459,730	8,929,634
1933 .....	9,073,630	7,867,056
1934 .....	8,100,627	7,320,725
1935 .....	8,002,870	7,175,462
1936 .....	7,973,722	7,230,396
1937 .....	8,329,805	7,452,199

Budgeting was extremely difficult during the crisis as expenditure increased constantly, especially because of the sums for social welfare, relief, and public works, and at the same time revenue constantly declined. The result was a deficit every year in the national budget, so that during this period the national indebtedness grew, although it was still comparatively smaller in Czechoslovakia than in other countries. Particularly favourable was the fact that the credit was to a large part covered by the domestic capital market. Indebtedness abroad is consequently relatively small.

In 1930, the national debt was 36,233 million Kč., of which only 6,623 million Kč. represents indebtedness abroad. By 1936 the entire debt had increased to 47,094 million Kč., of which 8,251 million Kč. was foreign debt. The debts within the country were increased primarily by two large loans; in 1931 the work loans, promoted by the Trade Unions, and in 1934 the loans for national defence. These two loans amounted to about 7,000 million Kč.

During the slump taxes were also raised. This increase in taxation was well planned from a social point of view; on the one hand by raising business and profits taxes and on the other through graduated increases in income tax. In this progression, the medium workers' incomes were sufficiently protected. High incomes were heavily burdened.

#### g) OVERCOMING THE SLUMP.

It is necessary on the one hand to raise the purchasing power within the country and on the other to stimulate exports. The domestic purchasing power must be increased by higher salaries and the curtailment of hours of work, so increasing

opportunities for employment. Furthermore, the age limit for receiving old-age pensions should be lowered in all types of social insurance, and the old age pensions themselves should be improved. Raising of the school-leaving age also help to decrease the burden on the labour market.

The most effective aid to the export industry was the elimination of reciprocal trade limitations, the further development of the Export Institute and the extension of the guarantees for export credits. Besides, the problem of exchange traffic should be regulated internationally. Today, this presents one of the most serious obstacles to a rational international distribution of labour. It has become necessary to arrange for sufficient cheap credit by means of domestic currency policies. Furthermore, substitute industries must be developed in those districts where industries have been destroyed by structural economic crisis.

#### *h) AUTARCHIC TENDENCIES.*

Such tendencies can be found in Czechoslovakia at the present time. Unfortunately, the unsettled condition of world politics makes it impossible to say how large a part purely economic considerations play in this, as opposed to military considerations. However, it does seem that today in all countries efforts towards autarchy are prompted by military reasons.

## **II. Measures to Prevent a New Slump**

*a) Up to the present Czechoslovakia has been so busy combatting the difficulties that arose out of the recent slump, that it was not possible to think in terms of a large programme of planning to combat a new slump. However, the conviction is growing that it is necessary to prevent economic slumps.*

*b) The central body of the Trade Unions has worked out the proposals in that connection which were contained in its programme for 1934. Our Trade Union Movement is constantly concerned with these fundamental problems, and with pushing through and realizing the individual demands.*

Here it is only possible to quote some of the parliamentary and government measures of the recent slumps (the syndicate, the corn monopoly, and other agricultural measures, the law concerning the closing down of factories, the law specifying that a Ministerial decree could make collective agreements binding, etc.). These measures contain parts which would be of value in a definitive system of planned action against economic crisis.

The government has influence in the industrial syndicates, but these syndicates, which are theoretically voluntary, were only created for certain industries. Also in the corn monopoly and in some other agricultural plans, the State has a definite possibility and right to influence production. The control of the banks is very inadequate as we think of influencing banking. The same is true of the credit system. As a matter of fact, the Czechoslovakian National Bank does keep a record of the credit granted to various businesses, but not for purposes of control, only as a way to limit risks in issuing credit.—We have already dealt with the importance of the law concerning cartels.

The first part of this question must be answered in the negative. For the second part, we refer to the plan of the central body of the Trade Unions.

We have already enumerated the measures which have been enacted, in our answers. In addition, we can only say that we are making every effort to see that these measures are extended and enlarged in accordance with the demands of our Trade Unions.

These improvements can only be achieved through democratic co-operation, taking social and economic demands into consideration. The representation of the workers in the government and in parliament is of great importance as well as the representation of the Trade Unions in the economic bodies.



# DENMARK

## I. GENERAL CAUSES.

There cannot be said to be any special Danish theory concerning the general causes of the world economic depression.

There is however, unanimity of opinion concerning the reasons why the slump situation developed in Denmark at the time when it did, and why it reached a given intensity.

The common theory is that the slump came to a head in Denmark in 1931, at which time the general break in world market prices also affected animal food products. It is easy to understand the significance of this fact when it is realised that 75 % to 80 % of Denmark's export revenue comes from the sale of animal products. Simultaneously with the fall in prices, Denmark's two principal markets, Great Britain and Germany, initiated efforts to limit the import of these products on a large scale. The size of our markets was decreased by tariffs and other measures. When Great Britain left the gold standard and sterling fell in September 1931, the situation became still worse. First of all, these developments cut the revenue of Danish agriculture in half. The net income of Danish agriculture declined from 1929/1930 till 1930/1931 from about 500 million to about 250 million kroner. Further, Denmark's position in relation to foreign exchange was seriously injured. (60 % of all Danish exports goes to England, whereas at that time only 15 % of our entire imports came from England. Most of the rest came from countries whose exchange had not declined in value, and the expenditure for imports therefore did not decline in proportion with the decrease in our export revenue.) Because of the general blocking of loans in England, Holland and other countries, the large market for loans no longer functioned.

It seems worthwhile to describe here the measures taken by the Danish Government, even if that does not belong in this section of the report. Denmark left the gold standard in December 1931. The krone fell gradually.—Whereas the parity to sterling is 18.16 kroner, by the summer of 1932 it had reached 19.00 kroner. On the basis of the « Depression Agreement » between the workers and the farmers (the two Government Parties and the Agrarian Party) the rate was stabilised in January 1933 at 22.40 kroner. Since that the rate has remained stable at that point. Finally, in 1932 a system of comprehensive import regulations was established.

These explanations show that the world depression came to Denmark primarily in the form of an agricultural crisis. Of course industry also suffered from the falling prices and the bad market conditions. For example, our exports in ships, Diesel motors and automobiles declined materially. On the other hand our exports in canned goods, oil cake, vegetable oil and cement increased steadily. The social pressure of the crisis was most noticeable in the cities, as the decline in agricultural income increased the migration from the country and added to the number of unemployed in the cities.

There is nothing of particular interest in either investments or the tempo or tendencies of rationalisation in the years before the slump. The general tendency was just like in other capitalist industrial countries. Possibly the développement of Danish agriculture has been somewhat burdened in the last few years by ill-advised investment and rationalisation, of which more will be said later. Long ago the Agricultural workers' Union uttered a warning against agriculture's growing burden of debt.

During the depression, investments and rationalisation were very much under the influence of the policies pursued in connection with currency, trade and employment. The import regulations, together with the low interest rates on capital investments (see Table I, Discount Rates, at the end of the article) protected industry very effectively, so that a favourable situation was created for industrial expansion. Table II (Industrial Production Index) shows the large increase in production that has taken place in Denmark since 1931. Although this is in large part the result of more complete utilisation of productive capacity, there have also no doubt been important new investments. Since every importer had, under the import regulations, to apply for a permit for all the goods imported, there was a check on the number of imported machines and the amount of material needed for production expansion and new establishments. There are no comprehensive statistics concerning the expansion of industry, but it certainly kept within reasonable bounds.

This development necessarily speeded up rationalisation. The following figures taken from official Danish production statistics illustrate the development :

	Production (in mill. kg.)		Number of Workers	
	1931	1936	1931	1936
Sugar Factories and Refineries...	116.0	216.0	2,069	2,481
Coffee Substitute Factories.....	6,289	7,097	223	223
Margarine Factories .....	68.0	71.0	1,468	1,319
Soap and Soda Factories .....	23.4	31.0	795	790

These figures show that in all of the industries cited production increased more than the number of workers. There are however, no comprehensive statistics in Denmark dealing with this problem.

We have already touched on *Foreign Trade* above. The import regulation system already mentioned and the «Exchange Centre» were established in February 1932. The purpose of these was threefold:

1) To reduce imports until they correspond with the amount of foreign currency entering the country, which was much less than formerly, owing to Denmark's unfavourable export situation.

2) To increase employment, partly by preventing the import of goods which might injure the market for Danish goods, or which could themselves be produced in the country, and partly by ensuring the supply of foreign currency needed for importing raw materials.

3) To transfer imports from those countries which do not want to buy from Denmark to the countries wishing to buy Danish goods.

Later we shall investigate the order and the relative intensity with which these different purposes were pursued.

The law itself provides for importers to receive, on application import permits three times a year. Every permit describes the goods concerned exactly, the country from which they come and the amount of money involved.

The permits are only valid for a limited period. There is close cooperation in a number of committees between the Ministry of Commerce and the industrial organisations. The Trade Unions and Cooperatives are also represented in the committees.

The import regulations had a very decided effect on our foreign trade. Table III (a) (at the end of the article) shows what a great increase there was

in the imports from Great Britain, our largest customer, and that imports from Norway and Sweden increased somewhat. On the other hand imports from Germany are not unimportant, but from other countries such as Russia, France, Italy, Czechoslovakia and the United States, they declined sharply.

Table III (b) gives the exports to the same countries, and shows that there was constantly an excess of imports over exports as far as Germany was concerned and an excess of exports over imports as far as Great Britain was concerned; the discrepancy however, was not so great as formerly.

Table IV shows the influence of the import regulations on the various groups of goods. In spite of large increases in the prices of raw materials and fuel, it is clear that an effort was made to concentrate on maintaining the imports of raw materials necessary for agriculture and industry and of semi-manufactured goods, rather than manufactured goods.

The nature of Danish exports did not change materially either during or after the slump. However, the export of living animals declined somewhat and the proportion of industrial goods to total exports increased to some extent.

As far as tariff policy is concerned, it was not necessary, as a result of strict import regulations, to introduce tariff measures of any great significance. On the other hand Denmark suffered intensely from increases in tariffs abroad, this being particularly true of Germany, Great Britain, Sweden, France, Holland and Belgium.

## II. SPECIAL CAUSES OF DEPRESSION.

a. Credit policy was not a factor in causing the slump.

b. The Exchange Centre played a larger part as a measure to overcome the slump. We shall deal later with the criticism that has been made of the Exchange Centre.

c. Cartels and monopolies were not particularly responsible for the development of the slump. Up to the present no measures have been introduced to limit their activity.

d. The fall in prices of export goods, agricultural products, was in part a result of the depression. Doubtless, however, certain structural changes in world economy did exist: agricultural progress in countries overseas, the development of better means of transport and of refrigerating technique. In practical terms that means, that at the present time the prices of animal food products are under the pressure of more competition from New Zealand, Australia and Canada. The whole development is analogous to that in the eighteen-eighties when Western Europe suffered under a serious agricultural depression brought about by the competition of good cheap grain from overseas. Countries where agriculture was primarily concerned with supplying the needs of the country itself could avoid an agricultural depression by raising prices. Denmark too took steps of this sort. But, as only about one-fifth of her agricultural products are disposed of on the home market, measures of this kind had only a very limited effect.

We do not want to decide now, to what extent the present efforts of Germany and Great Britain towards autarchy—previously both countries imported great quantities of food stuffs—represent a structural, as opposed to a recovery, phenomenon. We hope that the latter is the case.

e. Denmark's industrial policy was scarcely of importance in bringing about the slump. On the other hand, agricultural policy unquestionably served to intensify it.

Danish farmers cultivate their own land. The land belongs to some large and many medium and small farmers, who cultivate it very intensively, with

foreign machinery, and have corn, feed and fertiliser at their disposal. A well-organised cooperative system manages the final preparation and the export of the animal products. The large capital outlay needed for this process is supplied by farmers' credit organisations.

However, the system has an Achilles heel: as soon as agriculture brings in a higher yield—perhaps as a result of better selling prices, or lower buying prices, lower wages or tax reductions—it is immediately capitalised by an increase in the price of land and discounted in advance because of the heavier rates and taxes. In this way an extensive and unhealthy expansion of the production apparatus is made possible.

The period of repayment for a loan from a cooperative credit society runs to about sixty years. When there is a fall in the prices of agricultural products, it becomes very difficult for the individual owner to pay interest, and repay the loan. As a result he must lower his living standard, neglect the condition of his farm and seek help from the State. (During the last depression certain relief and moratorium measures were carried out, which will be treated in more detail later.) In particularly unfortunate cases the farmer must see his farm go under the auctioneer's hammer.

The conditions described above forced production to a high level. Leading Danish economists seriously doubt the profit ability of peak production in agriculture. Peak production is certainly due to the import of raw materials from abroad, and probably the development of Danish production and the resulting overloading of markets was a bad sales policy.

#### 1. MEASURES TO OVERCOME THE SLUMP.

We have already described the principal measures of this nature adopted by the Danish Government. Below we have enlarged on that description by briefly answering the questions posed.

a) Industrial subsidies were not given to any significant extent. Small artisans and traders received cheap loans from the depression fund. Also, on the collapse of one of the greatest industrial firms of Denmark, the shipbuilding and Diesel motor factory of Burmeister and Wain, its financial reconstruction was supported by the National Bank. On the other hand, a shipping company which asked for a government subsidy for its Denmark America service was refused. The Danish sugar factories were granted a monopoly on the production and import of sugar in March 1932, in return for which prices and dividends were limited. The price was recently raised to 21 ore per kilogramme.

b) Many measures were adopted in support of agricultural interests. To understand them it is necessary to know the political atmosphere in Denmark during the depression. The Social Democratic-Radical government, with Stauning as Prime Minister, which has been in power since 1929, had the majority only in the Lower House, until the autumn of 1936. The majority in the Upper House, was bourgeois, with the Conservatives and the Agrarian Party dominating. That meant that in order to put through a Bill, the government needed the cooperation of at least one of the bourgeois parties in the Senate, and the depression measures therefore bore a compromise character. The opposition, saw to it that agriculture, trade and industry received advantages in return for measures concerning employment and social welfare. It either demanded direct support for private enterprise in industry, trade or agriculture, or that additional funds for social purposes should be raised in a large part from the working class. It is only thus, for example, that such a measure as the increase in the price of sugar can be understood. The same is also partly true of the decline in value of the krone. Later we shall see that there were similar motives behind other measures such as the corn, meat, butter and margarine regulations. The government was faced with a driving necessity to help the unemployed.

We have already mentioned that Denmark's currency policy was settled in January 1933 as the result of a compromise between the Government and the Agrarian Party. Simultaneously the most comprehensive piece of legislation in Danish history was passed. It was almost entirely slump legislation dealing with unemployment and agriculture. Industry was not included. A large part of the depression legislation described below grew out of the great political compromise of January 1933. The laws are listed chronologically as far as possible.

1) **DEPRESSION AID:** In 1931, 30 millions kroner were distributed to needy farmers, for paying taxes and interest. The funds were raised through a special State income tax.

In June 1932, this aid was continued on the understanding that the loans did not have to be paid back.

2) **MORTGAGE MORATORIUM :** This law provided for a moratorium, from June 1931 to December 1932, without loss of mortgage rights (in the payment of interest and debt repayment charges).

### 3) **SPECIAL AGREEMENT AND MORATORIUM.**

a) Twenty million kroner were allocated to the loan fund for needy branches of economy, especially for the owners of agricultural undertakings, to enable them to come to agreement with their creditors. These agreements were to provide that the entire indebtedness of the individual undertaking concerned should be reduced to a sum which should be in logical proportion to the value of the land plus inventory and stock.

b) Under the moratorium law, owners of agricultural land who had tried to reach a voluntary agreement with their creditors could demand a three year moratorium for such proportion of their mortgage charges as was in excess of the value, and for their personal debts. Exemption from these debt responsibilities was to be discontinued as soon as the price of butter and pork had reached a certain fixed level.

The same law also enabled land owners to mortgage future crops in order to buy seed, grain for sowing, and fertiliser. Under other circumstances this practice is forbidden.

4) **SUGAR REGULATIONS:** The sugar regulation has already been mentioned under industrial legislation. It was renewed in the spring of 1937. The manufacture of potato flour was dealt with by a similar law, for the purpose of promoting this manufacture and increasing the use of potatoes in industrial production.

5) **REGULATION OF PIG PRODUCTION:** Pig production had to be regulated after Great Britain had introduced its import quotas. The committee set up by the law of February 21st, 1931 worked out the regulations. A card was to be issued for every pig which it was expected could be marketed in England. Definite rules were laid down to regulate the distribution of these cards, and the Opposition felt that the small farmers would be given preference over the other producers in this distribution. Payment according to the export rates is made only when the card is presented with the pig, and pigs without cards are paid at much lower rates. The pig regulations were renewed up until the end of 1937.

The provisions for the compulsory mixing of lard in the manufacture of margarine and margarine cheese should also be mentioned in this connection. This ruling was introduced as a compensation for the decline in exports resulting from Germany's higher tariff.

### **MEAT REGULATION:**

6) The slaughterers must pay a tax on every slaughtered animal certified as hygienic. This money—originally together with a State contribution—is used

for the purchase of animals of bad quality (e.g. tubercular animals, etc.), which are then destroyed and subjected to a solvent process. The rest of the money is used for building new markets. The regulation concerning meat cards should be mentioned here, but it will be treated more fully under social measures. The meat law was renewed in December 1933, and at that time the slaughter tax was doubled. It was again renewed for one year in October 1934, by which time the meat fund had received about 10 million kroner, of which 2 million were used to supply the unemployed with beef. The destruction of unhealthy animals cost 5 million and the rest of the sum was used for building new markets. The law was renewed again and expired at the end of 1937.

7) **LAND DISTRIBUTION:** In the years 1933-35 11 million kroner were set aside for this purpose. The State can use 4 million kroner as loans for starting small holdings. It can also be used for additional loans to farms that are already in existence and that have been established by means of a State loan. Seven million kroner from the land fund may also be used for buying up land for this purpose.

Agreement has not yet been reached as to whether the new agricultural establishments are to be developed on the basis of private ownership or State lease.

8) **DEPRESSION FUND:** One of the most important points in the compromise of 1933 was the setting up of a «Depression Fund». This was to create more fluidity on the money market, provide for the normal grant of credits, and a reduction in interest rates. The fund is in some ways similar to the Reconstruction Finance Corporation in the United States. Its funds are supplied by the National Bank in return for the deposit of securities. The fund has made loans to credit and mortgage societies in order to cover deficits in interest and repayment accounts result from the moratorium legislation. Loans were also made to individual undertakings which had got into difficulties for the same reasons. The fund was empowered to aid banks and savings societies by means of loans and grants, and was also very important as a support for the bond market. As a matter of fact, the Depression Fund has recently no longer acted as the purchaser, but rather as the seller of bonds. The total deposits of the fund sank from 139,700,000 kroner in 1935, to 116,200,000 kroner in June 1937. Building activity suffered a great deal under this. Interested groups are trying very hard to get the government and the National Bank to discontinue their selling activity.

9) **INTEREST ON DEPOSITS:** The interest rate was statutorily fixed at a maximum of  $3\frac{1}{2}\%$  from May 1st, 1933, to December 1934. If the money could be recalled sooner, the maximum was set at 3%.

10) **LAND IMPROVEMENT:** During the years 1932 to 1934 10 millions kroner were allocated to land improvement. In this connection the Government had great difficulties with the Opposition, which did not want the work carried out at Trade Union rates.

11) **DECREASE IN AGRICULTURAL TAXES:** The principal demand of Agriculture throughout the entire slump was for a decrease in taxation. A change in land taxes was included in the 1933 compromise. The farmers got a reduction of 20 million kroner for the 1933-34 fiscal year, which could only be made up by a State subsidy. In the following year the reduction was based on the proportional yield from agriculture. The reduction will be discontinued when the yield from agriculture equals that of 1929-30. The State makes up for this loss by raising income tax.

12) **REGULATIONS FOR GRAIN AND BUTTER:** In September, 1933, the Government proposed comprehensive legislation for overcoming the depression. In addition to the regulations for grain and butter, this proposal contained suggestions for new

regulations for meat and bacon, and for a series of social measures. The Government wanted a uniform agreement, but the Opposition did not agree to it. It was only in December, 1933, that a compromise was reached with the Agrarian Party, providing grain regulations which raised the price of grain by means of an import tax, and for butter regulations which fixed the minimum price at 2.10 kroner the kilogramme. In order to prevent consumers from changing over to margarine. Five million kroner worth of margarine was distributed among the unemployed.

In August, 1935, the grain regulations were renewed until the end of the harvest year 1936-37. Imports are now unrestricted but are still taxed, so that the minimum prices can be maintained. The tax helps the farmers who must buy grain, as the State has given them a guarantee of a least 16 million kroner.

The butter regulations expired in December, 1934, as no agreement could be reached concerning the various proposals, and the new regulations were not decided on until May, 1937. This regulation imposed a tax on the butter intended for the home market. The price, including tax, varies according to the season between 2.20 kroner per kilogramme at the end of May and 2.50 kroner from August to December. The taxes go to a fund, from which grants are made to agriculture according to predetermined conditions. In addition, the State pays into this fund 25 øre for every kilogramme of butter, as well as payments for other dairy products, such as milk (reckoned on the basis of butter), which are intended for the domestic market. There was a good deal of opposition to this regulation because a tax was not imposed simultaneously on margarine. The margarine manufacturers immediately lowered their prices and started extensive advertising for their « vitaminised » products.

At the present time the butter quotation is so high that the butter regulation is no longer in operation (the quotation is 250 kroner per 100 kilogrammes).

13) **AGRICULTURAL INDEBTEDNESS:** We have already referred to the fact that agriculture's large indebtedness was at the bottom of the agricultural slump. Although this is generally acknowledged, it was never possible during the whole depression to arrive at a solution of the problem with the Opposition.

A ruling was included among the depression compromises of January, 1933, which was to simplify the conversion of loans of the credit societies, this allowing of interest being decreased or of the interest being written on to the capital without the agreement of the subsequent mortgage holders. In June, 1934, the Government presented proposals for legislation concerning agricultural debts that had been drawn up by a committee. The principal points in these proposals were :

- 1) To speed up and expand current conversion and in connection with this to reduce still further the interest on deposits in banks and savings funds. To make possible, the reduction of the repayment loans from credit societies and to limit to 4 % the interest on certain mortgage loans (excluding credit society loans and mortgages).
- 2) Grants for first mortgages on agricultural land, temporarily set at a rate of 1.3 %, not to exceed the debt value of the property, with provisions for certain reductions, the purpose being to relieve the interest burden, for a period of five years.
- 3) To enable the debtor to make an agreement with his creditors or to receive a five year moratorium on those debts which are in excess of the present market value of his property.
- 4) A series of provisions for financing, which primarily involve the transfer of the increased earnings of banks and savings societies (resulting from the lowering of the interest on bank deposits by 1/2 %), the raising of conversion taxes on municipal land, and the introduction of a tax on stock dividends and cooperative earnings.

The Opposition refused to accept these proposals but could not agree among themselves on any counter-proposals. They wanted price-raising measures, and the Agrarian Party also wished to devalue the currency, but the Conservatives were not in agreement with this.

In addition to this legislation, many purely depression measures should be mentioned:

1) The Acts of 1933-34-35 to support housing programmes, which provided for 25,500,000 kroner to be allotted in loans, and under which 14,500 workers were employed.

2) From 1932 to 1935, 28 million kroner were appropriated for special road work. For HARBOUR BUILDING and COASTAL DEFENCE there was an appropriation of 4.5 millions kroner. In addition there was the extensive work on bridge building in Denmark (a large part of the money coming from British loans). The Storstroms Bridge (completed in 1937) was estimated to cost 36,500,000 and the Oddesund Bridge 5,700,000 kroner.

The regular road work, the costs of which are covered by motor taxes, cost 250 millions kroner between 1929 and 1936.

3) 32 millions kroner were made available in loans for local public works by the depression compromise legislation of January 1933.

4) The Sugar Regulation that has already been mentioned created employment for 16,000 men in the fields and 4,500 meaple in the factories during the sugar-beet season.

5) Youth camps for training and work were set up at a cost of 4 million kroner to combat unemployment among the young.

6) Orchards and garden colonies were established for the unemployed. Also, in 1933, 1.4 million kroner were appropriated as a subsidy to nurseries. In 1934, 11.5 million kroner were made available as loans for starting smallholdings.

7) The Act of 1934 allocated a sum up to 70 millions kroner as security for loans, for exports, industry and handicrafts, primarily in the interests of increasing employment.

The Minister for Social Welfare was charged with the administration of one million kroner in 1935, to be used to increase employment.

8) The temporary Act of May 11th, 1935, empowered the Minister for Social Welfare to decrease hours of work in all undertaking being carried on either by the State or local authorities in the interests of increasing employment. He had to take the percentage of unemployment in the trade concerned into consideration and was not permitted to reduce average hours of work by more than 12 hours per week.

Altogether about 431 million kroner were used in creating special work.

Attention must also be drawn to the large special appropriations made to the unemployment funds of the Trade Unions. The total funds granted in this way during the depression amounted to:

1932-33 .....	9 millions kroner
1933-34 .....	37 » »
1934-35 .....	29 » »

Last year a sum was appropriated for employing persons who had been unemployed for a long period. Overtime, for which free time could later on be granted, was prohibited. The pensionable age for old age pensions was reduced from



sixty-five to sixty. A plan is being considered to raise the school-leaving age. Table V shows the trend of average unemployment among the organised workers during the last few years.

## II. FURTHER MEASURES PROPOSED TO OVERCOME THE SLUMP AND TO PREVENT A NEW SLUMP.

Here it would be in order to criticise the measures that have been put into effect as well as to propose additional measures.

No comprehensive criticisms or concrete proposals have as yet been put forward from a competent source in the Labour Movement, and we must therefore limit ourselves to the points which might be considered.

Until a short time ago the Danish Trade Unions had not been active in questions of economic policy. They had left this to the Government.

In December 1936, the Trade Union and Co-operative Movements together founded the « Arbejderbevægelsens Erhvervsraad » (Economic Committee of the Labour Movement), with the task of following economic developments in Denmark and abroad, of advising organisations of the Labour Movement and representing them in co-operation with the government agencies and in economic committees.

In its first year of existence, the « Arbejderbevægelsens Erhvervsraad » played a very active part. For example, it agitated in favour of the establishment of a Labour Ministry, which would be the central point for the development of economic planning.

The « Erhvervsraad » has also been active in the problem of housing. It drew up a co-operative housing scheme, free from private building companies, and an Act authorising this co-operative plan has been passed.

### I. THE EXCHANGE CENTRE.

The Trade Unions have criticised the exchange regulations from two points of view. The first criticism was of the rise in prices, due to the scarcity of goods brought about by the regulations. It is only possible to combat a scarcity of goods by price control and prohibition of increases in prices, if at the same time a system of rationing is introduced. But this was not held to be desirable because the administration would be complicated and expensive. In addition, the people are opposed to every invasion of the freedom of consumption. As a result the rising prices increased the profits of the recognised importers (as the foreign currency permits are allotted without payment). No method that is politically practicable has been found to prevent these unearned profits or confiscate them for the general good.

Another criticism has been that the trade agreements and the exchange of goods have been primarily adjusted to the interests more of business than of the Labour market. Those who are interested in larger exports have often encouraged the import of manufactured goods with the result that employment suffered, and not least of all the building trade.

Nevertheless the Trade Union Movement has been in favour of maintaining the Exchange Centre. That is not only because of the positive effects of this institution, mentioned above. The maintenance of the Exchange Centre is important for planned economy, since we are anxious that the State should extend its influence in other economic spheres.

The exchange law was revised in 1937. The free list has been greatly extended and covered, at the end of 1937, about 470 millions kroner, as against 80 million kroner previously. This represents onethird of all Denmark's imports. The exemptions apply first of all to grain, stock feed and similar products. In

the course of 1937 there has been a further extension amounting to about 18 million kroner (1937 import value). This covers primarily pasteboard, newsprint, wood, etc.

## 2. AGRICULTURE.

As far as agriculture is concerned the general attitude is not very clear. In any case a uniform and decisive solution of the agricultural debt problem would be welcomed. The « Arbejderbevægelsens Erhvervsraad » some time ago worked out a confidential plan for relieving agriculture's load of debt. The plan has not been published. The Government proposes to take legislative steps in this direction in the near future. Special taxes on the passive capitalists (rentier) are being considered. Furthermore, it would be advisable to reorganise agricultural production by limiting some of the old products and introducing new ones to correspond with the changes already in process in world economic structure.

## 3. SOCIAL MEASURES.

As far as social policy is concerned, the aim is the forty-hour week and the extension of public works.

## 4. INDUSTRY.

There is as yet no trend towards reorganising industry on the basis of more autarchy; no plans being made for socialisation or the State control of industry.

At the present time a Commission on Raw Materials and Production, set up by the Government, is working under the leadership of Bramsnæs, the Director of the National Bank. A part of its duties is to investigate :

- 1) the possibilities of extending production and employment in agriculture and or industry;
- 2) the extent to which raw materials imported from abroad can be replaced by raw materials produced entirely, or at least in part, in Denmark.

We hope that the work of this commission, of which the Secretary of « Arbejdervægelsens Erhvervsraad » is a member, will result in increased opportunities for employment in agriculture and industry.

(Compiled early in 1938.)

TABLE I

	Discount Rate %			Bond Index 1914=100		Discount Rate %			Bond Index 1914=100
1929 ...	5,	5 ½,	5	93,9	1933 ....	3 ½,	3,	2 ½	96,6
1930 ..	5,	5 ½,	4,3 ½	97,9	1934 ....	2 ½			101,3
1931 ..	3 ½,	4 ½,	6	94,9	1935 ....	2 ½,	3 ½		98,0
1932 ..	6,	5,	4,3 ½	85,3	1936 ....	3 ½,	4		97,2

TABLE II

## INDEX OF INDUSTRIAL PRODUCTION

(1931 = 100)

	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927
Food Industry .....	123	120	113	108	102	100	102	95	95	92
Textile Industry ....	152	137	138	128	109	100	98	97	83	79
Clothing Industry ...	150	144	139	127	102	100	108	100	91	89
Leather Industry ....	169	175	164	158	123	100	121	110	104	106
Lumber Industry ...	124	121	115	91	77	100	96	87	78	75
Stone, Pottery and Glass Industry ....	132	135	129	105	71	100	117	104	97	86
Iron and Metal In- dustry. ....	123	116	101	84	74	100	123	111	97	83
Chemical and Techni- cal Industry .....	130	127	118	108	98	100	98	92	85	80
<b>Total Index .....</b>	<b>130</b>	<b>125</b>	<b>117</b>	<b>105</b>	<b>91</b>	<b>100</b>	<b>108</b>	<b>100</b>	<b>93</b>	<b>86</b>
Index of Consumption goods .....	135	130	124	117	105	100	103	96	94	91
Index of Production goods .....	125	120	108	89	74	100	119	107	95	83

TABLE III a

## TOTAL IMPORTS INTO DENMARK

(in 1 000 kroner) according to countries of origin

	1931	1933	1935	1936
<b>Total .....</b>	<b>1,464,813</b>	<b>1,265,795</b>	<b>1,330,151</b>	<b>1,486,034</b>
Germany .....	490,943	287,195	292,236	376,031
Great Britain .....	218,578	355,660	479,209	542,279
Norway .....	22,289	28,517	33,489	43,482
Sweden .....	90,611	88,710	89,855	100,986
Russia .....	57,155	44,229	28,177	29,876
Holland .....	62,038	48,283	40,247	44,664
Belgium .....	38,649	41,703	29,349	32,422
France .....	53,120	35,709	36,184	15,921
Italy .....	13,616	10,242	9,008	3,284
Czechoslovakia .....	19,033	11,661	11,141	8,783
Austria .....	6,445	5,811	4,144	3,806
United States .....	154,067	76,004	69,835	79,013

TABLE III b

**TOTAL EXPORTS FROM DENMARK**  
(in 1 000 kroner) according to countries of destination

	1931	1933	1935	1936
Total .....	1,259,681	1,162,774	1,213,410	1,326,521
Germany .....	173,636	154,053	203,371	278,005
Great Britain .....	813,957	780,644	730,824	742,462
Norway .....	53,904	22,635	46,767	43,557
Sweden .....	50,002	36,428	56,162	59,007
Russia .....	7,826	7,210	6,688	6,636
Holland .....	23,947	16,065	13,551	17,113
Belgium .....	36,260	27,685	18,741	17,804
France .....	20,182	13,760	11,431	19,879
Italy .....	3,234	9,947	6,200	1,564
Czechoslovakia .....	2,053	7,799	6,980	4,790
United States .....	5,490	7,098	9,155	11,248
Austria .....	896	2,521	3,546	3,465

TABLE IV

**IMPORTS IN 1931, 1935 AND 1936**  
classified according to class of goods

Class of Goods	Imports 1931 in million kroner	Imports 1935		Imports 1936	
		in million kroner	in % of 1931	in million kroner	in % of 1931
Raw materials for agriculture and horticulture.	281.5	221.5	79	264.6	94
Raw materials for industry .....	132.1	194.6	147	217.3	164 1)
Materials for fuel and lighting .....	135.8	165.4	122	196.6	145 1)
Semi-manufactured and other goods for industry.	238.7	268.8	113	299.4	125 1)
Raw foodstuffs .....	83.1	57.8	70	49.9	60
Manufactured goods for the food production industry .....	62.8	28.4	45	18.3	29
Manufactured goods for general consumption...	254.0	117.7	46	131.2	52
Semi-manufactured goods to be finished .....	275.8	275.1	100	306.9	111
<b>Total .....</b>	<b>1,463.8</b>	<b>1,329.3</b>	<b>91</b>	<b>1,484.2</b>	<b>101</b>

1) Large price increase.

TABLE V

	Employment in industry thousands of work-hours per working day	Persons in search of work	Insured unemployed	Percentage of organised workers unemployed
1930 .....	»	34,000	34,000	13.7
1931 .....	962	116,000	92,000	17.9
1932 .....	881	173,000	137,000	31.7
1933 .....	985	127,000	118,000	28.8
1934 .....	1,092	133,000	115,000	22.2
1935 .....	1,185	140,000	125,000	19.8
1936 .....	1,238	142,000	127,000	19.4
June 1936.....	1,276	58,000	47,000	11.2
July 1936 .....	1,276	61,000	50,000	12.0
August 1936 .....	1,292	61,000	51,000	12.3
September 1936 .....	1,300	65,000	54,000	12.9
October 1936 .....	1,310	80,000	68,000	16.1
November 1936 .....	1,287	96,000	83,000	19.8
December 1936 .....	1,244	142,000	127,000	29.9
January 1937 .....	1,189	156,000	140,000	33.0
February 1937 .....	1,218	146,000	129,000	31.4
March 1937 .....	1,252	131,000	116,000	28.6
April 1937 .....	1,283	86,000	74,000	17.5
May 1937 .....	1,335	73,000	62,000	14.5
June 1937 .....	1,330	69,000	59,000	13.7

# FRANCE

## I. General and Special Causes of the Slump

I and II.

The essential characteristic of the economic depression in France is that it manifested itself markedly later than the depression in most other countries, since it did not really make itself felt until 1931.

This delay is due to various causes, of which a detailed examination cannot be made here. The main cause was the rather slow development of industrial activity in France and the relative equilibrium which has been maintained between industry and agriculture. The economic structure was being transformed in the direction of increased industrial activity, but the pace was much less rapid than elsewhere. For the same reason, incidentally, it is not possible to attribute a decisive part in the slump to one or another branch of activity, as developments ran practically parallel.

The slowness in the development of industrial activity also explains why there has been no great measure of rationalisation in France, even distantly comparable with the rationalisation which in other countries has contributed to a breakdown in equilibrium. Although not entirely absent, technological unemployment has only played a secondary part.

A further factor in the retarded appearance of the depression in France must be sought in the fact that France only suffered indirectly and to a small extent from the crisis of frozen credits in 1931.

In its origins therefore, the French slump may be regarded as the retarded prolongation of the world slump, which very deeply affected France's foreign trade. These effects have been aggravated by an exaggerated policy of quotas, first of all on agricultural products but later on extended to numerous industrial products.

The fact that the slump in France later assumed a special character, and a gravity which it did not have at the start is due mainly to the economic and financial policy which was pursued. Budget deficits and the pretext of the defence of the franc led successive governments to accentuate a policy of deflation which has had the most disastrous consequences and has produced results exactly contrary to those awaited by its authors. From the end of 1932 to the end of 1936, the national debt of the State alone rose from 285 to 355 milliards of francs. The deficit on the budget has also remained very disturbing (being estimated at more than seven milliard francs for the current year), in spite of extremely heavy increases in taxation, and the franc has had to be depreciated twice in one year.

It has not been possible completely to efface these consequences of the deflation, and they explain why France, the last great industrial country to enter the slump, has also been the last to overcome it.

## II. Measures for Overcoming and Preventing the Slump

On this point, two phases must be distinguished—the period of a more and more accentuated deflation and the succeeding period, starting in May 1936, with the electoral victory of the People's Front and the great strikes.

I. In the first phase, very little was done to attenuate the slump, which everything, on the contrary, was helping to aggravate

The remedy was sought in deflation and in economic nationalism. The subsidies given to industry and agriculture were not of a great extent, if account is not taken here of the considerable expenditure made by the State in order to keep afloat the banks and great undertakings which were in a serious pass. On the other hand, mention must be made of the attempts made to regulate the production of France's two most important agrarian products, but these measures proved ineffective.

As far as unemployment is concerned, the special situation in France should be noted. In France the crisis on the labour market was marked to a great extent by the departure of foreign workers who had previously immigrated. In order to combat unemployment, plans for public works financed by loans were put forward (Tardieu plan, Marquet plan), but their execution has proved ridiculous in practice, and they did not as a matter of fact correspond in the slightest with the demand put forward by the Confédération Générale du Travail (French National Trade Union Centre) for a stimulus to be given to industry. There was hardly any decrease in unemployment, and such reduction as took place was cancelled out by the increase in unemployment due to the general policy pursued.

II. The constitution of the first People's Front Government and the strikes in May and June 1936 were followed by considerable changes. The policy of deflation, which had received general condemnation, was succeeded by a policy based on raising purchasing power. In addition to the fundamental social reforms (such as the Act on collective agreements) this policy has been expressed essentially in increased wages, reduction of the working week to forty hours, which is now in force practically everywhere, and holidays with pay.

But this very great initial effort has not developed to the extent demanded by the CGT. The reduction in hours of work has found employment for a considerable number of unemployed workers but not for the number who could have been found work had it not been for the opposition of the employers. Industrial recovery has only taken place to a limited extent, and it would have been still slighter without the expenditure on armaments, which however only goes indirectly to private undertakings, since the war industries, including aircraft building, have been nationalised.

The increase in workers' wages has had an appreciable effect, but this has to a large extent been cancelled out by the rise in prices, this being the burning problem of the day for French economy.

Agricultural producers have benefited to a greater extent, but their situation has not become completely favourable. It is indispensable that the prices of agrarian produce should be raised, but it is to be regretted that this increase in prices has only partially gone to benefit the producers themselves, while constituting an increased burden on consumers. The solution of the problem should be sought in a reduction of the middlemen's charges. Interesting proposals have been made with a view to the rational organisation of the markets, and the establishment of the Corn Board represents a welcome application of this idea. On the other hand, however, it is undeniable that, for certain agrarian products, France remains a closed market, thanks to customs tariffs and especially to the quota system. There is however no sign of voluntary tendencies towards autarchy in France, these measures are regarded as expedients, although it must be admitted that it will be difficult to discontinue them.

On another point, considerable delay must be recorded. A new programme of public works has certainly been drawn up, but once again this does not meet the need for a stimulus to industry, nor does it correspond with the demands of the Trade Unions. Moreover, its original extent has been much reduced on the pretext of continuing financial difficulties. Mention should however be made of plans to revive the building industry, which is going through a very grave

crisis, but it is impossible to judge as yet of their effects or even of the extent to which they will be applied.

### III. Measures to Prevent a New Slump

A reply for France limited to the measures adopted or envisaged by the Government would be brief, as it would amount to exactly zero. Certainly some measures exist which could serve to prevent a slump, but they were not adopted with this express aim. One of these is in fact of great importance, because it is at the root of all action to supervise and direct credit and investments—this is the nationalisation of the Bank of France, which represents a remarkable step forward, of which the possibilities remain to be developed.

During the past year, other nationalisations have taken place. As far as the nationalisation of armaments works is concerned, although this may be expected to produce a regulating effect from some points of view, it cannot be regarded as a measure of economic planning. From this standpoint more attention should be given to the formation of the Société Nationale des Chemins de Fer (a semi-public company with State preponderance in ownership of the shares), which took over all the French railways as from the 1st January, 1938. This is an important decision, although it is a pity that it is not nationalisation in the way the CGT demanded. Judgment cannot be passed until it is seen how the new railway management will function.

Anyone wishing to consider the problem of slump prevention in France must look practically exclusively to the Trade Unions. Only the Labour Plan drawn up by the CGT offers a unity of rational solutions. Although it was not drawn up with a view to the present situation, it is still perfectly appropriate today, it only being necessary to exclude the social reforms which have already been carried out. The nucleus of the Plan remains the organisation of great public works—for the slump still has to be liquidated in France—credit supervision and nationalisation of the key industries.

### IV. Future Prospects

The above account, which has been kept free of over-optimistic interpretations, at the risk of minimising the achievements of the French workers, may seem to indicate that the prospects for economic reorganisation in France are very dark, but this is not so. Thanks to its continuous work, the CGT has been able to make French public opinion aware that it is possible to fight against slumps and especially to prevent them. These conceptions are much more generally admitted than the failure of the present government would seem to indicate.

The possibilities of getting the workers' ideas applied in practice should not be underestimated. The CGT's own power must be realised. In the political field there is the People's Front, which is not merely a political formation of the moment, as may be thought in some other countries, but which, on the contrary, corresponds to the fundamental division in French public opinion between the Right and the Left which is above the division of parties and which continues to exist, in spite of all the changes in governments.

The People's Front, moreover, gives the Trade Unions the advantage of being able to associate with the workers certain classes which are outside them (peasant-farmers, craftsmen, middle classes and professional people). It may be pointed out in this connection that the CGT's Labour Plan gives much space to the needs and demands of these social categories, and that it is just for this reason that it has been a decisive contribution to the formation of the People's Front and its maintenance.



# GREAT BRITAIN

## INTRODUCTION

Any attempt to explain the causes of a slump ought properly to be preceded by an explanation and an examination of what is meant by the term « slump » itself.

It has been said that one way of describing a slump is to depict it as « a simultaneous breakdown in the profitability of many different lines of industry » (1). Whilst not everyone will necessarily agree with the precise terms of this description it is, undoubtedly, the common practice to characterise a slump as a depression common to or shared by all or a number of separate industries.

If such descriptions are ambiguous, it is mainly because they contain no indication of the degree of generality required to be exhibited by a depression before it can be characterised as a slump. The implications, however, are clear. If a slump is an experience commonly shared by all or a number of separate industries it is reasonably probable that its cause will be found to be something equally common to all and not in the coincidence of conditions particular to the industries separately.

In Great Britain, since the end of the war, there have been two depressions considered now to have been common to or shared by all or a number of industries—one immediately following the somewhat artificial boom of 1919-1920 and the other which, commencing in 1929, culminated in the crisis of 1931. Yet, ever since the end of the war, or, certainly, ever since the end of the artificial boom of the early post-war years, several of Britain's major industries have been in a state of continuous depression with the result that, in spite of the growth and expansion of other industries and quite apart from any general fluctuation in industrial activity, throughout the whole of the post-war period Great Britain has been faced with a situation of widespread industrial depression.

Thus, though the IFTU Questionnaire asks specifically for an explanation of the « causes of the outbreak of the last slump » it is by no means certain that the purpose of the Questionnaire will be met merely by an explanation of the causes of the depression which began in 1929 since such an explanation could scarcely, in itself, be expected to reveal the real nature of Great Britain's past industrial experience and present problems.

The 1929 slump was, no doubt, as important in its effect upon the already depressed industries as in its effect upon all industry but the main problem for such industries, and for the country as a whole in relation to them, was, and still is, much less a problem of discovering and dealing with the cause of a general slump than one of finding and dealing with the causes of their own particular depression.

It has not been considered desirable, therefore, in what follows to confine attention only to the slump of 1929. On the contrary, the 1929 slump and its causes are only dealt with incidentally in a discussion and attempted explanation of Great Britain's post-war industrial experience.

### I. THE CONDITION OF BRITISH INDUSTRY SINCE THE WAR.

1. The extent of the industrial depression in Great Britain since the War is indicated in many of the available items of information relating to the several aspects of industrial activity. Later in this memorandum consideration will be

---

1. Professor Lionel Robbins : « The Great Depression », McMillan, page 30.

given to certain items of the available information relating to such aspects as overseas trade, industrial production, commodity price movements, employment, etc. For the moment, however, attention is directed to certain figures relating to unemployment—probably the most significant aspect of all.

#### UNEMPLOYMENT.

2. In the attached Table I will be found percentage figures of the general level of unemployment in pre-war and post-war years, and the level of unemployment in particular industries since the war (1). The pre-war annual average of all workpeople unemployed is based upon the figures of unemployed Trade Union members in the years 1860-1914, and the percentages for December 1918, 1919 and 1920 are of unemployed Trade Unionists in those months. The percentages for the years subsequent to 1920 are those of insured workpeople registered as unemployed. It is known, however, that over the period 1921-1926, during which the figures of unemployed Trade Unionists and insured workpeople unemployed are both available, there was agreement between the two sets of figures. For comparative purposes, therefore, the Trade Unions percentage can be taken as reasonably accurate.

3. From 1860 to 1914 the annual percentage of Trade Union unemployment in Great Britain ranged from just under one to just over ten and the annual average for the whole period was 4.5 %. The only pre-war year in which the percentage reached ten was in 1886 when it was 10.2. On the other hand, since 1921 the annual percentage of insured workpeople unemployed has ranged from a minimum of 9.7 in 1927 to a maximum of 22.1 in 1930, with an annual average for the whole period of 14.5 %. In post-war years, therefore, the general level of unemployment in Great Britain has been 10 % higher than the level of pre-war years.

4. With unemployment ranging from as low as just under 10 % to a maximum, in one year only, of just over 10 %, the pre-war unemployment problem could fairly be described as mainly a problem of recurring unemployment caused by fluctuations in industrial activity (2). Clearly, however, there is some special significance to be attached to the post-war unemployment situation. The persistence, over 17 years, of a high general level of unemployment is not something that can be explained solely in terms of fluctuations in industrial activity. Fluctuations have, indeed, continued to occur and with rather more pronounced effects but, whilst a fluctuation may account for a rise in the level of unemployment to 22 %, it cannot possibly be used as an explanation of why the level of unemployment has only once since 1921 (in 1927 when it was 9.7 %) fallen to below 10 %.

5. The explanation of the post-war unemployment situation, therefore, ought to be sought in some direction other than that of industrial fluctuations and, since the direct comparison is with the pre-war situation, it is clearly desirable to enquire, first of all, if the post-war situation can be related to causes connected with the War itself.

6. In this connection it is necessary to attempt to distinguish the temporary and

---

1. In connection with all of the tables attached it must be noted that changes in the methods of compilation, classification and publication of the available information makes it impossible to guarantee that the information in respect of any year is strictly comparable with that in respect of every other year. The necessary qualifications, however, are not of the greatest importance for the purpose of this memorandum and comparisons between particular industries are hardly affected at all. Certain qualifications have been mentioned in the appropriate parts of the text.

2. « It (pre-war unemployment) arose from fluctuations in the volume of employment. » Clay : « Post-War Unemployment Problem », McMillan, 1929, page 1.

abnormal effects of the War from its permanent consequences. The terrific slump which followed the somewhat artificial boom of 1919-20, the extent of which is indicated by the rise in the percentage of unemployment from 5.6 in 1920 to 16.9 in 1921, the fall in the value of British exports from £1,334.5 millions in 1920 to £703.4 millions in 1921, and in the value of retained British imports from £1,709.9 millions in 1920 to £978.6 millions in 1921, was, undoubtedly, largely the result of the unsettled conditions of international trade and the dislocation of domestic production caused by the necessity for the different countries to attempt to meet the conditions created by an expensive and protracted war. Yet, again, it can hardly be believed that the abnormal conditions created by the end of the War have persisted for a period of 17 years since.

7. Indeed, it is difficult to avoid the conclusion that if the war had any permanent consequences for British trade and industry, it could only be in the sense that the war more rapidly brought into significance conditions that, in time, would have been created in any event. In any case, it is a view worthy of some consideration.

8. The distinctive feature of industrial and commercial activity in Great Britain before the war was the predominance of about five long-established industries each of them exporting a very considerable, if not the major portion, of their annual output. These industries were those engaged in the manufacture of cotton, woollen and worsted, iron and steel and other metals, machinery and hardware and also the coal industry. The value of the exports of these five large industries in 1913 amounted to £320 millions out of a total value of all exports of £525 millions—equal to no less than 61%.

The industrial and commercial position of Great Britain at the beginning of the war, therefore, was such as to render her particularly liable to be faced with a serious economic situation in the event of a considerable and permanent reduction in the total volume or alteration in the character of international trade. Moreover, even in those days, it required but little imagination to realise that such already noticeable developments as the initiation and expansion of manufacturing industries in many other countries (including several of the chief importing countries) and the growing popularity of new kinds and qualities of manufactured articles, would most certainly result in more severe and sustained competition in international markets and the widespread adoption of restrictive and discriminatory trade policies.

9. Inevitably, one result of the war was to speed up and to bring more rapidly into significance developments that had been noticeable before. The danger of transportation by sea and the concentration, especially in the belligerent countries and not least in Great Britain, on the manufacture of war materials and supplies meant that international trade was restricted within narrow limits and importing countries were encouraged by high prices and even compelled by lack of supplies to provide for themselves. By the end of the war many countries were able to provide for all or some part of their own need for manufactured articles, some even with a significant surplus beyond their own needs and available for export, and practically all of them anxious to afford protection to domestic manufacturers against competition from abroad. Some of them, indeed, were soon to begin actively to assist the export of home manufacturers.

10. During the whole of 1919, and for the greater part of 1920, Great Britain experienced something in the nature of a boom in industrial and commercial activity. This boom, however, was quite artificial since it was very largely based upon the accumulated export demand of the war years. When this somewhat artificial boom ended, the economic situation in Great Britain began to assume the character that it still, to a very considerable extent, retains. The yearly average of unemployment which was no more than 5.6% in 1920 was 16.9 in 1921. The value of total exports were £1,334.5 millions in 1920 and

no more than £703.4 millions in 1921. The 1921 situation was, however, also to some extent abnormal and temporary. Its causes were numerous but, in essence, simple. It was, indeed, a slump that affected all countries alike but Great Britain as a great exporting nation particularly, and which was bound to be experienced in a world of countries trying to re-adapt their commerce, industry and currencies to the conditions of peace.

11. By 1924, however, the purely temporary and extremely abnormal conditions created by the end of the war had, to some extent, disappeared. In that year the general level of unemployment was down to 10.3 % and it has only once since fallen below that figure (1927). By 1924 the value of total exports had increased to £801 millions, a total never since reached. In 1925, Great Britain rather precipitously returned to the Gold Standard and there was some slight regression in industrial and commercial activity reflected in a rise in the general level of unemployment to 12.5 % during 1926 and a fall in the value of total exports in the same year to £653 millions. In 1927, however, the general level of unemployment fell to the lowest point it has touched since 1921 and was 9.7 %, whilst the value of total exports increased to £709.1 millions.

12. On the whole, and except for the effects of the rather hasty return to the Gold Standard (including the National Strike and the coal stoppage of 1926) the years 1924 to 1929 may be taken as reasonably good post-war years. Indeed, the period has since been described as one of an increasing «boom» which was to collapse in 1929. Over that period the annual average of the general level of unemployment was about 10.7 % as compared with 14.5 % over the whole period since 1921. The value of total exports tended to decline (but that is, to some extent, a reflection of decreasing prices as well as of decreasing volume) and the general index figure of industrial production which stood at 103.8 in 1924 increased gradually to 114.8 in 1929.

13. The unemployment situation during this good or even «boom» period of 1924 to 1929 confirms the view already expressed above that Great Britain's special post-war problem is typified by a permanent increase in the general level of unemployment by about 10 %. If an examination is now made of the available information relating to particular industries with a view to estimating the situation in those industries it may be possible to discover some indication of the precise nature of the problem as a whole.

14. There are very few industries in Great Britain that do not (or did not) export some proportion of their annual production, and hardly a single industry or service in Great Britain is (or was) unaffected by the conditions of international trade. Of the particular industries in respect of which figures are given in the attached Tables I and II, cotton and shipbuilding depended almost entirely upon exports; the export trade of coal, engineering, iron and steel, woollen, and other metals have always been a fairly considerable proportion of their total output; and chemicals have been exported in fairly considerable quantities. Motor vehicles manufacture is mainly for the home market and building is entirely for domestic demand—though liable to be affected by bad weather as well as by economic depression generally. The cotton, coal and woollen industries are very old established; the engineering, iron and steel, other metal, chemical, building and shipbuilding industries are equally old established, but reasonably adaptable to new kinds and qualities of products; whilst motor vehicle manufacture can be considered a new industry.

15. The figures of unemployment in the separate industries are interesting and probably not without significance. In the industries largely or considerably dependent upon exports the situation generally was rather worse in 1929 (the peak of the «boom») than in 1924 (the first of the «normal» post-war years) and rather worse, also, than the situation in industries not so largely dependent upon exports. But the situation was not uniform even throughout the heavy

exporting industries. In coal mining the percentage of unemployment was 5.7 during 1924 and 16.5 during 1929. In the woollen industry it was 13.9 % in 1929 as compared with 7.0 % in 1924. In the cotton industry there was a very slight improvement from 13.7 % in 1924 to 13.2 % in 1929. In metal industries (other than iron and steel) unemployment rose from 11.4 % in 1924 to 14.7 % in 1929. On the other hand, unemployment in engineering fell from 15.2 % in 1924 to 9.2 % in 1929 in which year, indeed, it was below the general level for the country as a whole. In iron and steel the percentage fell from 21.1 to 18.0 at which figure, however, it still ranked amongst the highest as did the percentage in shipbuilding, which fell from 29.4 in 1924 to 24.1 in 1929. In chemicals, the percentage fell from 9.0 in 1924 to 6.5 in 1929. In the motor vehicle industry it fell from 8.5 % in 1924 to 7.1 % in 1929.

16. Moreover, the unemployment percentages alone do not reveal the real employment situation. The total working population has continued to increase in every year since the war as it did in every year before the war (see Table II) (1). The total of insured work people in the coal mining industry, however, decreased from 1,259,000 in 1924 to 1,075,000 in 1929; in cotton the total of insured work people decreased from 572,000 to 554,000; in the woollen industry, from 260,000 to 237,000; in engineering, from 775,000 to 745,000; in iron and steel manufacture, from 237,000 to 201,000; and in shipbuilding, from 233,000 to 192,000. On the other hand, there were increases in the total of insured work-people in motor vehicle manufacture from 203,000 in 1924 to 243,000 in 1929; in chemicals from 98,000 in 1924 to 105,000 in 1929, and in building from 713,000 in 1924 to 811,000 in 1929. These figures must be taken into account as well as the unemployment percentages in considering the significance of unemployment figures.

17. If the two sets of figures—percentages of unemployment and numbers of insured workpeople—are taken into account together, it will be seen that, during the period 1924-29, with an increasing industrial population, the general level of unemployment remained at about 10 %; that employment in industries largely or considerably dependent upon export trade declined in comparison with the more sheltered trades in which employment expanded; and that the decline in employment in the export trades was greater in the case of the old established and not readily adaptable industries such as cotton and coal than it was in the more readily adaptable industries of engineering, iron and steel and other metals. Yet, even in the readily adaptable export industries the level of unemployment was higher than in normal pre-war years and there was some not inconsiderable reduction in totals of insured persons. Only the newer and the more sheltered industries showed both consistent decreases in unemployment and consistent increases in totals of insured workpeople.

18. Three significant conclusions, therefore, appear to be justified by the general and particular information relating to employment and unemployment up to 1929. They are: that Great Britain's export trade had definitely and permanently declined; that the old established and not readily adaptable industries had declined even more severely than others equally old established and equally engaged in considerable export trade but more adaptable; and that progress was, to some extent, being made in the newer and naturally more adaptable and more sheltered industries.

19. The conclusions outlined above can and ought to be supported by information relating to other aspects of industrial activity besides employment and unemployment. There was (and, to some extent, there still is) a popular impression that the chief cause of the permanently high general level of unemployment

---

1. The regression in 1928 in the total of insured workpeople in Table II is accounted for by the exclusion in that and subsequent years from insurance of workpeople aged 65 and over.

in Great Britain was to be found in « rationalisation » and the improvement and speeding up of mechanical processes. No doubt, « rationalisation » has had some, if only temporary, effect on employment. But two considerations suggest that improved mechanisation has had no significant effect upon the main unemployment problem. The first consideration is that employment has been better maintained in the highly mechanised industries of motor vehicle manufacture, chemicals and engineering than in the industries which have not, to any extent, recently become more highly mechanised, such as cotton, woollen and coal mining. The second consideration is that whilst mechanisation might be held responsible for unemployment, it is not usually expected to result in reduced production and reduced exports. Indeed, the whole purpose of mechanisation is to speed up and increase production.

20. The information relating to exports and production contained in the attached Tables III and V will be found, on examination, to discredit the view that mechanisation is the cause of the high permanent level of post-war unemployment and to support the conclusions of paragraph 18 above. The value of total exports, for instance, has generally declined throughout the whole post-war period (including the « boom » period of 1924 to 1929). The decline in total volume, of course, will not have been as great as the decline in value because of falling prices, but a general decline in volume is indisputable. Moreover, a decline in exports is fairly common to each of the separate industries in respect of which information is contained in Table III. This generally applies to the whole post-war period and to practically any particular period. During the period 1924-1929 the decline is not specially remarkable for its incidence upon the mechanised industries except that it is generally less marked in those than in the others. The situation in 1929 as compared with 1924 was this : coal, cotton and woollen exports had declined very considerably; exports of iron and steel manufacture had declined but not so considerably; the exports of silk yarns and manufactures remained stationary; and the exports of chemicals, motor vehicles, electrical goods and machinery had actually increased. The total export trade of the industries with expanding exports (including silk), however, were by no means so considerable as that of the industries with declining exports. The exports of silk yarns and goods are quite insignificant, and the exports of electrical goods and appliances hardly more significant. Indeed, the value of the combined exports of the industries with expanded exports (including silk) amounted in 1929 to considerably less than the value of exports of cotton goods alone in 1924, and only about £ 10 millions more than the value of cotton exports in 1929.

21. The information relating to exports, therefore, reveals a situation of this kind : coal and cotton and woollens, old established and not readily adaptable nor highly mechanised industries, had declined heavily; iron and steel manufactures, equally old established but more readily adaptable and more highly mechanised, had declined but not so very heavily (the exports of machinery had actually increased) and exports of the newer, more adaptable and more highly mechanised industries of motor vehicles manufacture, chemicals, silk manufacture and electrical goods and apparatus had increased. A situation almost identical to that revealed by the information relating to employment and unemployment.

Between 1924 and 1929 the general index of industrial production reached an increase from 103.8 to 114.8. After falling yearly to a minimum of 87.2 in 1932 it began to rise again and for 1937 stands at 125.9, an increase of 22.1 points as compared with 1924, equal to approximately 21 %. The annual output of coal, however, fell from 267.1 million tons in 1924 to 257.9 million tons in 1929, and to 244.8 million tons in 1937. Moreover, in 1913 the annual output was 287.4 millions tons. Imports of raw cotton delivered to mills, similarly, have consistently declined. They were 21,700 million lbs. in 1913, 15,800 million lbs. in 1924, 15,300 million lbs. in 1929 and 13,900 million lbs. in 1936.

Even at the peak of the « boom » in 1929, therefore, raw cotton imports were 6,400 millions lbs. less than in 1913, and 500 million lbs. less than in 1924—the first good post-war year. The annual output of pig-iron was less in 1924 than in 1913, but slightly higher in 1929 than in 1924, and in 1937 was still less than the 1913 total. The annual output of crude steel has fluctuated somewhat but, on the whole, has continued gradually to increase. On the other hand, the annual output of electricity, motor vehicles and rayon (artificial silk manufactures) has increased considerably and practically consistently throughout the whole period. Thus, the information relating to annual production confirms the conclusions to be derived from the information relating to employment, unemployment and exports. The decline in annual production has been greater, the greater the extent to which the industry is engaged in export trade, and the less readily adaptable it is. The generation of electricity, for instance, a direct rival to the coal industry, a new industry catering entirely for domestic demand, has consistently and considerably increased its annual output.

22. There can be little doubt, therefore, that up to and including 1929 the industrial and commercial situation in Great Britain was chiefly characterised by a substantial and permanent decline in her principal and oldest established industries, and that this decline could be attributed mainly to :

- (a) The greatly increased competition for world markets;
- (b) The general post-war contraction in the total volume of international trade, in turn to be attributed to the growth of domestic manufacture abroad, the extensive adoption of restrictive trade practices and the manipulation of currencies;
- (c) The increasing demand for newer kinds and qualities of manufactured articles; and
- (d) The reluctance or inability of her principal industries to adapt themselves to the altered conditions of international trade and the demand for new and different products.

The situation was further characterised by a gradual but steady recovery of the more readily adaptable industries and the growth of the newer industries.

23. Developments since 1929 up to the present have not substantially affected the character of the situation but the situation itself has, naturally, assumed a more normal aspect and become rather less significant in relation to the industrial situation as a whole. Faced with a situation of the character described in paragraph 22 above, a country may do one or more of a number of things and in the doing of which it may be helped or hampered by the individual activities of the industries themselves. It may, for instance, attempt to increase the total volume of international trade generally by seeking to remove the difficulties and restraints created by tariffs, quotas, currency restrictions and instability of international exchanges, or, it may seek to sustain, in the face of increased competition, the exports of its own manufacturers by exports subsidies, by concluding with other countries advantageous or reciprocal trading agreements, or it may seek more directly to assist domestic manufacture by imposing restrictions upon the import of articles from abroad or by improving the efficiency and the competitive ability of its own manufactures. On the other hand, it may do nothing beyond hoping for the best.

24. In Great Britain the Government and the separate industries, both before and since 1929, have tried all of these things but chiefly the latter (1), and it must be admitted that in a situation of that kind a policy of hoping for the best requires only time to be successful. Given time the declining industries will settle down to a reasonably permanent level of employment and activity, the

---

(1) See paragraph 23 et seq.

new industries will continue annually to absorb a greater proportion of the population, and eventually a position of reasonable stability will be reached with the whole character of the industrial situation different from what it once was. In the process of reaching the ultimate level of reasonable stability, however, a considerable, and especially the older, section of the population is allowed to suffer from under-employment and reduced earnings.

25. Moreover, since 1929 there has been another general slump which, without having itself affected the essential characteristics of the 1929 situation, has added considerably to Great Britain's industrial difficulties. It was, however, a world « slump » and, apart from its political repercussions, it had no special significance for Great Britain. It caused Great Britain more actively to pursue a protectionist policy and to restrict payments in relief of unemployment, but it did not encourage her to embark upon schemes of public works or to do anything significantly different from what she had done before. During the « slump » the total of unemployment rose, and the value of exports and the volume of output fell but the effect was uniform throughout industry as a whole, and during the period the movement, already indicated in this memorandum, continued.

26. The indications at present are that, in relation to the main problem of Great Britain, the attitude of the Government and of the separate industries will remain one of hoping for the best. Apart from temporary « booms » and « slumps » it is probable that the coal and cotton industries and other old established exporting industries will be allowed to continue to accustom themselves to a comparatively reduced level of activity and gradually to become of less significance in the industrial life of the country as a whole. Other exporting industries, notably the woollen industry, have been helped to some extent by tariffs and that protection is likely to remain. The newer industries may be expected to continue to expand.

27. An entirely new factor, however, has recently been introduced into the situation. The Government, which consistently refused to adopt a policy of expenditure on public works during the « slump », has now embarked, during a « boom », upon public expenditure upon armaments on a large scale, the effect of which will be similar to those which would be created by expenditure on public works development. Moreover, it must be understood that the present industrial recovery was well advanced before rearmament expenditure was begun. Therefore, the expenditure will swell the boom at a time when most people are convinced that it might be better to restrain it. This, in itself, is likely to cause difficulty in the future when rearmament expenditure slackens. The effect upon the « boom », however, is not likely to be the most significant effect of rearmament expenditure. Since it will, to no little extent, stimulate, temporarily, the demand for the products of the declining industries as well as of others, it may well be that it will give the impression that such industries are capable of and sharing in some permanent recovery. If it does this and workpeople and capital are encouraged again to seek employment in those industries, then such industries will once again in the future be faced with a situation of surplus workpeople and surplus capacity. Indeed, no amount of temporary expenditure, whether in the form of armaments or public works, will solve Great Britain's greatest post-war problem. The problem is one of creating or recreating avenues of permanent employment.

## II. MEASURES TO OVERCOME SLUMPS AND DEPRESSION.

28. In view of the post-War experience of Great Britain, the problem of the right treatment of slumps and depressions has naturally provoked a great deal of interest. There are two main views of what the primary aim of policy should be. One, which has been adopted by the present British Government, holds that the main object of policy should be to restore « confidence » within the:



business world; the other holds that it should be the main object of policy directly to stimulate industrial activity. There is a third view that it should be the main object of policy both to restore confidence and directly to stimulate industrial activity. Actually, so far as objects only are concerned, the differences in these views are differences mainly of emphasis—all aim at restoring confidence and stimulating industrial activity. The real problem is whether we are more likely to stimulate activity by first restoring confidence or to restore confidence by first stimulating activity, and the real and irreconcilable differences in the two views lie in the differences in the respective methods it is proposed to employ.

29. Those (including the Government) who adhered to the view that the main object of policy during a slump should be to attempt to restore « confidence » believe that this can only be done negatively by reducing public borrowing and public expenditure and, consequently, taxation to a minimum, and by placing some check upon foreign investments. By these methods, supplemented by some more positive assistance in the shape of import duties, marketing schemes, public guarantees for special classes of borrowing, subsidies, and similar practices, they hope to make possible a freer and cheaper supply of funds in an atmosphere conducive to a more confident and sustained demand for them.

30. On the other hand, those who adhered to the view that the main object of policy during a slump should be to attempt directly to stimulate industrial activity believe that this must be done by almost exactly opposite methods. Instead of restricting public borrowing and public expenditure, they hold the view that the very first signs of a slump should be taken as a signal to begin to put into operation schemes of public works, previously thought out, and held in abeyance during good times for the express purpose of release during a slump. They would have a more determined use made of the bank rate and « open market » operations as effective instruments of financial policy, and they would sustain, if not even increase, public expenditure upon social services. By these methods they would hope directly to create new opportunities for the employment of capital and labour immediately they are thrown idle by the slump; to counteract any tendency towards a hardening of the rates and diminution in the supply of advances and discounts; and to sustain the purchasing power of consumers. By such supplementary methods, in special instances, as import duties, quotas, and promoting industrial reorganisation, they would hope to offset any particular tendency towards lack of confidence in the prospects of particular industries.

31. There can be little doubt, indeed, recent British experience is itself sufficient proof, that, apart from the limited positive assistance provided by such practices as import restrictions, subsidies, etc., whatever else it may be, the policy implied in the methods directed mainly towards restoring confidence is not a policy of alleviating a slump. It is, at the most, nothing more than a policy of refraining from any action, the effect of which might be to aggravate a slump and to retard its normal extinction.

### III. MEASURES TO PREVENT A NEW SLUMP.

32. Though popular support for the general ideas of active slump prevention and economic and social planning has grown and increasing interest has been taken in plans for particular industries, there has been very little, as yet, done in Great Britain that can be said strictly to conform to any clearly defined policy and which can be described without qualification as part of a policy of « planning » or of slump prevention. Nevertheless, there have been developments in the social and economic field which, whilst not in themselves specifically intended for the purpose of alleviating slumps, have, to some extent, created the possibility of some fairly comprehensive and systematic control of industrial activity which, if effectively used when a slump or depression is anticipated, may enable the country to at least avoid its worst consequences. The following is a description of the more important of these recent plans.

TABLE I

## UNEMPLOYMENT IN GREAT BRITAIN

Date.	All Workers	Coal Mining	Cotton	Woollen.	Engin- eering	Iron & Steel	Other Metals	Building	Ship- building	Motor Vehicles etc	Chemi- cals	All other industries
	%	%	%	%	%	%	%	%	%	%	%	%
Pre-War annual average.	4.5	—	—	—	—	—	—	—	—	—	—	—
December, 1918	1.1	—	—	—	—	—	—	—	—	—	—	—
» 1919	2.2	—	—	—	—	—	—	—	—	—	—	—
» 1920	5.6	0.3	27.0	—	8.8	—	—	7.0	—	—	—	—
Annual Average 1921	16.9	7.7	26.9	—	25.0	—	—	15.0	—	—	—	—
» » 1922	14.3	6.9	14.0	—	22.0	—	—	17.0	—	—	—	—
» » 1923	11.7	2.7	16.3	10.1	21.0	20.3	—	12.4	40.1	10.1	12.3	12.2
» » 1924	10.3	5.7	13.7	7.0	15.2	21.1	11.4	10.6	29.4	8.5	9.0	10.6
» » 1925	11.2	15.9	8.1	14.7	12.6	23.2	10.6	9.8	35.2	7.0	9.0	9.2
» » 1926	12.5	9.2	18.0	16.0	16.1	38.0	11.9	10.9	41.9	8.9	10.6	10.4
» » 1927	9.7	18.4	9.1	9.0	10.4	17.3	11.2	10.4	25.6	7.5	6.5	7.4
» » 1928	10.9	22.6	12.0	11.7	9.6	19.5	13.7	12.4	27.0	7.7	6.1	8.0
» » 1929	10.4	16.5	13.2	13.9	9.2	18.0	14.7	13.3	24.1	7.1	6.5	8.1
» » 1930	16.0	20.5	37.0	24.0	16.2	31.1	18.1	16.9	32.6	7.3	6.3	13.0
» » 1931	21.3	28.4	38.9	28.3	27.6	44.1	23.4	22.7	56.5	16.2	13.8	17.6
» » 1932	22.1	34.0	29.5	21.0	29.9	44.5	20.7	29.2	63.5	20.5	14.2	17.8
» » 1933	19.9	33.2	24.6	14.3	26.3	35.8	17.2	23.7	61.2	15.3	12.3	16.6
» » 1934	16.8	28.6	23.3	16.0	16.4	24.7	11.7	18.3	50.5	9.7	10.1	14.2
» » 1935	15.5	25.7	21.4	13.2	13.0	22.5	10.5	16.4	42.7	8.3	9.4	13.6
» » 1936	13.1	22.2	16.1	9.2	8.2	16.3	7.9	14.6	30.8	5.7	7.8	11.9
October, 1937	10.2	13.1	10.5	11.3	5.1	9.4	5.6	12.2	21.1	4.6	5.6	9.6

TABLE II

## INSURED WORKPEOPLE IN GREAT BRITAIN

Date.	Total.	Coal Mining.	Cotton.	Woollen.	Engineering.	Iron & Steel.	Building.	Ship-building.	Motor Vehicles etc.	Chemicals.
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
At July, 1921	11,080	—	—	—	—	—	—	—	—	—
» » 1922	11,180	—	—	—	—	—	—	—	—	—
» » 1923	11,231	1,243	597	268	802	240	703	246	190	103
» » 1924	11,403	1,259	572	260	775	237	713	233	203	98
» » 1925	11,623	1,233	573	255	783	224	745	223	213	96
» » 1926	11,773	1,225	574	252	761	217	790	209	221	93
» » 1927	11,875	1,199	570	248	752	219	834	203	231	95
» » 1928	11,629	1,116	553	241	732	201	802	191	233	98
» » 1929	11,834	1,075	554	237	745	201	811	192	243	105
» » 1930	12,138	1,069	564	239	756	203	816	192	245	103
» » 1931	12,500	1,047	550	238	741	189	840	184	249	98
» » 1932	12,543	1,045	517	232	713	186	840	171	250	99
» » 1933	12,620	1,024	450	230	682	181	867	161	259	101
» » 1934	12,690	981	467	229	680	184	911	151	269	105
» » 1935	12,780	939	442	221	688	178	958	148	283	102
» » 1936	13,050	896	421	222	734	186	999	151	311	104

TABLE III

## BRITISH EXPORTS

(In £ millions.)

Date	Total	Coal	Iron & Steel Manufactures	Electrical Goods & Apparatus	Cotton Yarns & Manufactures	Woollen Yarns & Manufactures	Silk Yarns & Manufactures	Chemicals etc.	Vehicles etc.	Machinery
1920	1334.5	99.6	128.9	11.6	401.4	134.8	5.2	40.5	60.1	63.4
1921	703.4	42.9	63.6	13.0	178.6	55.1	2.3	19.1	58.2	74.6
1922	719.5	72.5	60.9	7.3	186.9	58.5	2.2	20.3	49.5	51.3
1923	767.3	99.8	76.1	10.2	177.4	62.1	2.0	25.7	27.7	44.5
1924	801.0	72.1	74.5	10.7	199.2	67.8	2.2	25.5	27.0	44.8
1925	773.4	50.5	68.1	11.6	199.4	58.9	1.8	23.6	33.0	49.0
1926	653.0	19.1	55.1	13.4	154.3	51.3	1.9	21.7	30.7	45.5
1927	709.1	45.5	69.4	11.9	148.8	56.8	2.4	23.4	35.4	49.9
1928	723.6	39.1	66.8	11.6	145.3	56.9	2.4	25.4	47.3	53.7
1929	729.3	48.6	68.0	13.2	135.4	52.9	2.2	26.6	50.3	54.3
1930	570.8	45.7	51.2	11.9	87.6	37.0	1.6	21.9	51.0	47.0
1931	390.6	34.7	30.4	7.5	56.6	25.1	1.0	18.2	29.6	33.0
1932	365.0	31.6	28.0	5.7	62.8	24.0	1.0	18.5	20.7	29.6
1933	367.4	31.5	29.9	6.7	58.9	25.6	0.9	18.6	22.0	27.1
1934	396.1	31.9	35.0	8.0	59.0	28.8	1.0	19.6	24.1	32.8
1935	425.8	31.6	37.0	9.6	60.0	30.3	1.1	20.4	28.3	38.5
1936	440.7	29.3	36.0	10.0	61.5	32.2	1.3	21.1	32.3	41.2
1937*	478.0	34.6	44.2	11.4	63.5	32.9	1.4	22.8	36.1	44.4

(\*) 11 months to November 30th, 1937.

TABLE IV

BRITISH RETAINED IMPORTS  
(In £ millions.)

Year	Total	Coal.	Iron & Steel Manufactures	Electrical goods & apparatus	Machinery	Cotton Yarns & Manufactures	Woollen Yarns & Manufactures	Silk Yarns & Manufactures	Chemicals, etc	Vehicles, etc
1920	1709.9	0.03	28.2	1.7	18.2	7.5	15.0	30.7	28.9	26.7
1921	978.6	0.01	22.3	1.7	9.5	4.1	5.9	16.2	11.2	5.7
1922	899.4	(a)	10.3	1.4	7.0	5.3	8.2	16.9	9.9	6.3
1923	977.7	0.02	13.6	2.3	8.2	6.7	10.4	19.4	12.2	6.8
1924	1137.5	0.01	22.1	3.2	9.3	6.7	12.8	21.2	13.2	8.0
1925	1166.7	0.02	23.7	4.0	10.3	7.8	13.1	20.3	13.2	11.5
1926	1115.9	42.8	29.2	3.6	11.4	7.9	13.1	15.2	14.5	7.0
1927	1095.4	6.6	33.7	4.1	14.4	9.0	13.7	14.4	14.5	11.1
1928	1075.3	0.04	23.9	4.5	15.1	9.9	14.5	13.0	14.4	8.7
1929	1111.0	0.03	24.5	6.3	17.5	10.1	13.9	11.8	15.9	10.0
1930	957.1	0.03	23.0	6.5	16.4	9.2	12.7	10.1	12.6	6.2
1931	797.4	0.03	19.5	6.0	14.2	8.6	12.4	7.8	12.8	3.8
1932	650.6	0.03	8.6	2.6	9.6	1.2	1.6	3.4	9.1	2.8
1933	625.9	0.02	6.1	2.3	7.8	2.0	1.6	2.8	8.7	2.2
1934	680.1	0.02	9.1	3.0	10.4	2.1	1.9	2.8	10.5	3.3
1935	700.7	0.02	8.6	3.0	12.3	2.2	1.9	2.7	11.5	4.4
1936	771.6	0.03	11.4	3.6	17.1	2.6	2.5	2.4	12.2	4.9
1937										

(a) Insignificant.

TABLE V

## PRODUCTION IN GREAT BRITAIN

Year.	General Index.	Coal	Pig Iron	Crude Steel	Electricity Generated	Vehicles	Rayon	Imports of Raw Cotton
	(last quarter)	(Mill. tons)	(Mill. tons)	(Mill. tons)	(Mill. units)	(Thous.)	(Mill. lbs.)	(100 Mill. lbs.)
1913	—	287.4	10.3	7.7	—	34.0	—	21.7
1920	—	229.5	8.0	9.1	—	—	—	18.9
1921	—	163.3	2.6	3.7	5167.3	—	—	11.6
1922	—	249.6	4.9	5.9	4884.7	73.0	—	14.3
1923	—	276.0	7.4	8.5	5738.7	95.0	—	12.9
1924	103.8	267.1	7.3	8.2	6681.5	146.6	25.3	15.8
1925	—	243.2	6.2	7.4	7415.3	167.0	—	18.9
1926	—	126.3	2.5	3.6	8123.0	198.0	—	17.3
1927	107.4	251.2	7.3	9.1	8365.8	211.8	—	15.4
1928	105.2	237.4	6.6	8.5	9927.8	211.9	54.2	15.0
1929	114.8	257.9	7.6	9.6	10878.9	238.8	56.9	15.3
1930	92.7	243.9	6.2	7.3	12332.9	236.5	48.7	12.1
1931	90.5	219.5	3.8	5.2	12812.7	226.3	54.6	10.0
1932	87.2	208.7	3.6	5.3	13655.6	232.7	72.5	12.1
1933	97.4	207.1	4.1	7.0	14963.6	286.3	84.1	13.4
1934	105.2	220.7	6.0	8.8	16895.5	242.5	93.1	11.8
1935	116.5	222.2	6.4	9.9	18993.5	405.7	128.8	11.7
1936	122.2	228.5	7.7	11.8	21649.6	461.3	145.5	13.9
1937*	125.9	244.8	9.2	13.6	24348.0	—	162.8	—

(\*) Based on October figures.

TABLE VI

## COMMODITY PRICE INDICES

Year	All Articles	Iron & Steel	Coal	Cotton	Wool	Miscellaneous
1913	100	100	100	100	100	100
1920	269.4	381.3	—	254.1	—	236.1
1921	215.1	282.5	—	173.2	—	205.2
1922	158.8	136.8	—	182.2	—	166.0
1923	158.9	147.2	—	201.9	—	161.9
1924	166.2	142.9	175.1	227.8	—	157.6
1925	159.1	126.0	146.0	209.8	196.9	157.4
1926	148.1	123.5	184.6	158.3	169.5	145.0
1927	141.6	119.9	133.6	154.7	170.2	142.5
1928	140.3	112.3	117.9	164.2	185.9	142.3
1929	136.5	114.2	124.5	154.4	165.6	135.5
1930	119.5	112.7	121.4	121.2	122.4	123.7
1931	104.1	104.9	122.4	96.8	99.9	105.6
1932	101.6	103.7	123.3	95.8	90.2	96.2
1933	100.9	105.8	122.3	96.2	99.9	101.4
1934	104.1	109.6	126.0	106.9	114.2	105.2

# GREAT BRITAIN

## I. Banking, Industry, Agriculture

### I. Banking and Finance

(a) **THE BANK OF ENGLAND**: The Bank of England is the centre of the monetary system of Great Britain and though it possesses no formal authority over the joint stock banks and the money market proper it is able indirectly to control, to a very large extent, the general monetary policy of the country.

The Bank itself has been described as a « private institution practically independent of any form of legal control save in regard to its powers of issuing bank notes and granting loans to the State ». Actually, it derives most of its authority from the privileges it has been granted by an Act of Parliament of 1844 and these privileges are subject to termination by 12 months' notice and repayment of the debt due to the Bank by the State.

It is known that the policy of the Bank is not governed by its shareholders and that there is some co-operation between the Bank and the Treasury on matters of policy. Precisely how the policy of the Bank is determined and controlled is, however, a matter for speculation though it has been publicly declared on behalf of the Bank that it could never possibly go against public policy. On the other hand, it has been said by an ex-Prime Minister that the present control of the Bank of England provides a serious impediment to the adoption by the Government of schemes involving financial re-arrangements which are considered by the Bank to be unorthodox.

There is much and constant criticism of the policy of the Bank but much of it is uninformed and it is by no means certain that even under its present control the Bank could not be made to adapt its practice to fit in with any Governmental policy.

(b) **THE JOINT-STOCK BANKS**: By a process of gradual absorption spread over a lengthy period the great majority of the joint-stock banks of Great Britain have come under the control of five large banking concerns. The effect of this has been to give to the British joint-stock banking system a greater strength and flexibility than is possessed by the commercial banking systems which rest upon a large number of separate banks operating within a restricted locality. It has also made it obviously more easily possible to impose a common policy on the whole system.

The joint-stock banks are subject to the constant criticism that they are unwilling to consider the social consequences of their actions when granting credit and that, consequently, industry has often been unable to obtain, or to obtain only at excessive rates of interest, the credits which would enable it to sustain or to extend its activities. In Britain, however, it has never been the policy of the Banks to grant long period credits or to invest in mortgages and, on the rare occasions when they have granted particular industrial enterprises loans or mortgages, they have been let down rather badly. The Lancashire cotton industry is a case in point where the Banks lent money on mortgage and have since been criticised for taking the necessary consequential action to safeguard their investments.

(c) **THE BANKERS INDUSTRIAL DEVELOPMENT COMPANY**: This company



was formed in 1930 largely by the Bank of England in association with and at the instigation of the then Labour Government. Its object was described as « to receive and to consider schemes submitted by the basic industries of this country for the purpose of their rationalisation. In the case of approved schemes arrangements will be made for the provision in one way or another and through existing agencies of such moneys as may seem to be essential ». The company, with a nominal capital of £6 million subscribed mainly by banks and financial houses, was not intended to provide money itself but to be merely a channel through which rationalised industry might approach the ordinary houses and institutions.

The company immediately proceeded to institute and assist the Lancashire Cotton Corporation which aimed at securing control of a fairly substantial portion of the Lancashire cotton industry and for the purpose of effecting some reorganisation of the industry. It has since helped two large steel combines and a number of small enterprises, but the total effect of its efforts has so far been comparatively negligible. In answer to criticisms, the economic adviser to the company has stated that it is not the fault of the company that so little has been done but because the majority of schemes submitted have been unsound.

(d) **THE AGRICULTURAL MORTGAGE CORPORATION** : There have been several attempts by Act of Parliament to ensure that the credit needs of agriculturalists shall be met, but the present position is that a company (very similar in many respects to the Bankers' Industrial Development Company) has been formed by four of the big Banks with the assistance of the Government for the purpose of lending money at long term to agriculturalists at a comparatively low rate of interest.

In point of number of applications received and credits granted, the Corporation has been quite successful but since the basis of a loan is often no more than the title deeds of land, it has not effected or ever attempted any reorganisation of the industry.

(e) **SPECIAL AREAS RECONSTRUCTION ASSOCIATION** : This association was formed by the Government in 1936 and « to test a specific contention—namely, that development of small businesses within the special areas was being hampered by lack of proper credit facilities ». The association is, therefore, an experiment and aims, with the assistance of banking houses, etc., to furnish capital for sound commercial enterprises in the special areas where it was proved that capital could not be secured otherwise. The association proposes to fix a limit to loans of £10,000. The association now proposes to work in conjunction with the Nuffield Trust (a private effort) and is expected when granting assistance to have regard to all circumstances.

## 2. Industry

(a) **RAILWAYS** : By the Railways Act of 1921 the various Railway Companies then existing were amalgamated into four large groups corresponding to four of the principal companies. The Act allowed for agreed schemes to be submitted by the absorbing and absorbed companies and set out certain provisions to be observed in any absorption scheme with Ministerial veto on any unsuitable scheme, and providing for reference to arbitration in the event of no agreed scheme being submitted. The act also set up the Railway Rate Tribunal with wide powers over rates and charges for transport, service or accommodation and reconstitute the Central and National Wages Boards to whom disputes on hours, wages and conditions of service must be referred. An interesting feature of the reconstitution of these Boards is the direct representation given to users of railways including the Trades Union Congress.

The net effect of the Act of 1921 was, therefore, to compel a more com-

prehensive form of organisation and control of railways and to limit fairly considerably the power of the new companies, to determine the price to be charged for their services, and to subject the wages, hours, and working conditions of their employees to independent scrutiny. These provisions, with minor modifications, remain in force.

No one to-day would wish the Railways to be put back to their pre-1921 state of organisation though there are many who would like to see them unified still further. It is doubtful, however, if still further unification would in itself effect much. Already, and no doubt because of the 1921 amalgamations, the companies are able to act in harmony on many matters. It is perhaps not without significance, that their recent joint advertisements of joint arrangements carry the title « British Railways ».

(b) **ELECTRICITY SUPPLY** : The Electricity (Supply) Act of 1919 set up the Electricity Commission of five persons of practical, commercial or scientific knowledge but in the passage of the Act through the House of Lords the compulsory powers with which it was intended to vest the Commissioners were eliminated and not restored until the Act of 1926 set up a Central Electricity Board consisting of eight members appointed by the Minister of Transport after consultation with various interests including labour, and gave to the Board in co-operation with the Commissioners certain powers of compulsion.

The object of the Board is not itself directly to produce electricity but, acting on the advice of the Commissioners who are the technical experts, to determine which existing generating stations are to be « selected » and what new stations are to be erected for the supply of electricity to the Board who will retail it in bulk to distributors. In this way the Board has considerable control over supply. The Board (always in co-operation with the Commissioners) is also empowered to inter-connect stations and to produce a scheme for standardising frequencies. The price the Board is permitted to pay for electricity is laid down in the Act and defined as « the cost of production » estimated on a basis also laid down in the Act. The stations must be run with due regard for efficiency and economy and as regards total output, times and rate of output, under the direction of the Board.

The Board has power, on conditions, to order an owner of a station not being a selected station to close down.

(c) **COAL** : The coal mining industry has been the object of much legislation and regulation covering such matters as minimum wages, working facilities, welfare funds and hours of labour, but the only comprehensive attempt at regulation and « planning » is the Act of the Labour Government of 1930. Unfortunately, the Act itself was mutilated somewhat in its passing and it has not achieved much as yet, though the present Government has now threatened to exercise the powers of compulsion contained in section 13 unless the owners are prepared to operate the Act to the extent of submitting for approval schemes of amalgamation.

By the 1930 Act a Central Council of the coal owners was set up for the whole country and Executive Boards of coal owners for separate districts. The act empowers the Central Board to allocate to each district, after consultation with the district Executive Board, a maximum output for the whole district. It is the duty of the Executive Boards to allocate to each mine in its area its « quota » of the district allocations and to fix for every class of coal produced within its area a minimum price below which it must not be sold.

The Act further provided for the setting up of a Coal Mines Reorganisation Commission composed of five persons having no financial interest in the industry and empowered to require of owners of mines, which the Commissioners consider might profitably be amalgamated, to prepare such a scheme for submission to the

Board of Trade. If the owners fail to do so it lies within the competence of the Commissioners themselves to prepare a scheme and submit it for confirmation to the Railway and Canal Commission and, if the scheme is confirmed, it carries the force of law. The Act sets forth the grounds on which the Railway and Canal Commission may confirm such schemes. Voluntary amalgamations may be confirmed by the Board of Trade without reference to the Railway and Canal Commission.

The Act also intended to set up a Coal Mines National Industrial Board of 17 members to be appointed after consultation with various bodies including the Miners' Federation, the Trades Union Congress and the Co-operative Union. The functions of this Board were to have been to supervise the regulation of wages and to confirm any agreements entered into between owners and men. This part of the Act, however, never came into operation.

When the Act came into operation it coincided with a heavy decline in the export trade and there were wholesale evasions of the minimum price provisions and some slight amendments of quotas and price fixing arrangements have since been introduced.

In the early stages the Reorganisation Commission attempted to encourage rather than promote amalgamations but met with little or no enthusiasm. When the Commission eventually resorted to compulsory partial amalgamations, it lost a « test » case before the Railway and Canal Commission. Before it could proceed to compulsory total amalgamation the Government called a truce to permit of further consideration. This consideration led to the introduction of a new Bill giving more power to the Commissioners which, however, was not proceeded with.

In the Lancashire coalfield a central selling agency was voluntarily set up in 1935 and controls the sale of the whole output of the district. Similarly, in the Lothians a central selling agency handles the whole output of the district.

(d) **THE LONDON PASSENGER TRANSPORT BOARD :** In 1930 the Labour Government introduced a Bill to set up a Board to take over and to control the whole of London's passenger transport services (with the exception of taxis). The Bill did not become law but in 1933 the National Government passed an almost identical measure.

The Board set up by the Act of 1933 consists of seven members appointed from time to time by a body to be convened for the purpose by the Minister of Transport, called « appointing trustees », and consisting of : the Chairman of the London County Council, the Chairman of the London Clearing Banks Committee, the President of the Law Society and the President of the Institute of Chartered Accountants. The persons appointed on to the Transport Board must be of « wide experience and knowledge, etc. » and members of the House of Commons are prohibited from appointment.

The Transport Board is given complete control over the London Passenger Transport services, and charged with the duty of providing adequate and properly co-ordinated systems of passenger transport.

Though the Board is not free from criticism, it undoubtedly represents not only a considerable improvement on the system it succeeded, but a useful example of intelligent public control of an important service.

(e) **ROAD TRANSPORT :** By the Road Traffic Act of 1930 and the Road and Rail Traffic Act of 1933 and other amending and extending legislation, the operation of road passenger and goods carrying services is subject to fairly comprehensive and detailed regulation.

For the purpose of the legislation the country is divided into areas and for each area three Traffic Commissioners are appointed by the Minister of Transport,

two of whom shall be appointed from a panel of suitable persons nominated by local authorities within the area and the other to be a person thought fit by the Minister to be Chairman of the Commissioners.

No passenger service vehicle shall be operated without a licence granted by the Commissioners. No goods carrying vehicle may be operated without a licence granted by the Chairman of the Commissioners. In granting licences the Commissioners are empowered and directed to take into account such questions as fitness of vehicles, needs of the district, existing services, reasonableness of fares and charges, and the applicant's record in relation to the other provisions of the Acts regarding hours of labour, and wages and conditions of workpeople. Goods licences are of three kinds :

- (a) Public carriers licences.
- (b) Limited carriers licences.
- (c) Private carriers licences.

The 1930 Act lays down limits of the time for which drivers of certain vehicles may remain continuously on duty, and determines minimum rates and conditions of labour.

(f) **BRITISH IRON AND STEEL CORPORATION** : This Corporation is a subsidiary of the British Iron and Steel Federation and was formed in December 1935 after, and in consequence of, the arrangement between the British producers and the international steel cartel by which the cartel agreed to limit imports and to deal only with the Federation in return for a reduction of duties on imports for the cartel countries.

The Corporation undertakes importing and exporting on behalf of the Federation. No producer in England can secure supplies of material except through the Corporation and, therefore, with its actual consent. Thus, the Corporation is given comprehensive control over the extension of existing steel plant and the creation of new works. The recent attempt to restart steel works in Jarrow was stopped by the Federation by means of the power it exercises through the Corporation.

### 3. Agriculture

(a) **MARKETING SCHEMES**: The Agricultural Marketing Act, 1931, was passed to permit and to encourage the adoption of schemes for the marketing of agricultural products. There are, or have been, schemes in operation under this Act covering hops, milk, potatoes and bacon.

The Act lays down the procedure by which a scheme becomes operative. Submission of a scheme can be made by persons « Substantially representative of the producers ». If objection is taken to the scheme a Public Inquiry is held. Thereafter, the Minister may lay the draft scheme, with or without modification, before Parliament, if he is satisfied that the scheme will conduce to the « more efficient production and marketing » of the regulated product. If Parliament approves, the Minister must make an approval Order bringing the scheme into force. There follows, within a time specified in the scheme, a poll of registered producers and if the requisite majority of registered producers is in favour of its continuance, the scheme enters on a « suspensory » period (from one to two months) at the end of which it comes fully into operation.

Before submitting and amendment to a scheme a marketing board is required to publish the proposed amendment to all registered producers, and a poll to decide if the amendment shall be submitted to the Minister may be demanded. If a poll is demanded the requisite majority must be obtained before the amendment is submitted. If no poll is demanded the amendment is submitted direct. The procedure after submission is similar to that followed in the case of the submission of the original scheme except that, if there is no opposition, it need not go before Parliament.

#### 4. General

(a) **TARIFFS** : The Import Duties Act of 1932 imposed a general tariff upon imports (other than imports of excepted goods) equal to 10 % of the value of the goods imported.

The Act constituted the Import Duties Advisory Committee for the purpose of advising the Government on the imposition of additional duties or the reduction of, or exemption from, duty on specific goods.

The Committee is composed of three persons appointed by the Treasury. They may appoint, and delegate work to, sub-committees and have full authority to compel the attendance of persons as witnesses or the production of documents.

The Committee is directed, in making recommendations, to have regard to the « interests of trade and industry generally including those of trades and industries which are consumers as well as those of producers ».

(b) **SUBSIDIES** : Since the return of the National Government in 1931 subsidies have been granted to several industries including tramp shipping, sugar and air navigation.

The usual plan is to set aside a sum of money to be used in the form of subsidy and to appoint a Commission to advise on its administration. In some cases producers or owners are asked to submit a scheme which will:

- (a) Prevent the subsidy from being dissipated by domestic competition; and
- (b) Ensure that it is effectively directed to securing greater employment and promoting efficiency within the industry.

In other cases a scheme of reorganisation of the industry is incorporated in the Act. In any case, reorganisation of the industry including some combination and co-operation amongst producers is an essential feature of any scheme.

## II. In the Social Field (Hours of Work, etc.)

### I. Hours of Work

(a) **GENERAL** : In Great Britain hours of work are, for the most part, entirely a matter for negotiation between employers and Trade Unions and the actual hours worked in most industries are those laid down in collective agreements. Even in those cases where there exists some legal restraint, the actual hours worked are usually fixed below the legal limit either directly by a collective agreement or because of a collective agreement covering the hours of other workers in ancillary occupations. The usual normal working week in Great Britain is 48 hours extending over 5 ½ days.

(b) **LEGAL PROVISIONS** : The various Acts and regulations relating to the employment of women and young persons limit the hours of work of such persons as follows: Textile Factories, 55 ½ per week; Non-Textile Factories 60 per week.

By law, hours of work underground in coal mines are limited to 7 ½ per day.

The Road Traffic Acts make it an offence for a driver to be employed driving in charge of certain vehicles for more than 5 ½ hours continuously or for more than eleven hours in any 24 for continuous periods.

**SHOP ASSISTANTS** : By the Shops Act of 1934 no person under 18 may be employed about the business of a shop for more than 48 hours in any week.

A new Factories Bill is at present at the Committee stage in the House of Commons and, when passed, will reduce the permitted hours of employment of women and young persons to 48 per week.

## 2. Unemployment

(a) **THE SPECIAL AREAS** : Following upon the reports of investigators appointed by the Government to examine conditions in certain parts of the country which were suffering from acute industrial depression, the Special Areas (Development & Improvement) Act was passed in 1934.

By this Act two honorary Commissioners were appointed—one for England and Wales and one for Scotland—and £2 million were placed in a special fund to be administered and spent at their discretion.

The functions of the Commissioners are described in the Act as « the initiation, organisation, prosecution and assistance of measures designed to facilitate the economic development and the social improvement of the Special Areas ». The Commissioners are required to make suggestions and to co-operate with Government Departments, Local Authorities, voluntary organisations, etc., and, in particular, to make recommendations as to the removal of difficulties which appear to them to hinder measures which might be carried out under Statutory powers. The Commissioners are given power to prosecute or assist measures that will afford occupations for substantial numbers of persons from those Special Areas. The Commissioners are to act under the general control of the Minister of Labour who is responsible to Parliament for the way in which the money allotted is spent.

It cannot be said that the Commissioners have achieved much of real value. The reports of the first Commissioner for England & Wales reveal a person who took his work seriously but was hampered by the restrictions placed upon him. His activities, due solely, he says, to the limitations of his power, have been limited to stimulating and assisting, financially and otherwise, other bodies in undertaking general social service activities and specific schemes of work. He points out in his reports that his activities could not and have not had any appreciable effect on unemployment.

One of the bodies with which the Commissioner has been associated is a voluntary body known as the National Council of Social Service. It has received grants of money direct from the Government and from the Commissioner for the purpose of making available to the unemployed local centres for occupational and recreational activities intended to sustain the moral of unemployed persons during their unemployment. The activities of this Council, however, have not greatly attracted the unemployed themselves.

## 3. General

It is well known, of course; that in Great Britain public social services cover all such things as unemployment, sickness, maternity and child welfare, pensions for old age and for widows and orphans and blind persons. These services are sometimes administered and controlled directly by the Government, sometimes indirectly by the Government through local authorities and sometimes by local authorities themselves.

## III. Industrial Relations

(a) **GENERAL** : Great Britain is deeply committed to the voluntary principle in collective bargaining. In general, the policy of the Government is to interfere as little as possible in the conduct of industrial negotiations and the conclusion of collective agreements. In those instances in which the Government does intervene it is very often only at the request of the parties to a dispute, and usually only for the purpose of encouraging the continuance of voluntary negotiations or of assisting in the establishment and constitution of voluntary conciliation or arbitration proceedings. In the few instances where some legal compulsion is available it is, with one exception, available merely to compel parties to a dispute

to use collective negotiating machinery or to compel minorities to accept a majority agreement voluntarily arrived at. Even in this instance, compulsion is limited in its application to the observance of certain rates and conditions as a minimum. (See section (g) below.)

(b) **THE CONCILIATION ACT, 1896 AND THE INDUSTRIAL COURTS ACT, 1919 :** The Conciliation Act, though still on the Statute Book, is entirely superseded by the Industrial Courts Act:

By the Industrial Courts Act the Ministry of Labour is empowered to interest itself in any existing or apprehended dispute with a view to securing an amicable settlement. With or without the consent of parties the Minister may cause an enquiry to be made into the causes and the circumstances of a dispute and may issue a report. On the application of one or both parties to the dispute he may appoint a conciliator; on the application of both parties he may appoint an arbitrator. Either or both parties are free at all times to refuse the services of the Minister, the conciliator or the arbitrator, and to refuse to accept the conclusions of any report or the findings of any conciliation or arbitration proceedings, even though they were willing parties to the proceedings in the first instance.

(c) **JOINT INDUSTRIAL COUNCILS :** Joint Industrial Councils, though voluntarily and freely set up by industries, are based upon the recommendations of a sub-committee of the Cabinet Committee on Reconstruction set up immediately after the War. This sub-committee considered « that a permanent improvement in the relations between employers and employed must be founded upon something other than a cash basis » and suggested that workpeople should have « greater opportunities of participating in the discussion about and the adjustment of those parts of industry by which they are most affected ».

The main features of these suggestions and other more specific proposals were included in a model constitution for Joint Industrial Councils drawn up by the Ministry of Labour and brought by them to the notice of employers' and workers' organisations in various industries, offering the assistance of the Ministry to any industry which wished to consider the establishment of a Council.

The Joint Industrial Councils consist only of representatives of trade unions and employers in equal numbers. They are permanent organisations with defined constitutions and functions mutually agreed upon, and when working normally, meet at regular and frequent intervals and not merely to consider matters in immediate dispute. Though the subjects dealt with are seldom so comprehensive as those envisaged by the sub-committee they are usually much wider than wages, hours and conditions of labour.

The number of Joint Industrial Councils now operating is about fifty. The statutory procedure in Railway disputes (described in (g) below) is an example of the Joint Industrial Council system.

(d) **THE TRADE BOARDS ACTS OF 1909 AND 1918 :** By these Acts the Minister of Labour is empowered to set up a Board to fix *minimum* wages, hours and other conditions for any trade in which he is of the opinion that no adequate machinery exists for the effective regulation of wages and where « sweated » conditions prevail. (There are 47 Trade Boards now in existence.) A Trade Board consists of representatives in equal numbers of employers and workers in the trade, together with three impartial persons, one of whom presides at meetings. Workers' and employers' organisations are consulted in the appointment of their respective representatives. The rates and conditions agreed upon by the Board are submitted to the Minister and if he approves of them they become legally binding as a *minimum* on all employers in the particular trade. The Minister is responsible for the enforcement of the Trade Boards rates and appoints inspectors for that purpose.

(e) **THE AGRICULTURAL WAGES (REGULATION) ACT, 1924 :** This Act is

similar in principle to the Trade Boards Acts with only slight differences of detail.

(f) **THE COAL MINES (MINIMUM WAGE), ACT 1912:** This Act provides for the constitution in each district of joint Boards which must « fairly and adequately represent the coal miners and employers in the district », and in whose competence it lies to fix minimum rates for underground workers. No special provision is made for enforcement, presumably on the ground that the strength of organisation within the industry is an adequate safeguard against non-observance. The system started well but fell into disuse during the War and has not functioned very effectively since.

(g) **THE RAILWAY ACT, 1921:** This Act gives statutory effect to *methods* and machinery for the discussion of disputes which have been voluntarily agreed upon by the Unions and the companies. There is no compulsion upon either side to accept any conclusions or findings, but the procedure agreed upon and incorporated in the Acts must be followed.

(h) **THE ROAD TRANSPORTS ACTS, THE SUGAR INDUSTRY (REORGANISATION) ACT AND THE AIR NAVIGATION ACT :** These are three recent examples of « fair » minimum wage legislation. In each of these Acts there is a clause to the effect that it shall be a condition of employment within that industry that the wages to be paid and the conditions to be observed shall *not be less* favourable to the worker than the wages that are paid and the conditions that are observed by « good » employers employing workpeople engaged in work of a similar capacity. The decision as to what shall constitute such « fair » minimum wages is determined by the Industrial Court which is an independent body set up under the Industrial Courts Act of 1919, and the Industrial Court in arriving at a decision is specifically directed to take notice of any decision of a Conciliation Board or other similar body, or of an agreement between organisations representative of employers and workpeople. Thus, by these Acts employers in the specified industries are compelled to pay wages and to observe conditions of labour *not less* favourable to the workers than those which an authority, other than themselves, considers to be « fair ». On the other hand, whilst the workers must accept the decision of the Industrial Court as to what constitutes fair wages and conditions, there is no compulsion upon them actually to work for such wages and in such conditions.

(i) **COTTON WAGES (TEMPORARY PROVISIONS) ACT, 1934 :** By this Act legal enforcement is given to the wages clauses of agreements voluntarily entered into by organisations in the cotton weaving industry representing respectively a majority of the employers and a majority of the workpeople. There must be a joint application by the two sides to the Minister before he will consent to make an Order legalising the agreement. Opportunities are provided for objections by any interested persons. Once the agreement is legalised by the Minister all employers in the industry are compelled to pay as a minimum the rates of wages contained in the agreement.

## Planning Measures Likely to be Applied in the Near Future

### I. Industry

(a) **ELECTRICITY DISTRIBUTION :** Following upon the report of the McGowan Committee on the Distribution of Electricity it is probable that some legislation will be passed in the comparatively near future.

(b) **COTTON INDUSTRY :** The Government has promised support to a scheme



which is now in the course of active preparation for a general levy upon employers in the spinning section of the cotton industry to be used for the purpose of eliminating ten million redundant spindles and concentrating the limited production in the more efficient factories.

(c) **REARMAMENT ACTIVITY** : The Government's plans for encouraging the development of existing works and for commencing new factories to be available for, or soon to commence, the production of armaments, are already fairly well advanced. The Government promises, in giving its support to developments and in starting new works, to have regard to the plight of the Special Areas and the long-run implications of its policy.

## **2. Industrial Relations**

(a) **RETAIL TRADING** : The Ministry of Labour has at present under consideration the question of collective negotiations in the retail trading industry and it is expected that, unless satisfactory arrangements for entirely voluntary negotiations are made, the Minister will apply some legal compulsion, possibly in the form of the Trade Boards system or a modified version of it.

(b) **ROAD TRANSPORT** : A Committee is at present taking evidence on the question of the organisation of the Road Transport industry and particularly with regard to the evasions of the hours and wages clauses of the existing Acts. It is possible that a result of the Committee's deliberations may be the institution of a system of inspection or perhaps some more specific and detailed legislation.

# HOLLAND

**For the answers to questions B I and II,  
see the report of the 1st April, 1937**

## **A I (a).**

In Holland, as probably in other countries also, numerous slump theories have been put forward, some theorists not shrinking from the most absurd conclusions. The «laisser-faire» employers regard State intervention in international trade, social legislation, etc., as the most important cause of the standstill in economic life, and the Trade Unions are accused of having contributed to bringing about this standstill.

In agricultural circles, the tendency is to see the cause of the slump in the unequal returns for industrial and agricultural labour.

A large section attributes the depression to the lack of cohesion inside the present-day economic system, and this view is tending to become general among the progressive sections of bourgeois opinion. The Dutch Trade Union Movement, in its Labour Plan, expressed the view that the capitalist system, based on the profit and liberty of the employer, is bound periodically to give rise to over-production in certain industries, especially in important raw material industries and in agriculture. In addition to these fundamental causes, there are other reasons for the slump, such as, for example, the problem of international indebtedness, difficulties in the field of currency policy, autarchy, etc. These supplementary causes, which tend greatly to accentuate the slump and especially to prolong it, are regarded by the Dutch Labour Movement not so much as independently active factors, but rather as the consequences of the primary causes of the slump (overproduction). This view is expressed in a memorandum recently submitted by the Movement to the Government.

## **A I (b).**

As shown by the above remarks, the causes of the slump must be sought in the international field. The tendency to over-production naturally exists everywhere where economy is carried on on the basis of the capitalist profit system. It therefore exists also in Holland, but the cause of the depression can nevertheless hardly be found in a small country like Holland.

Only through her colonies is Holland concerned in the production of important agricultural articles and minerals, such as, for example, wheat, sugar, rubber, hard coal, coffee, cotton, wool, etc. As is shown by the figures in the above-mentioned memorandum to the Dutch Government, it was just the stocks of these important staple products which stood at a tremendously high level before the outbreak of the slump in 1929. For this reason the causes of the last slump cannot in the first place be sought in Holland.

When the world depression, expressed by a heavy decline in share quotations and a rapid fall in prices on the world market, had once become a fact, its repercussions were bound to be felt in Holland. Dutch economy, agriculture in particular, was in fact specially sensitive to slump, since a great part of Dutch agriculture is not devoted to supplying the home market in foodstuffs but to

exporting refined products, such as fine vegetables, fruit, bulbs, potatoes, bacon, fresh meat, butter, cheese, eggs, etc. This export trade was heavily hit both by the import restrictions in other countries and by the rapid fall in prices or the reduced purchasing power in neighbouring lands. It was in fact so badly affected that the Government had to resort to a number of very far-reaching measures in order to save agriculture from complete ruin (see also the report of 1st April).

It should however not be concluded that the slump in Holland affected agriculture only. The export industries, and even more communications, which are of such importance in Holland (maritime navigation, etc.), suffered greatly under the slump. The resulting fall in the purchasing power of the Dutch people was bound in the long run to have its effect also on that section of industry working for the home market.

#### A I (c).

The movement of capital investments (in both shares and bonds) may be seen from the following table :

1921.....	509	million guilders	1929.....	471	million guilders
1922.....	437	—	1930.....	547	—
1923.....	253	—	1931.....	219	—
1924.....	403	—	1932.....	269	—
1925.....	301	—	1933.....	270	—
1926.....	458	—	1934.....	115	—
1927.....	514	—	1935.....	35	—
1928.....	707	—	1936.....	206	—

These figures clearly show the decline on the capital market. From a purely economic point of view, the repercussions were much worse, as many of the issues concerned were public loans which only provide the outlet for part of the investment of capital. The sums listed above can be classified as follows :

	Public Issues	Private Issues
	—	—
1921.....	292	218
1922.....	303	134
1923.....	210	44
1924.....	269	135
1925.....	102	199
1926.....	166	293
1927.....	184	330
1928.....	126	581
1929.....	76	398
1930.....	302	245
1931.....	171	48
1932.....	233	36
1933.....	253	18
1934.....	87	28
1935.....	28	7
1936.....	192	14

These figures show that the investment of capital in private enterprise during the depression years practically came to a standstill as far as the open market was concerned.

Holland has always drawn a large revenue from the raising of capital for other countries. In this profitable branch of finances, not only did activities during

the depression come practically to a standstill, but there was even a certain amount of malinvestment. Whereas the amount loaned, by way of public issues, to foreign undertakings and authorities amounted in the years 1925 to 1930 to 1,479 million guilders, the corresponding amount for 1931 to 1936 was only 68 millions.

It is obvious that the figures given above do not give a complete picture of investment. The investments of private individuals and undertakings (out of profits which are not paid out) and the capital investment of authorities on the basis of revenue from taxation cannot be seen from these figures, and it is impossible even to give an estimate of the amounts concerned in these fields. Separate figures for foreign issues in the different industries do not therefore even provide an estimate of the real investment of capital in production and consumption goods industries.

The available figures do not show whether there was a disproportion between investment in the production goods and consumption goods industries, since no separate figures are given under the heading of « industry ».

But what is certain is that only the very large industrial undertakings receive capital by way of public issues, while the small and medium undertakings have to obtain capital for extension and improvements from intermediaries or through their own profits, since the banks only grant direct long-term credits to industry in exceptional cases (the position is completely different in some other countries). Numerous economists assert that this state of affairs represents a great obstacle to the industrialisation of Holland, and have therefore urged the establishment of an industrial bank, with the co-operation of the authorities. This demand has recently been met by the Government by the formation of the Industrial Finance Company.

As far as capital investment in agriculture is concerned, the large sums used by the authorities for draining the Zuider See may be regarded as agricultural investment, but the actual credits to agricultural undertakings, which in Holland are granted by co-operative agricultural banks, are short-term credits, and cannot therefore be described as investment in the ordinary sense of the word.

The question of whether there has been malinvestment is one which can only be answered when there is agreement as to the point to be considered as the starting point. Before 1929 fairly large sums were used to improve and intensify agriculture. There was steady specialisation in the cultivation of fruit, fine vegetables, new potatoes, etc., for the export market. Warnings, but vain ones, were uttered against this trend. The high price of land and the competition of larger agricultural areas with extensive cultivation, which supply very cheap agricultural raw materials and food, forced Holland to concentrate more and more on the specialisation, improvement and intensification of agriculture, which also incidentally provided employment for a larger number of workers. When the depression set in, it became clear that the warnings had been more than justified. Exports declined, large quantities of vegetables and fruit could not be sold. The export of dairy produce and meat also suffered greatly. Part of the live-stock had to be slaughtered and the rearing of live-stock had to be restricted. It might therefore possibly be asserted that in earlier years there had been malinvestment in agriculture, but such an assertion is not very reasonable since this investment only became uneconomic owing to the completely altered circumstances.

Rationalisation has in recent years been carried out at rather a rapid rate, as is shown by the index figures for average output.

A I (d).

The development of foreign trade since 1929 can be seen from the following figures; in millions of guilders :

YEAR	IMPORTS	EXPORTS	IMPORT SURPLUS
1929	2752	1989	763
1930	2418	1719	699
1931	1893	1312	581
1932	1299	846	453
1933	1209	726	483
1934	1038	712	326
1935	936	675	261
1936	1017	745	272

The fall in prices naturally plays an important part in the decline in the value of imports and exports. The following figures result from the appropriate correction of the index figures by reference to the index figures for wholesale prices :

1929	2760	1995
1930	2698	1919
1931	2481	1720
1932	2011	1309
1933	1922	1154
1934	1647	1130
1935	1524	1099
1936	1603	1161

It is impossible to ascertain the exact influence of tariff policy. Tariffs have been increased to varying degrees in Holland. What has been of much greater importance is the quota system, which can limit imports (see also the report of the 1st April). It is also not possible to ascertain the influence on Dutch exports of tariff policy in other countries, as in other countries also imports have been restricted by quotas, clearing arrangements, etc.

#### II (a).

Thanks to Holland's financial liquidity (see the data about capital investment) and the very careful policy by the banks, there have been no bank crashes in Holland such as have occurred in many other countries during the depression. The failure of a few small banks has had little or no influence on the general economic situation in Holland.

#### II (b).

Holland remained true to the gold standard, and the general view to-day is that this is the reason for the delay in economic revival. Signs of recovery were noticeable in Holland in the summer of 1936 but it only became marked when she left the gold standard.

#### II (c).

No noteworthy events have occurred in Holland in the field of cartel and monopoly policy.

#### II (d).

With reference to structural changes, we would refer to the statement made above about agriculture. But these changes we regard as more the consequences than the causes of the slump. They have certainly contributed to the difficulties in Holland. This applies, for example, also to the textile industry, which, on account of the competition of other countries, has probably lost for ever a large section of its foreign markets. In the sphere of transport, changes are also

noticeable (decline in railway traffic owing to increasing road transport), which also make the economic situation more difficult.

## II (e).

The deflationary and economic policy, which was a result of Holland remaining on the gold standard, has without doubt had a prejudicial effect on Dutch industry. (For the policy of the Dutch Government in industry and agriculture, see the report of the 1st April.)

## II (f).

There can be no doubt that the slump in Holland was much aggravated by the appreciable reduction made in the years of depression in the usual credits allocated to public works. Moreover the reductions made in all kinds of expenditure by the authorities, in pursuance of the policy of deflation, had unfavourable repercussions on the people's purchasing power and thus on the home market.

## B III.

The Dutch National Trade Union Centre is working, always in close conjunction with the Dutch Social-Democratic Labour Party, for the economic demands laid down in the Labour Plan and in the memorandum submitted to the Government. In the religious Parties, especially the Roman Catholic Party, there is a strong tendency in favour of the far-reaching organisation of economic and social life. These Parties number among their members many workers and persons from the middle classes, but, whenever it is a question of concrete measures, the conservative elements in these Parties have always managed to get their policy adopted.

The leader of all these conservative elements in the three great religious Parties, and in the continually diminishing Liberal Party, is Colijn, the present Prime Minister, who owes his continuance in power to the vacillating attitude of the progressive elements in the religious Parties.

The aim of the Dutch Labour Movement is therefore to win over these progressive elements as far as possible to its views, in order then to be able to get the Labour Plan applied to the greatest extent. To this end, intensive propaganda has been made in the last few years among different sections of the population. Unfortunately a satisfactory result was not obtained in the last elections, especially in the provinces, this being due, inter alia, to the fact that the fight against Fascism pushed every other endeavour into the background. The Dutch Movement, however, will continue to work along these lines.

# HOLLAND

## **Report of the Dutch National Trade Union Centre on the Labour Plan and the Fight against the Crisis**

Having given a resume of the measures proposed by the Labour Plan adopted on the 27th October, 1935, and of which the essential contents were published in the « International Trade Union Movement », Nos. 1/5, 1936, the Dutch Centre continues its report as follows :

The measures adopted in the social and economic field by the Dutch Government are of a purely crisis nature, and have not formed part of a properly considered plan, but have merely aimed at relieving outstanding need where it arose. In themselves these measures were not always adequate; they were hesitant, and some were adopted too late, while others were not applied in a satisfactory way. The Government seems to have no faith in the systematic organisation of production and distribution; it continues to await salvation through the free play of economic forces, and its measures are therefore half-hearted and only put forward with the hope of their early abrogation.

Where measures referred to below resemble those proposed in the Labour Plan, it must not be concluded that the idea of planning has conquered in Holland. Much, of course, depends on the application, which in every respect is incomplete and vacillating. The fact is that the Government is sometimes prepared to adopt a measure when it can not possibly do anything else, but, as mentioned above, it has no faith in the principle of economic planning, and it is therefore obvious that the result cannot be satisfactory.

### **Fight Against the Crisis**

In 1934 the « Labour Fund » was created and a sum of 60 million guilders allocated to it, this sum being added to later on. By the 15th December, 1936, public works costing 8,700,000 guilders had been carried out; works amounting to 33,500,000 guilders were in progress and a sum of 38,000,000 guilders had been promised for various schemes. This amounts altogether to 80 million guilders over two years. A sum of 19,500,000 guilders has been expended or reserved for what were called « industrial » plans, a considerable credit having been granted, for example, for the construction of a transatlantic liner.

The regrettable part is that a great deal of work formerly executed by the authorities is now done through the Fund, and there is thus a certain diminution in the expenditure of the State, provincial and municipal authorities, railways, etc., for public works. In addition systematic pressure has been exerted to get wages reduced, or in many cases reduction of wages has been made a condition for the execution of the works.

Another way of fighting the depression frequently adopted in Holland is the creation of employment. This means that works are put in hand which are not immediately economic, such as the draining of marshland, land clearance, river works, laying out parks and gardens, canal-cutting, etc. The workers engaged on this work are paid at a rate slightly above unemployment relief. A total of between 45,000 and 65,000 workers are occupied on such works throughout the country, these being not only navvies and agricultural workers, but also building workers, metal workers, typographers, etc., classes of workers for whom the heavy work of navvying was sometimes very difficult, especially at the start.

Most of this work is performed by workers engaged direct by the provincial or municipal administrations, and sometimes by land reclamation companies set up by the municipalities and provincial governments. The State grants a subsidy. Large districts, which have no possibility of carrying out such work, often send their unemployed workers to the Eastern districts. Any unemployed worker appointed to undertake this work cannot refuse to do so, on pain of losing his relief. In practice, the public works instituted to create employment often serve as test work to prove willingness to work.

In 1936, the Government made an attempt to introduce the statutory reduction of rents and of other fixed charges, notably mortgage interest, but the Chamber of Deputies held up this attempt and did not pass the Bill, which was in any case of limited scope.

#### REDUCTION IN MORTGAGE CHARGES.

After certain measures had been adopted in this field for the benefit of agriculture, an Act was promulgated on the 7th February, 1936, to lighten mortgage commitments in times of crisis, which provided for the mortgagee to appeal to the local magistrate for the postponement of his payment. The magistrate can not grant this postponement unless the applicant has regularly made the payments until the time of application, and in any case the mortgagee must still pay 1 % of his mortgage per annum. Up till now, this Act has been little applied in practice, as only very few applications of this nature have been made.

#### BOND LOANS.

An Act of the 31st May 1934 allows of the reductions of charges arising out of bond loans. Any individual or undertaking having contracted such a loan can apply to the magistrate for permission to convene a meeting of the bondholders, this application being accompanied by a statement of the proposals made in order to attain a reduction of the charges. This meeting is competent to take decisions on a 75 % vote and these decisions are binding on all the bondholders, after having received the magistrate's approval.

This Act does not apply to bonds issued by trusts or issued after the coming into force of the Ast, nor to those issued by the State or public bodies.

The reduction of certain fixed charges in agriculture will be dealt with below in the section on measures adopted against the agricultural crisis.

Special mention should be made of the assistance given to the shipping industry, which was placed in a very difficult position owing to the currency measures adopted by many countries. The Government therefore granted non-interest bearing loans to the shipping industry, to allow of its maintaining its activity. « Wages credits » were also given to allow of firms continuing to pay the Trade Union rates, in spite of the greatly reduced salaries (in gold) paid to the employees of foreign shipping firms. Thanks to the devaluation and also to the rise in maritime freight charges, the situation of most Dutch shipping firms has been considerably improved. In order to allow the companies to make the necessary depreciation and to renew their craft, repayment of the State credits has been cancelled.

A Work Creation Commission, on which the Trade Union Movement is represented, sometimes grants subsidies to help Dutch industries suffering from dumping, work thus being undertaken in Holland which would otherwise certainly have been done abroad.

### Industrialisation

After a certain number of private undertakings, municipalities and provincial authorities had set up economic-technical institutes, the province of Limburg having even created a Provincial Industrial Bank, the Government set up in



July, 1936, a joint-stock company called the Industrial Credits Society, of which the statutory objects are to grant long-term credits, to participate in the creation or supply of capital to industrial undertakings, either in existence or to be created, which are likely to encourage the creation of employment and the maintenance of employment in Dutch industry.

In addition the Society can also subscribe to the capital of provincial industrial banks, and take over the loans granted by such banks to industrial undertakings.

When this society was set up the State took 499 shares at 100 guilders each and the Limburg Industrial Bank took one share of the same value. The remaining resources are obtained by advances made by the Treasury, or by loans issued to third persons under State guarantee. The Society is managed entirely by the authorities.

Up till now no report has been published on the working of this company, nor has the press given any information about its possible activities, so that no information is available as to the results achieved.

## Trade Policy

There has been considerable State intervention in commercial policy, although Holland only abandoned free trade against its will and owing to necessity.

### TARIFFS.

In 1932 the duties on nearly all goods were increased by from 8 % to 10 % ad valorem, a special tariff on imported sugar having already been introduced earlier. In 1932 another special duty on petrol was introduced. The importation of exotic fruit was subjected to a 10 % duty. In 1933 the tariff on manufactured articles was raised from 10 % to 13 %, and at the end of 1933, parallel to the introduction of an excise duty on goods manufactured in Holland, an all-round customs duty of 4 % was levied on all imported articles (except certain foodstuffs and raw materials) and 10 % on luxury articles.

In addition, the government was authorised by Parliament, in defence against measures adopted abroad, to institute, repeal, increase or diminish duties for short-term periods.

### QUOTAS.

Although customs duties were considerably augmented, they were still of a predominatingly fiscal character. In many cases they were not able to prevent the large-scale importation of foreign goods. The government therefore asked parliament for the necessary powers to fix quotas for the import of certain articles, and it has now been laid down that the amount imported of a whole series of articles may not exceed a certain percentage of the amount imported during one or several years selected as a basis. This quota arrangement is now applied to a practically endless number of articles.

The granting of import licences to various undertakings, at first in proportion to the volume of imports during the one or several years chosen as the base, soon led to difficulties which threatened to create a widespread deadlock in trade. In order to fulfil the stipulations of trade treaties which had been concluded in the meantime, concessions had to be made to some foreign importers in the way of supplementary quotas.

The original aim of the quota policy — to give temporary protection to branches of industry particularly hard-hit by currency and other competition from abroad — was thus gradually lost to view and it became a guiding line for Dutch trade policy, which was trying to obtain reciprocity in international transactions. The continued application of quotas of course necessitated a closer and closer knowledge of economic life, for which reason the government offices were extended and made better equipped for their task.

Although at the beginning the quota arrangements were applied exclusively in the interests of home trade, it may actually happen today that one industry may be prejudiced by the granting of higher import quotas in order to obtain, for example, an increase in the exports of Dutch agrarian produce. In such a case, the interests of the home industry are subordinated to what the government regards as the higher interest of increased agricultural exports.

The uninitiated may find it difficult to obtain an accurate idea of the actual results of government action. The table given below, compiled from government sources, shows the movement of prices of articles subject and not subject to quotas, and helps to give an approximate idea. It is obvious that the restriction on imports gives rise to a rise in prices, or at least acts as a brake on falling prices. The difference between the prices illustrated shows what the consumer has to pay for the help given to home industry :

#### INDEX FIGURES OF WHOLESALE PRICES (1926/1930 = 100)

Year	Quota-free Articles	Articles subject to Quota
1929 .....	98,7	99,6
1930 .....	95,7	94,6
1931 .....	89,2	84,7
1932 .....	71,8	74,2
1933 .....	64,6	68,2
1934 .....	62,3	64,7
1935 .....	57,2	62,6

Up to 1932, when a large number of quotas came into force, the prices of goods subject to quota arrangements fell more rapidly than those of other goods. After that, the development was somewhat different, especially in the last year mentioned, but in general the influence of quota arrangements on prices has been relatively slight. In some cases, the Government, before introducing quotas, regulated prices, or even imposed price reductions. The figures for home industrial production show clearly the effects of the quota arrangements, as demonstrated by the following table :

#### PRODUCTION OF CERTAIN

Year	Consumption Goods now Subject to Quota	Consumption Goods not Subject to Quota
1926 .....	78	89,5
1927 .....	86	91
1928 .....	94	97
1929 .....	100	100
1930 .....	106	166
1931 .....	104	104
1932 .....	105	103,5
1933 .....	121	105
1934 .....	122	109,5
1935 .....	125	114,5

There has been a continual extension of quotas during the last years of depression. In 1932 7.4 % ad valorem of all imports was subject to quota arrangements, while in 1935 this proportion had risen to 16.5 %.

In spite of these increases, there is no question of isolating Holland from international transactions, nor of a tendency towards autarchy. In fact, the only aim has been to reserve a large part of the home market for home industry. The aim of the quotas was not a deliberate policy of industrialisation, but merely the maintenance as far as possible of Dutch industry in the position it had formerly attained.

#### INTERNATIONAL PAYMENTS.

Some countries make use of arrangements for international payments as an instrument of trade policy, but there has never been any question of this in Holland. Up till the present time, Holland has never lacked means for making payments abroad, and in the same way the currency has never been in peril, so that there has been no occasion for Holland—which incidentally had the weapon of quotas to manipulate imports—to raise obstacles to international payments. Holland has certainly concluded clearing and similar agreements, but the cause for this has always lain in other countries not entirely fulfilling their obligations as to payment, either in the delivery of goods or the payment of interest, etc.

As applied by Holland, therefore, these measures cannot be regarded as being a step towards planning or the systematic organisation of economic life. We shall not give here a survey of existing measures, but simply confine ourselves to pointing out that the regulations applied to international payments have in many ways prejudiced Dutch exports, especially as, since time immemorial, much Dutch capital has been invested abroad. Part of the money coming in through clearing agreements had to be used to pay interest and make repayments, so that less foreign currency remained to pay for exports.

#### EXPORT CREDIT GUARANTEES.

Since February, 1932, the government has been empowered to guarantee exporters the yield from their exports. Up till now the State has undertaken such commitments to the total value of 23 million guilders. Last year there was a great fall in the amount of these funds. There is also the possibility of reinsuring export credits. Credit insurance companies can re-insure their risks with the State. Over a period of two years a total sum of about 41 million guilders has been re-insured. The amount paid out in claims is relatively small, amounting since the existence of this scheme to 111,184.60 guilders, part of which also comes in later, when payments are obtained from abroad.

Generally speaking, therefore, there is little in Dutch trade policy which is directed towards the planned ordering of production. All measures taken are for defensive purposes. In recent times, however, there has been a tendency to utilise statutory means now in existence, namely quota legislation, to obtain a more active trade policy in future.

### Slump Prevention

It is easy to understand that this question is not at the moment a live issue in Holland. Up till the middle of 1936, production steadily declined, imports and exports continually diminished, and unemployment figures rose. Only in the autumn of 1936 was there a slight change, which became more marked when Holland went off the gold standard in September, 1936.

There is therefore no question of measures to forestall a coming boom, the discussions carried on among the experts on this subject being of a purely theoretical nature.

### Rationalisation

Only in one case have steps been taken against rationalisation — that of the cigar industry, where there is an immense amount of technological unem-

ployment, which threatens to extend still further. Towards the end of 1936, an Act was passed prohibiting the operating of cigar-making machinery not owned before the 26th May, 1936. On certain conditions the competent Minister can make exemptions, after having consulted the Council of the Cigar Industry. The main significance of this Act is one of principle; its practical effects are small.

One of the consequences of increasing rationalisation is the possibility of replacing adult male workers by women and young persons. Now that a certain degree of recovery is making itself felt in some industries, it is noticeable that it is almost exclusively young persons and women who are being taken on, while the adult male workers remain unemployed. Various Bills are now in preparation to allow of a better distribution of the work available. For industries in which the number of young workers is above the usual proportion, the Minister can lay down a definite proportion of young to adult workers. The proposals regarding women workers go farther, the suggestion here being that for some sorts of work the Minister should lay down that the numerical relation between women and men workers as at the 1st January, 1934, should be maintained or re-established.

These measures are still in the preparatory stage, and it is not yet certain whether they will be submitted in this form to the legislature. Even if adopted, however, their effects will be slight.

## Organisation

### ECONOMIC COUNCIL.

An Economic Council was set up by the Act of 1932, with the object of supplying Ministers, at their request or on its own initiative, with advice on questions of an economic nature in the widest sense of the term. The members of the Council are appointed by the Crown. When appointments are being made, account is taken of the different political parties, but it has been intentionally arranged that there shall be no representatives of employers' and workers' organisations on the Council.

The Council is, however, empowered to appoint standing committees made up of persons not belonging to the Council. This has occurred, for example, in the treatment of applications for the legal enforcement of employers' agreements (see below). Representative of the central bodies of the workers and employers sit on these committees.

By reason of its work, the Economic Council holds its meetings in closed session. An annual report on activities is made to the Government, and this report is published in whole or in part.

### INDUSTRIAL COUNCILS.

The Industrial Councils Act of the 7th April, 1933, is one of the first measures adopted in the social field for a certain regulation of economic life.

In virtue of this Act, the Crown can set up in every industry where it is desirable, an Industrial Council, for the whole or part of the country. Although not explicitly defined in the Act, the term « industry » is understood to cover all the undertakings manufacturing the same kind of article.

The Industrial Council, consisting of not less than six and not more than twenty members, is made up of equal numbers of persons appointed by the employers' and workers' organisation, taking into account the number of members the organisation has in the industry concerned. Unorganised workers and employers are therefore not represented. Only purely occupational organisations (not staff associations, for example) have the right of appointing representatives.

The chair is taken alternatively by a member of the employers' and a member of the workers' group, but the Minister is empowered, after consultation with the

Industrial Council, to co-opt a Chairman, Vice-chairman, one titular and one deputy member not belonging to the industry concerned. This can be done for all or only part of the activities of the Council, and the co-opted members may or may not be granted voting rights.

- According to the provisions of the law, the Industrial Council may act as a:
- (a) co-ordinating body (to draw up conditions of work, collective agreements, measures for technical training, fight against unemployment, establishment of funds, etc.);
  - (b) executive body (this provision of the Act is not yet in force; a new Act is necessary here);
  - (c) consultative and administrative organ (on request or on its own initiative, the Council can give advice on all questions relating to the branch of the industry, to all public bodies or, if desired, to private organisations or individuals. In certain specified cases, the Minister has to take the advice of the Council. In addition, the Council collaborates on the application of various social laws);
  - (d) conciliatory and mediatory body (any collective agreement can specify the Industrial Council as the body to settle differences arising out of the agreement. If such a provision does not exist, the Council, in the case of an imminent or overt conflict regarding work, can make efforts to prevent the outbreak of or to settle the dispute).

The two sections of the Dutch Labor Movement, the National Trade Union Centre and the Labour Party, raise the following objections to this law:

- (1) The Industrial Council is not entitled to intervene in the field of production and distribution.
- (2) The Council has no executive powers, but only acts in an advisory capacity.
- (3) The Council is entitled to deal with conditions of work, taking no account of the organisations, while other elements, neither employers nor workers in the industry, can exert influence through the Council.
- (4) The Council is not empowered to conduct enquiries.
- (5) The Council is not empowered to deal with the most important economic questions concerning the position of the industry and of those working in it.

Up to the present time, twelve such Councils have been established, in the industries of chemical engraving, painting, cigar-making, hairdressing, typography and copperplate engraving, boots and shoes, agriculture (Eastern Zealand and Western North-Brabant), bulb cultivation, market gardening (provinces of Northern and Southern Holland).

Negotiations are in progress for the creation of such a Council in the building industry.

#### LEGAL ENFORCEMENT OF EMPLOYERS' AGREEMENTS.

The Act of the 24th May, 1935, regarding the legal enforcement or non-validity of employers' agreements is of cardinal importance.

By « employers agreements » this law means all decisions of an economic nature which formulate, modify or abrogate obligations concluded between employers or between employers and their organisations. What this amounts to in plain language is all agreements regulating prices, limiting output, regulating production, etc.

The Act stipulates that the Minister can declare such agreements legally binding when they have or could have a decisive importance for economic conditions in the industry concerned and when this declaration of legal enforcement is in the common interest.

When, at the end of the specified procedure, legal enforcement is announced, the provisions of the agreement become legally binding on all persons and all actions which fall by their nature within the scope of the agreement. The declaration of legal enforcement can only be made on the application of one or more employers, or one or more organisations, party to the agreement.

In addition to the declaration of legal enforcement, the law also provides for the declaration by the Minister of non-validity of certain clauses where this is in the general interest. Where an agreement is declared invalid, everyone is bound to abstain from any action which might, either juridically or economically, prejudice the freedom of action of anyone else with respect to anything which, by its nature, falls within the scope of an agreement which has been declared invalid. When an agreement has been declared invalid, the Minister can issue detailed provisions regarding activities which, by their nature, fall within the scope of the agreement. Non-observance of a provision of a legally enforced agreement makes the person concerned liable to civil damages, but non-observance of a declaration making an agreement invalid entails penal sanctions and a fine.

Up till the present time, no employers' agreement has been declared either legally binding or invalid. Great efforts have been made to get legal enforcement of an agreement regarding bakeries, and another regarding brickmaking, but up till now the Minister has refused to issue the declaration.

#### LEGISLATION ON THE ESTABLISHMENT OF UNDERTAKINGS.

Two legislative measures regarding the establishment of undertakings are at the present time in an advanced state of preparation.

Regulations for retail trading, handicrafts and small workshops have already been approved by the States General; regulations for industry are still in preparation.

The regulations concerning the middle classes (retail trading, handicrafts, small workshops) provide that in certain cases no new undertakings may be set up in a specified industry without the authorisation of the Chamber of Commerce and Manufactures. This permit will only be given if the applicant can fulfil the minimum demands of credit, knowledge of the trade and professional qualifications.

We raise the following objections to these statutory regulations:

1. There is one thing missing from the requirements the applicant must fulfil—the necessity for a new undertaking. Thus there can be no question of proper planning.
2. The Chambers of Commerce and Manufactures are bodies composed exclusively of employers; it is therefore not to be expected that they will be guided in their decisions by anxiety for the common good.
3. The Act does not give any powers of intervention to municipalities, which are, however, the first to feel the repercussions of the grant or refusal of permits to open new undertakings.

This Act has already been passed by the Chamber of Deputies.

The Bill to limit the foundation of industrial undertakings has a different structure. The criterion for the grant of a licence is explicitly the national economic interest. It is further provided that, on certain conditions, an undertaking may be extended without a licence having to be obtained. The prohibition on setting up an undertaking can also apply to the production of certain goods or the execution of certain connected work. In such cases, it is the Minister who will issue the licences. In short, this Act takes into account the element of necessity, but it is still to be discussed in Parliament.

## LEGAL ENFORCEMENT OF COLLECTIVE AGREEMENTS.

The Chamber has just adopted a Bill on the legal enforcement or statutory invalidity of collective agreements.

This Bill empowers the competent Minister to declare legally binding, for all or part of the country, provisions of a collective agreement which are already in force, in his opinion, for a large majority of the persons occupied in this industry, in the whole or in only a part of the country.

If legal enforcement is declared, this implies that all the persons occupied in the industry must observe the provisions for the period of time they have been declared legally binding.

On the other hand, this Act provides that certain clauses of a collective agreement can be declared legally invalid, if this is in the common interest. In this case, the clause thus declared invalid is removed from the agreement, and any clauses figuring in individual contracts arising out of these invalid provisions automatically become null and void.

Our Trade Union Movement strongly protests against this provision, which will allow, for example, of certain wages agreements being declared invalid.

The Bill has still to be discussed by the Senate.

## EQUITABLE DISTRIBUTION OF FREIGHTS.

Inland navigation in Holland is suffering from the crisis owing to the sensible diminution in the transport of goods. In order to prevent the ruin of many boat-owners, an Act has been promulgated to make as just as possible the distribution of goods to be carried by inland navigation. In certain districts, to be designated by the Minister, goods cannot be transported without the authorisation or licence of a Freighting Committee. These committees grant authorisations, so that, as far as possible, all boat-owners obtain freights in turn. As far as we are aware, this Act has not been operated everywhere to the satisfaction of those concerned.

## REGULATION OF ROAD PASSENGER TRANSPORT.

The transport system is in a state of complete chaos, there being unbridled competition between the different transport systems, a competition of which some of the consequences are borne by the employees, who are suffering, in the private undertakings, from low wages and long hours of work. Up till the present time, there has been no indication of the slightest co-ordination of transport.

On the 12th January, 1937, a first step was however taken in this direction with the promulgation of a Royal decree concerning the establishment of a system of licensing for motor vehicles used in passenger transport. The licences are to be granted by a Commission (or the municipal authorities if the transport is confined to a single municipal area), for the exploitation of motor-bus lines, taxis, long-distance buses, etc., and may lay down certain provisions regarding the itinerary to be followed, the number of journeys, the regulation of the service, fares, vehicles, etc. If these conditions are not observed, the licence can be withdrawn. All undertakings running motor-bus services, long-distance buses, taxis, hired cars, must be insured against injuries caused to persons during their transport. Undertakings or individuals owning a transport service must be registered.

This decree, which has not yet come into force, also contains provisions regarding the conditions with which the vehicles must comply, the number of persons who can be transported, etc. On the way in which these regulations are applied will depend whether in the near future some order will be brought into the field of transport. However this may be, the regulation gives very wide powers to the Minister.

## ELECTRICITY SUPPLY.

Exactly the same thing may be said of a Bill now before Parliament on

the supply of electricity. The present Electricity Council is thereby placed on a more solid footing and will in addition be better equipped to accomplish its task. In future, all undertakings engaged in generating or distributing electric current can only be carried on under licence. In the same way, the extension of output is subjected to the preliminary approval of the Minister, who can try to get collaboration, for example, between municipalities and provinces, for the linking up of systems, etc. However, there is no compulsion to make undertakings co-operate.

In principle, this Bill recognises the great interest of co-operation for the proper supply of electricity, and a task is given to the State in this field. In reality, there can be no question here of a proper order, but the public authorities are provided with legal means necessary to allow them, when the moment comes, to deal with the co-ordination of electricity supply.

#### ECONOMIC INFORMATION.

During the years of the depression, there has been almost complete re-organisation of and very great extension and improvement in economic information. The National Statistics Office has dealt more intensively with studies on trade; and numerous institutions and boards, referred to later on, have thus had placed at their disposal much data which was formerly unknown. Owing to this fact and also to the circumstance that the government required information and figures to conduct its negotiations and take its decisions, economic information has been much improved in Holland. Since the 1st September, 1936, all the work of providing such information has been centralised in the Economic Research Institute of the Ministry of Commerce, Industry and Navigation.

#### STATISTICS.

It is impossible to have any kind of order in economic life without complete and reliable figures. The accuracy of this assertion has been demonstrated by the measures against the depression which the Dutch Government has been forced to adopt. Up till quite recently, the National Statistics Office depended on the voluntary collaboration of employers, traders, bank managements, etc., to obtain the data necessary for the compilation of statistics. In 1936, Parliament passed an Act making it incumbent on employers, bank managements, etc., to supply statistical data, secrecy being of course guaranteed.

Although this can not really be described as co-ordination, this Act nevertheless constitutes an important link in the chain of conditions necessary for a proper ordering of economic life.

### Agriculture

In no field of economic life has the intervention of the State been wider than in that of agriculture. There are three reasons for this:

1. In no branch of activity have prices fallen to such an extent as in agriculture.
2. In Holland agriculture, stock-raising and horticulture are largely dependent on exports. As the world-wide phenomenon of a more rapid contraction of foreign than of home markets was also manifested in Holland, agricultural life was very badly affected.
3. The well-known fact that, in agricultural undertakings, production usually tends to extend when prices fall, rather than the reverse, finally forced the government to take far-reaching action in the activities of farmers, stock-raisers, etc.

#### FIXED CHARGES

Peasant owners are in very many cases bent under the burden of heavy mortgages. When the depression made the results of agricultural activity more and



more problematic, the charges of mortgage interest and depreciation, which did not lessen at all, became intolerable for many farmers. At the moment when distress had become indescribable and many peasant-owners were threatened with seizure of their land by the mortgage owners, a decree was promulgated, allowing peasants who were menaced with the seizure of their land for arrears of mortgage payments to apply to the Minister, who was empowered to postpone the seizure if inability to pay the mortgage interest and payments was due to circumstances arising out of the depression. The Minister could prescribe that he who required the land could not come within the scope of the agricultural crisis organisation, i.e., the new proprietor could not cultivate the land, as only those covered by this organisation are allowed to take part in agricultural production.

In practice this decree had little effect. From the 12th March, 1935, when the decree came into force, to the 31st December, 1936, inclusive, the Minister had received 576 applications for intervention, and had only taken action in... three cases! The best that can be said is that the decree had perhaps a certain preventive effect.

Some regulation of land leases was introduced in 1932. Farmers, who, in view of the changed situation, regard their rents as exaggerated, had the option of applying to a Board set up to deal with rents in times of crisis. But this was only possible for leases concluded before the 1st January, 1932, and only at the moment when a payment fell due. This Board was empowered to try to bring the parties to agreement on a reduced rent. Where no agreement is reached, the Board can decide on the total or partial abolition of payment for a quarter. However, the interests of the landlord may not be prejudiced thereby to a greater extent than would be those of the tenant should he not benefit by the Board's decision. Later on, the application of this law was extended to cover all farm leases concluded before the 1st January, 1936.

#### AID FOR WHEAT CULTIVATION

From the beginning of the depression, it appeared necessary to aid the cultivation of wheat. Wheat-growers were compelled to join a Board; and the flour-millers and corn merchants were formed into an organisation known as « VITA ». All the wheat harvest was bought by VITA for the Wheat Board at a basic price laid down by the government. It was stipulated that all flour for breadmaking and all fine flour must contain a certain percentage of Dutch wheat; this proportion was 20 % at the beginning, but was gradually increased to 35 %. A tariff of between one and two guilders was levied on every 100 kilograms of imported wheat, the yield from this duty being paid into the Agricultural Crisis Fund. In addition, the import of rye-bread, rye-dough and rye-flour was subjected to a quota.

The resulting increase in the price of wheat gave rise to a large extension of the area under wheat, i.e., from 57,000 hectares in 1930 to 150,000 hectares in 1935. It was then laid down that a grower could only sow wheat over a third of the area formerly cultivated. The areas devoted to wheat-growing have not continued to extend in recent years.

The VITA, the organisation of flour-millers and corn-merchants, which is still compelled to buy up all the wheat harvest at the price fixed by the government, is encumbered by a large excess of home-produced wheat which is now being sold on the open market in competition with foreign wheat. The losses are borne by the Agricultural Crisis Fund.

The wheat-importers, whose trade has suffered under these measures, are compensated, as are their staffs, for the losses sustained.

It is obvious that all these measures have also increased the price of bread. According to calculations dating from March, 1936, the rise in the price of bread due to these measures is about 3.6 Dutch cents for a loaf of 0.8 kilogramme.

Arising out of the devaluation and the rise in wheat prices on the world

market, the receipts of the Agricultural Crisis Fund have increased and its losses decreased. Now pressure has been exerted from various quarters to get a reduction in the charges weighing on the consumer for the benefit of the wheat-grower. The government has acceded to this demand by according, out of the Crisis Fund, a certain bounty to corn-merchants on the flour supplied, so that they are not obliged to raise the price of flour, in spite of the rise in the price of corn.

#### POULTRY FARMING

In Holland, the assistance given to the cultivation of cereals comes up against a considerable obstacle owing to the large quantity of grain required for poultry and stock-raising. The rise in the price of grain was found to prejudice this industry, especially poultry-farming. The farmer who himself grows the grain necessary for feeding his stock receives a bounty of from 2.50 to 3 guilders per 100 kilogrammes. When the bounty is paid this grain is coloured with a red colouring matter, and cannot serve for human needs.

Poultry farmers who export eggs receive a bounty of 85 cents per hundred as compensation for the rise in the price of grain occasioned by the measures taken to benefit cereal-growing. In many cases, the home prices of eggs have risen in an almost equal proportion, due to this restitution. In this way, the breeders are more or less compensated for the extra expenditure imposed on them for feeding their poultry. Breeding centres are subjected to statutory provisions; the importation of eggs is subjected to a monopoly duty.

#### PIG-BREEDING

The price of pigs fell from 90 Dutch cents per kilogramme of pork in 1929 to 22 cents per kilogramme in May, 1932. This was the combined result of the existence of a tremendous amount of stock, the fall in prices abroad and the difficulties in the way of export.

A duty was levied on the sale of pork on the home market. The import of pigs is subjected to a special duty and also to quota arrangements. A Dutch Pig Board was set up, which bought pigs at fixed prices, concluding contracts with the exporting abattoirs, and itself undertaking to export. The prices paid to breeders for pigs destined for export certainly rose owing to these measures, but the price of pork did not rise enough on the home market.

In fact, the national supply of pigs was not in equilibrium with the demand. For this reason, a limitation of stock was introduced. Many piglets were slaughtered and the meat distributed to the unemployed. The number of pigs which breeders were thenceforward allowed to fatten was fixed for each raiser. Each pig which was allowed to be fattened was marked by the Pig Board. Thanks to these measures, the number of stock fell from 2,000,000 in June, 1930, to 1,600,000 in August, 1935. The movement of prices however remained unfavourable, owing to the continued falling-off in exports, from 104 million kilogrammes in 1932 to less than 36 millions in 1935. In view of the fact that even the smallest increase in the supply brings about a heavy fall in prices, the results have not been very satisfactory for the pig-breeders.

#### STOCK-RAISING AND DAIRY-FARMING.

The substantial fall in the price of butter and cheese made it necessary for the State to intervene in 1932 in the stock-raising and dairy-farming industry. In the absence of any State intervention, this very important branch of Dutch agriculture was moving rapidly towards ruin.

The home consumption of butter was burdened by heavy taxation. In order to avoid too much diminution in consumption, margarine and other edible fats were also taxed; in addition it was laid down that all margarines should contain a certain proportion of butter. The yield from these taxes was to be turned

over to the stock-raisers to compensate them for the losses sustained in the export of butter and cheese, which were often very great. The State concluded an agreement with the margarine factories by which the latter undertook not to produce more than a fixed quantity of margarine for home consumption. A monopoly tax was levied on imports (which were also subject to quota) of butter, margarine and other edible fats.

In order to place the stock-raising and dairy-farming industry on a sound basis, action was taken several times for the compulsory slaughter of horned cattle. About 220,000 head of cattle were thus slaughtered, the meat being made available to the unemployed, in tinned form, at a very low price.

In addition, the number of calves was also regulated. Each farmer was informed of the number of calves he could keep, and, in order to facilitate supervision, each farmer was obliged to have a descriptive certificate for each calf. These measures, which could only have a long-term effect, did not adequately diminish the quantity of milk available. The food given to the remaining cows, and therefore the volume of milk produced, were improved by the compulsory slaughtering. Moreover, milch cows with an inadequate yield were also slaughtered.

The delivery of milk destined for home consumption was also regulated, at least for the large centres of population in the west of the country. Minimum prices were fixed for the sale of milk by producers to middlemen, and for sale by middlemen to the public. In other parts of the country, similar results have been obtained through direct agreements concluded between the dairy-farmers and retail dairymen.

#### SUGAR-BEET.

The Minister indicates to the cultivators of sugar-beet the quantity which they may cultivate. For this quantity of beet, which is lower than the amount formerly cultivated, a bounty is accorded, varying each year, which amounted in 1935 to 10 guilders per thousand kilos. If the cultivator plants more beet than the quantity indicated, he receives no bounty on the surplus.

A special duty of 2.40 guilders per hundred kilos is levied on imported sugar.

#### FISHERIES.

With the assistance of the Agricultural Crisis Fund, measures have been adopted to aid the herring, mussel and shrimp fishing industry, and also the oyster industry. The public authorities buy specified quantities of herring, which they sell later at fixed prices. Oysters, mussels and shrimps cannot be exported except at minimum prices fixed by the Minister.

The extent of herring fishing is limited.

The importation of sea fish and eels is subject to quotas.

#### POTATOES AND POTATO STARCH.

The import of potatoes, potato starch and derivatives is subjected to a monopoly tax. As far as regards the early potatoes, of which the greatest part was exported before the crisis, the area under cultivation has been reduced to 65 % of the former area. A duty is levied on the prices obtained at auctions, the yield from this tax allowing of a certain amount of the harvest being withdrawn from the market at fixed minimum prices. A bounty is also granted on exports.

As far as concerns late potatoes, not destined for public sale by auction, a tax is now in force on each hectare cultivated. This measure has brought about a sensible diminution in the area under cultivation. Late potatoes withdrawn from the market are rendered unfit for human consumption by one means or another. The export of late potatoes is also encouraged.

The area under « industrial potatoes », a speciality of Holland, exclusively

cultivated on heath and dune land, has had to be reduced to 42 % of the area formerly under cultivation. A bounty is accorded on the transformation of these potatoes into starch, so that the starch-works could pay a suitable price for their purchases of potatoes. The Dutch Starch Board has an export monopoly. The starch industry finds it very difficult to find a market.

#### BEANS, PEAS, ETC.

The imports of peas, beans, other leguminosae and derivatives is subject to taxation. Import and export are only permitted by the administration. In certain circumstances it is possible to obtain restitution on the exports of the tax paid on imports, or of an equivalent amount in home products.

Where necessity arises, the public authorities withdraw from the market specific quantities of the products, in order to maintain home prices. For some sorts of leguminosae a bounty is accorded direct to the cultivators, after the produce has been « denatured » or not, according to the case.

#### CULTIVATION OF BULBS AND ORNAMENTAL PLANTS AND NURSERY GARDENING.

If the sale of flower-bulbs does not produce the minimum price fixed by the Ministry, the bulbs are bought up by an official institution. Minimum prices are fixed for exported bulbs. The import of bulbs is subject to a duty. The government has imposed a considerable reduction in the areas under cultivation.

In horticulture the area under cultivation has been stabilised at that of 1933. The importation of herbaceous ornamental plants is subject to a quota of 10 % of the volume of 1930/1931.

The area under cultivation for nursery gardening has been stabilised at that under cultivation at the 1st June, 1934.

#### FLAX GROWING.

Steps have not been taken to limit the amount of flax grown, but bounties are only given on an area of 10,000 hectares, which is less than the area formerly devoted to flax.

#### PEAT.

The factory production of peat has been limited to 60 % of the production in 1929/1931.

#### MARKET-GARDENING AND FRUIT-GROWING.

The import and export of preserved fruit, including exotic fruits, and vegetables, is only authorised through the public authorities, who levy a tax on imports. This is returned in certain circumstances, when the produce is transformed in Holland with a view to re-exportation.

At the outset, especially in the case of vegetable produce, the authorities withdrew produce from the market, when its public sale did not produce the minimum prices which had been laid down. The authorities thus sometimes came into the possession of large quantities of vegetables, which were then sold at very low prices to the unemployed. A number of market-gardeners then began to plan their production, which was then reduced. Market-gardeners and fruit-growers receive a certain sum per hundred kilos, or according to the area cultivated, in respect to the production quota accorded to them.

Credits are at present granted for certain market-garden produce destined for export.

It should be noted also that similar measures have been adopted for articles of lesser importance, such as reeds, grain, seeds, chicory, freshwater fish, etc.

Attention should be drawn to one point here. We have repeatedly indicated that the yield from a certain duty was destined to aid exports. This does not

mean that in all the cases in question the yield from taxation and the amount accorded in subsidies were identical. The system pursued by all agricultural legislation was that the yield from the duties should be paid into the Agricultural Crisis Fund, which was charged with paying out the various subsidies and bounties. It might thus happen that the tax on wheat would serve to subsidise the export of butter.

We have gone into great detail on the measures undertaken with regard to the agricultural depression since there is perhaps no other country in the world which has taken such radical action in this field as Holland. The limitation of areas under cultivation and its supervision have come up against tremendous difficulties. The proper functioning of this whole organisation has required a small army of four thousand officials, and an attempt was made to get the persons concerned to take a part in the application of the regulations.

It should be noted that the results have not always been satisfactory. There has been a certain amount of fraud on the part of the management of crisis institutions, which is, incidentally, very easily explicable. All these institutions had to be set up in a very short space of time, although all measures have been postponed as long as possible. Where distress had become so imperative that something simply had to be done, some sort of organisation to apply the measures had to be set up in haste. Sometimes the action taken caused grave injury to other branches of activity. In this case, protests were immediately raised; then fresh measures were undertaken, and in this irregular way arose the system of activities which we have outlined above. One cannot speak here of a considered reorganisation of economic life, nor of the introduction of an element of order into this field. Certainly the public authorities have intervened to bring in a little order here and there, but against their will. This has given rise to discontent, let alone resistance, among those concerned as well as among the consumers, who have been called upon to bear the consequences and the burdens.

This however does not alter the fact that the desire for order in economic life is very deeply-rooted in the people of Holland, as is clearly demonstrated by the programmes of the different political parties. Another government than the present one would certainly develop the possibilities of order, which have been introduced against its own will by the present government, so as to arrive at a better-ordered and more methodical system of production and distribution.

# PALESTINE

## A I (a).

In August, 1935, the first repercussions of the Italo-Abyssinian war and of the tense international situation in the Mediterranean made themselves felt in Palestine in a credit crisis, which led to restricted activity in the building trade and in the building materials industry, and spread from this to other fields. At the same time, one of the country's staple industries, orange-growing, got into a difficult situation, due not so much to lack of markets for the increasing output (11 million cases in 1936/1937 as against 5 millions in the previous year's harvest) as to local conditions, faulty organisation, and especially the fact that Palestinian oranges entering Great Britain (the main market, seeing that the British market takes 60 % to 70 % of the crop) are subjected to a tariff which is not levied on imports from the British Dominions. It may be mentioned here that as long as Palestine is a mandated territory of the League, it cannot pursue an independent tariff policy in its relations with other countries but, on the principle of the « open door », is subjected defenceless to the dumping policy of other States.

When, in the spring of 1936, the great efforts of the General Federation of Jewish Labour, in conjunction with the Jewish Agency, had succeeded, by means of a large-scale programme (for which, see below) in overcoming the consequences of the depression, disturbances broke out at the end of April and lasted for six months. The reasons for these disturbances, arising from the Arab-Jewish tension in the country, can only be understood against a background of world events and the great tension in the Mediterranean.

The unrest, the uncertain political situation in the world in general and in Palestine in particular and the change in policy with regard to Palestine which is now under discussion (in connection with the report of the Peel Commission), have given rise to further paralysis in economic life, noticeable in both the Jewish and Arab sections of industry. This development has been much influenced by the artificially limited immigration, carried on on a purely political and not an economic basis, which has led to a rapid fall in the investment of capital and in the import figures. This policy and the general uncertainty have resulted in particular in a decline in building, and as long as the situation is not cleared up, there is likely to be a depression, which is expressed less in the absolute number of unemployed, which is moderate (from 5,000 to 6,000 Jewish unemployed) or in the complete standstill in production (Jewish undertakings, employing about 30,000 people, are continuing their activities and this applies to mixed agriculture also—the difficulties in the orange-growing industry have already been mentioned), than in a general hold-up in development and in the investment of new funds on a large scale, which thus results in depression over the whole of industry.

## A I (b).

This account shows that the causes of the present position are more of a general nature and are noticeable in all industries; in addition there is the special situation of the citrus industry which is of such great importance to the country.

## A I (c).

The following table shows the Jewish immigration and the investment of capital in the years 1932 to 1936, and their influence on industry in general :

## Jewish Immigration and Invested Capital and their Effects on Palestine's Economic Development

	Government Revenue (Mill. £)	Currency Circulation (Mill. £)	Bank Deposits (Mill. £)	Jewish Capital Investment (Mill. £)	Jewish Immigrants	Jewish Population (unofficial)	Total Population (official)	Imports (Mill. £)	Exports (Mill. £)	Orange Exports in Million Cases	Building Activity (Mill. £)	Workers Employed in Jewish Undertakings	Total Capital Invested in Jewish Undertakings	Membership of General Federation of Jewish Labour	
1932	3.0	2.8	7.0	3.0	9,553	210,000	988,319	7.7	2.3	3,631	2.9	14,000	4.9	25,339	
1933	4.0	4.1	12.5	6.0	30,327	245,000	1,038,331	11.1	2.6	4,508	5.5		5.3	47,819	
1934	5.5	5.3	16.0	10.0	42,359	295,000	1,104,605	15.1	3.2	5,480	6.9	19,000	6.0	57,502	
1935	5.7	6.2	16.5	12.0	61,854	365,000	1,194,529	17.8	4.2	5,800	8.4		8.6	86,117	
1936	4.6	5.3	17.3	6.0	27,910	400,000	1,269,265	13.9	3.6	11,779	5.2	30,000	10.5	98,636	
							at the end of the year (in June)								at the 31st December

The table shows the influence of Jewish immigration and large-scale capital investment on the country's industry, the increase in population, government revenue, the development of industry and agriculture, etc., and also shows the decline in 1936, due to the decreasing immigration arising out of political influences and political uncertainty. Questions of rationalisation, malinvestment, etc., do not at the moment play an important part in Palestine, which is occupied in construction.

#### I (d).

The above table also contains figures for imports and exports. The passive trade balance is made up for by the large import of capital, tourist traffic, etc. Tariff policy has only had a slight influence on this development, although here and there a half-hearted policy of protection has helped local industries to develop (while on the other hand the Government's slowness to act and vacillation have led to many failures in this respect) and has reduced imports. Many agricultural and industrial products suffer from the unbridled dumping policy of countries (like Japan) which produce very cheap goods, while the Government has only given hesitating aid and has also been hindered by the « open door » policy laid down by the mandate.

#### II (a) to (f).

Compared with this general development, the reasons listed in II (a) to (f) are only of secondary importance. Only inadequate steps have been taken by the Government in the budgetary field in order to assist the country's trade. Credits and remissions from taxation have from time to time been granted to agriculture, but the main reasons for the depression, as already stated, must be sought in the general political situation, in Palestine's position as a mandated territory not able to pursue a special tariff policy (under Art. 18 of the Mandate), in the dumping policy pursued by some countries and in the vacillating and completely inadequate industrial protection policy of the Palestine Government.

#### B I and II.

As has been stated, the measures adopted by the Palestinian Government were inadequate to combat the depression. On the contrary, indeed, the Government's programme of public works was considerably restricted in 1936 owing to political developments. Growing industries received no subsidy from the Government. Subsidies and remission of taxation were granted here and there in agriculture, mainly to Arabs, but no other Government action in this field can be recorded.

On the other hand, the Jewish Agency and the General Federation of Labour have been extremely active in the field of combatting the depression, and, as shown by the unemployment figures, which only rose to a slight extent, these efforts have not been without success. In most cases there has been joint action on the part of these two organisations. The Jewish Agency was directly responsible for the foundation of the Jewish Agricultural Bank, with the task of providing long-term credits to such farmers as observed the minimum wage rates for their workers, and also of creating a fund for discounting the bills issued by the employers in place of wages (owing to the difficulties in the orange-growing industry). The Labour Bank and the Unemployment Fund of the General Federation of Labour also took part in setting up this fund. In addition loans were given to various institutions, co-operative enterprises, workers' friendly societies, etc., and for the settlement of immigrants, loans to workers, etc.

The General Federation of Labour regarded the main method of combatting unemployment as extending the Unemployment Fund of the General Federation (there is in Palestine no centralised or statutory unemployment insurance system) and in founding a company to finance public works, in conjunction with the



Jewish Agency and various banks. This company is called « Bizur » (« Stability »).

The Unemployment Fund, which is fed by small regular contributions paid by the workers, was increased in the spring of 1937 by means of a great campaign which brought in the sum of £ 60,000. Every worker who was able to had to contribute one or more days' wages, according to what he earns. This sum and the regular contributions to the Fund were mainly used to revive industry (with the exception of certain amounts used directly or indirectly for social relief), to initiate public works or to launch new industries, the money being used as a stimulus to bring in further funds. The investment of £ 56,750 in the period from 1st January, 1936, to 1st July, 1937, allowed of new companies being set up with a total capital of £ 287,000, which were then able to make further funds liquid. The total employment created in this period amounted to one million working days.

The « Bizur » Company, mentioned above, may be taken as an example. At the end of 1937, its actual capital amounted to £ 40,000, subscribed half by the Unemployment Fund and half by the Jewish Agency. On this basis, bonds to the aggregate value of £ 103,000 were issued and sold. By means of loans made by the company, amounting altogether to £ 120,000, to various other bodies for the promotion of public building, public works, etc., work to the value of £ 423,000 was carried out (600,000 working days, with a total wages bill of £ 220,000). The loans were first of all for four to five years at 7 % to 8 % interest, and later for ten years at a lower rate of interest. The Unemployment Fund, by founding the « Bizur » Company, with an investment of £ 20,000, was thus able, during the course of one year, to make liquid a sum of twenty times that amount. This is only an example; other loans were granted for promotion of work in the stone industry, navigation, port development in Tel-Aviv, etc. Experience of this method of combatting the slump has been consistently good; it was only the outbreak of the unrest which started in the spring of 1936 which disturbed this salutary process. But since then also the depression has been effectively combatted by these means.

Another campaign on similar lines to obtain fresh funds for the Unemployment Fund is at present in preparation.

### B III.

The economic measures we hold to be necessary for economic revival in Palestine are as follows (these being only the most important points) :

- (1) amendment of Art. 18 of the Palestine Mandate (repeal of the principle of the « open door », which makes it impossible for Palestine to pursue an independent tariff policy) ;
- (2) abolition of the tariff on Palestine citrus imported into Great Britain, which is Palestine's mandatory Power and at the same time her best customer for citrus fruits ;
- (3) an active Government policy of promoting industry ;
- (4) abolition of the restrictions on Jewish immigrants of all categories ;
- (5) Government participation in measures for direct help to the unemployed (organisation of public works, participation in unemployment funds, extension of social insurance, etc.).

# SWEDEN

## A) GENERAL AND SPECIAL CAUSES OF THE SLUMP.

It should be noted that the industrial boom at the end of the nineteen-twenties lasted longer in Sweden than in most countries. It was only towards the middle and end of 1930 that a strong depression trend became noticeable. This was due to the fact that the internal causes of industrial slump—connected with over-investment—were weaker in Sweden than in many other industrial countries at the time when the last world depression started. The total industrial wages bill had also increased relatively substantially during the preceding boom.

The worsening of the industrial position in Sweden in the last part of 1930 and in 1931 was obviously due to a great extent to the influence of the world market. Sweden was still on the gold standard. The slump, in conjunction with the deflationist policy pursued in the leading industrial and trading countries and its consequences reduced markets for export goods and the heavy fall in prices on the world market—inevitably led, with the maintenance of the gold standard, to a decline in trade, especially for the export industries, and to a general fall in prices, giving rise to depression, on the home market also. It is obvious that pressure from the world market was the main cause of depression in Sweden in the year in question. It is difficult or impossible to estimate the relative importance of internal causes of the slump which were active at the same time, but in any case these were of secondary importance in relation to the influence from other countries.

The pressure from the world market became steadily heavier during 1931. The abandonment in the autumn of that year of the gold standard by Great Britain, Sweden's best customer, placed Sweden in a difficult position. Retention of the gold standard—if that had been possible—would have inevitably resulted in a drastic reduction in the level of home prices and costs, which in its turn would certainly have accentuated the depression. There was in fact no choice. Various circumstances, such as the international movement of capital in preceding years, had created a situation which made the suspension of the gold standard unavoidable. In this way the foundations of an independent Swedish monetary and trade policy, which has been of decisive importance in the succeeding years, were laid.

Simultaneously with the spread of the industrial depression in the years 1930 to 1932 and the resulting considerable reduction in the industrial population's purchasing power, there was a fall in the income of the agricultural population and in its purchasing power also. In Sweden, as in many other countries, the agricultural slump had been continuously intensified during the nineteen-twenties. The fall in prices had led to action being taken to maintain prices even before the general depression became acute. But during the years just before the outbreak of the industrial depression, the agricultural depression had spread to the most important products in Swedish agriculture, especially animal products, those which are most important for the economic running of small agricultural undertakings, of which the prices were determined to a large degree by developments on certain foreign markets. When the world industrial depression started, it reduced purchasing power, restricting the market for animal products especially drastically and the situation for agriculture thus threatened to become catastrophic. With a view to preventing disaster for the agrarian population and to raising the power of the industrial population to purchase agricultural produce, all possible means of support for agricultural production were initiated.

Against the background of the above short outline of the factors at the outbreak of the depression, questions I (a) and (b) may be answered as follows :

(1) The depression, which came to Sweden relatively late, was mainly due to influence from the world market. Internal causes of the slump played a minor role. This is also confirmed by the fact that, in spite of the export industries' great importance for Sweden and Sweden's resulting dependence on foreign markets, the slump was not of the same intensity as in most other industrial countries. An important reason for this was that the suspension of the gold standard in 1931 freed Swedish monetary policy from the deflationism which was a predominating factor during the first stage of the world depression.

(2) During the last depression, the causes were to be sought both in the industrial and agricultural fields. Estimates show that the fall in industrial purchasing power and the fall in the purchasing power of the agrarian population were of the same order of size, amounting for each category to a decline of about 400 million kronor in annual value from the peak point of the former boom to the lowest point of the depression.

It can hardly be said that the Swedish Trade Unions have worked out a special theory of the slump. To seek a specific cause of the slump, with which to explain every depression, would not, in the light of modern research, seem to bear much promise of result. In a capitalist society disproportions of all kinds are bound to develop (between saving and investment, between productive capacity and markets, between consumers' purchasing power and the supply of goods, etc.), which periodically give rise to disturbances in economic life, but experience shows that the factors in a slump or a downward trend may vary according to varying circumstances, and that the reasons for recovery may be very different from case to case. A small country has to give especial attention to the effects of its international economic connections. The main expressions of slump-creative disturbances in the economic system are the typically striking changes in the extent of investment. If it is to be effective, therefore, trade policy must in the first place be directed towards levelling out these variations in investment, i.e., a steady distribution of investment.

It is not possible to give a general reply to Question I (b). Experience shows that there is much variation in the relative importance of causes of the slump in different fields, whereby it should be noted that the causes of industrial slump are of a more periodic character than the causes of depression in agriculture.

In the last depression, the Swedish Trade Unions gave their support to the trade policy pursued by the Social-Democratic Government, and which found its main expression in the slump programme drawn up in 1933. This programme was based on decisive opposition to the view that « adjustment » of expenditure, especially on wages, could be an effective means of combatting depression and preparing the way for economic recovery. The scaling down of expenditure certainly helps to make private undertakings more economic, but at the same time it means reduced purchasing power, which is bound to affect sales on the home market unless reduced costs lead immediately to an expansion of investment. At a time of declining trade, when undertakings are working to overcapacity and the prospects on the market are judged to be bad, it is unlikely that a reduced purchasing power due to reduced wages can be made up for by an immediate extension in employment. A fall in purchasing power has a direct effect on the sales market; wage cuts bring about an intense screwing down of the price level which has the effect of destroying the stimulus to production, accentuating deflation and probably diminishing production still further.

A similar view has determined the measures taken to maintain the prices of agrarian produce and the purchasing power of the agrarian population. Experience has again shown that, in times of economic depression for the agrarian population, the industrial depression is deeper and more lasting, since the purchasing power of the agrarian population, which provides the market for the industrial products, is lacking. The advantage for the industrial population of reduced costs of foodstuffs becomes illusory when an agrarian and an industrial depression are co-existent. The advantage disappears when reduced agrarian purchasing power

brings reduced selling possibilities and reduced employment in industry. A deflationist sinking of prices on which the income and purchasing power of a large section of the population depend thus means, in times of depression, only an aggravation of the process of deflation which is injurious to the whole of economic life and for all productive groups.

(Here it may be added that, as far as concerns both industrial workers' wages and agricultural incomes, social and other not purely economic considerations play a part and that a deflationist or passive policy may give rise to great pressure on the wages level and result in widespread and destructive strife in the labour market. The Trade Union's ability to maintain the wages level during a depression therefore depends to an important extent on monetary and trade policy.)

For a policy aiming at the maintenance and increase of purchasing power, it is of especial importance that profits shall be kept low and the money market « easy », and that the currency situation shall be such that internal expansion shall not entail the risk of a continuing and finally perhaps uncontrollable movement in exchange rates. From this point of view, the conditions in Sweden were less favourable in 1931 and during part of 1932, but, when the transitional difficulties after the suspension of the gold standard had been overcome, the situation showed marked improvement in this respect in the latter half of 1932.

Low profits and easy credit facilities have however a positive effect on purchasing power only to the extent that they stimulate investment, for investment stagnation is itself the root of the cumulative shrinkage in turnover and production. In a slump of the magnitude of the last one, the real and speculative obstacles in the way of revival of that investment which is based on the rentability of private enterprise may be so great that even a very low rate of interest is ineffective as a means of recovery. In such a case there must be mobilisation of unutilised financial and productive resources, by means of public investment, which must create new employment and new purchasing power and create a general stimulus to trade development.

Public works with this end in view must be financed out of loans. Increased taxation for the purpose of financing public works is likely to some extent to cancel out the stimulating effects of the work being put in hand. To the extent that taxation restricts the consumers' demand among taxpayers, this method of financing only means the transfer of purchasing power to a different section of wage-earners, which may be very well-grounded from the point of view of social policy but does not itself have a stimulating effect on trade. If, on the other hand, public works are financed out of loans, and the loans can be raised without prejudice to the credit facilities for other investment, there is a net gain to purchasing power and at the same time a stimulus is given to private investment. Latent resources are thus brought into action which would otherwise have remained unused.

The loans for financing public works in times of depression must be short-term loans, as this is necessary in view of a sound, long-range financial policy and in order to allow of the possibility of again financing public works in another depression by means of loans, or possibly out of funds which have accumulated in an intervening boom period. Budget deficits in years of depression must be regarded as one factor in balancing the budget, which must be considered not over a period of one year only but over a whole trade cycle period.

The first requirement for a consistent anti-slump policy is the co-ordination into a uniform plan of economic, political and social measures forming part of trade policy. The attempt to step deflation by means of currency measures would be ineffective if, for example, the wages level broke down brought with it the whole price system. Public works on a large scale would be senseless and absolutely prejudicial if monetary and currency policy were kept to a strictly deflationist line. The various measures must be in line with each other, so that their reciprocal effects are cumulative and not mutually destructive.

As stated above, the Swedish Trade Unions have supported the principles outlined here, on which the Social Democratic Government's slump policy is based. Since this policy however, envisages measures for application at the moment when a depression sets in, it does not provide an exhaustive survey of the causes of the slump and methods of preventing it. Experience of the last few years has shown that it is considerably more difficult for a small country with important international economic connections to pursue a policy of boom regulation than a policy of combatting the depression.

A very detailed investigation into national income, production, investment, consumption, etc., in Sweden has been made for the years 1861-1930\*, from which we take the following tables for the boom period which preceded the last slump.

**GROSS INVESTMENT (net investment + re-investment)**  
In millions of kronor, 1925-1930.

Year	In Building and Construction	In Other Permanent Property				
		Total	Agriculture & Forestry	Industry & Handicrafts	Transport & Communications	Permanent Consumption Goods
1925	745	1034	102	149	196	542
1926	812	1095	111	179	183	573
1927	812	1127	106	172	193	596
1928	877	1215	107	191	233	625
1929	925	1324	120	217	269	650
1930	967	1367	121	242	277	658

\* The following table gives figures for the same years showing the production and imports of non-permanent consumption goods, in millions of kronor :

Year	Agrarian Products			Industrial Goods			Not real Consumption Goods		
	Pro- duction	Imports	Total	Pro- duction minus exports	Imports	Total	Pro- duction minus exports	Imports	Total
1925	904	117	1021	1772	340	2112	2676	457	3133
1926	827	118	945	1874	348	2222	2701	466	3167
1927	766	116	882	1917	370	2287	2683	486	3169
1928	775	122	897	1923	394	2317	2698	516	3214
1929	766	131	897	2062	399	2361	2828	530	3358
1930	734	109	843	2015	419	2434	2749	528	3277

A closer comparison of these figures demonstrates the fact, which is seen regularly in every boom period, that the expansion in production is more marked in capital goods than in consumption goods. The question of whether this is to be looked on as a disproportion is obviously identical with the question of whether a boom, or trade cycle changes as such, are to be described as a misfortune.

For the later period there are no statistics comparable with those reproduced above, as the compilation of such figures requires much working up of the material provided by current statistics. It has been calculated that the decline in investment in building and other construction and in fixed production capital (not including fixed consumption goods) amounted in the years 1930 to 1933 to about 550 million kronor, or more than one-third of the volume of investment concerned in the previous boom period. The last few years, which have been of a pronouncedly boom character, have seen the reappearance of the typical boom characteristic that investments have risen considerably more than consumption.

The extent of rationalisation in Sweden during the last slump is shown by the following index figures for the volume of production per hour worked in Swedish industry in 1915, 1920, 1925 and 1929 :

VOLUME OF PRODUCTION PER HOUR WORKED				
Year :	1915	1920	1925	1929
	—	—	—	—
	100	102	126	143

I (d).

It should be noted first of all that Sweden's foreign trade developed very rapidly in the nineteen-twenties, and that the changes then taking place in the structure of world trade were mainly favourable to Sweden. In the last depression many parts of Sweden's export trade certainly suffered heavily, but it nevertheless managed to maintain itself to a relatively greater extent than was the case in most other countries.

#### VALUE OF IMPORTS AND EXPORTS IN MILLION KRONOR

Year	Imports	Exports	Total
1929.....	1783	1812	3595
1930.....	1662	1550	3213
1931.....	1428	1122	2550
1932.....	1155	947	2102
1933.....	1096	1079	2175
1934.....	1305	1302	2607
1935.....	1476	1297	2774
1936.....	1632	1514	3147

In 1937, foreign trade continued to develop considerably. In the first half of the year the total value of imports and exports almost amounted to the value for the whole of 1932.

In the matter of industrial goods, Swedish tariff policy was extremely moderate throughout the depression and the succeeding years have seen some measure of return to free trade. This part of Swedish foreign trade has therefore to a large degree not been subjected to restrictive tariff measures on the Swedish side. The situation has been different as far as agrarian produce is concerned. The breakdown of the market for agricultural products made it necessary to regulate the home market, the most-used method being the regulation of imports and exports.

II (a).

The structure of the Swedish banking system does not contain within itself any special risks of slump other than those which exist within the credit system of any capitalist economy. This organisation provides on the contrary a certain guarantee against bank slumps as accentuate a slump, to which the United States banking system in particular war subjected in the last depression. One section of the credit system which is not organised is credits for housing. It is in this sphere that many depressions have started on earlier occasions, but in recent times the great demand for dwellings has made it possible to avoid depression.

(b).

The preceding reply should be referred to for a comparison of the importance of the currency situation with the situation before the outbreak of the last slump. At the present moment the situation of the central bank in Sweden, with respect to foreign currency, is particularly strong, so that no special causes of the depression in Sweden can be looked for in this field.

(c).

Concrete examples, cannot be given, in view of the lack of detailed investigation. In a general way it is obvious that monopolistic price policy can contribute to slumps by preventing, in a boom period, the adjustment of selling prices to the relatively lower production costs due to rationalisation, and by keeping up prices in a slump, especially in the matter of material for production goods.

(d).

The above shows that the slump in Swedish agriculture was connected with changes in the structure of world economy and also that the Swedish export industries ere to a large extent benefited by these changes. Certain industries, especially the sawmill and stone industries, have however been much affected by structural changes in markets.

(e).

No important example of mistaken industrial or agricultural policy the general course of trade can be given.

(f).

In the first part of the last depression the budgetary policy in force prohibited « unproductive » expenditure being financed out of loans (i.e., such expenditure as does not bring in enough yield to cover and repay the loan), and this no doubt represented at least a psychological obstacle to an effective anti-slump policy. This obstacle has since been removed.

B I (a).

As a part of the work-creation policy, loans have in some cases been granted to special industries on favourable terms. It should also be noted that a considerable part of what is described below under point (d) has been in the nature of a loan or subsidy to individual undertakings, especially those concerned in building.

(b).

The measures described above for the support of agrarian purchasing power represent an important part of the positive action taken in Sweden to combat the depression. This action has been in the way of price regulation; only in exceptional cases, such as in the regulation of the sugar-beet industry, has control been exercised over the volume of production. There was no uniform system of assistance in the first years of the slump, but from and including 1934 it was decided to bring all the different measures of assistance into one uniform scheme. In the field of agriculture certain price levels were laid down, generally in relation to the average prices for 1925 to 1929. In 1936 Parliament thus laid it down that prices should be allowed to vary between a lowest level, corresponding to 85 % of the average prices from 1925 to 1929, and a highest level, which should be somewhat above these prices. The measures to aid agriculture have had a substantial effect in maintaining and increasing agrarian purchasing power. From 1932, when the depression touched bottom, till 1936, it is calculated that the gross yield from agriculture rose by more than 30 %.

(c).

Side by side with the work-creation schemes decribed under the next point, cash relief was paid to those unemployed who were not employed on public works.

The continuous aim of Swedish unemployment policy has however been to

reduce relief activities by work creation. It should further be noted that a very great part of the works taken in hand to combat the depression, with the help of the State, have been motivated not only by the standpoint of work creation but also from the social point of view. This applies especially to the question of housing.

(d).

What are called « general works », only due to a limited extent to unemployment policy, and « reserve works », carried out by the State or the municipality, have been carried on to an increasing degree since 1918. « Reserve works » differ on certain important points, laid down for the whole reserve works system, from work on the open market. The aim of the works as limited in different ways. The workers are selected exclusively in view of the need for help for the unemployed. Wages and conditions of work conform to certain special norms laid down by the States. The reserve works system has never been given a direct economic motivation, but in practice reserve works—just as all public works and measures for assisting the unemployed—have of course had certain economic effects.

As an alternative to the reserve works system as a way of controlling trade cycles, the Social-Democrats advocate a scheme of holding up the public works which would sooner or later be put into effect on the open market, so that they can be put into effect to combat trade cycle changes in production and employment. In 1933, Parliament had before it a Bill to bring in all public works, which would gradually replace reserve works. The work would be carried out like work on the open market, on the initiative of the State, the municipalities or private undertakings which are prepared to serve the common interest and would be assisted by a loan from the State, and of which the application could help to improve the position. Detailed provisions were laid down regarding the public works which could be regarded as suitable. This scheme is obviously based on economic policy. It was calculated that the measures to be adopted would increase purchasing power and thus break down stagnation and bring about a general economic revival.

The works proposed were to be financed by means of short-term loans, the reason for this being that the situation of the Swedish capital market should not be an obstacle in the way of State undertakings on a relatively large scale and with the aim of producing the greatest possible economic movement.

The system of combatting unemployment and slump by means of general works, which was introduced in 1933, has in the subsequent years become the main one. Changes in the general economic situation and in the position of the State finances have naturally led to changes in the extent and methods of financing general works.

From the budget year 1933/1934 to 1936/1937 the following credits (in thousands of kronor) have been voted for general works on the open market :

Budget Year :	1933/1934	1934/1935	1935/1936	1936/1937
Credit :	108,102	86,944	424,080	47,365

The building of dwellings in town and country has taken the first place among the projects for which these credits were voted. Credits have also been given to agricultural and forestry improvement works, State buildings, bridges, ports, removal of level crossings, etc.

It is worthy of note that some of the aims served by general works are recognised as serving the general social interest, and that it is agreed that the continuation of the works is necessary, quite apart from their effects on trade. This applies in particular to the measures for improving housing. Out of the approximately 47 million kronor voted in the 1936/1937 budget year, no less than 36,500,000 kronor went for this purpose.



The amounts given above do not cover the a total sums invested in public works carried out on the open market to combat unemployment. Many of these are have resulted in further investment being made from other sources, such as municipalities or private undertakings. Works carried out with the help of State funds granted between 1933 and 1936 have been to a value exceeding the State credits by about 60 %.

From the point of view of economic policy, there is no need to consider only that public investment which, in accordance with the programme of 1933, bore the character of direct public works, carried out on the open market to combat unemployment. Side by side with these, there has been during the depression a very considerable development of public investment under other heads. It is estimated that the total amount of State credits in the 1933/1934 budget year exceeded by about 265 million kronor the figure for 1929/1930. If this sum is added to by those amounts from other sources (municipalities and private sources) which have been invested directly owing to the State credits, the total expansion of public investment in the depression is seen to be very considerable in comparison with shrinkage in investment which is the cause of slump. There can therefore be no doubt that public works play an important part in the revival of industry in Sweden.

As a measure of the work creation which has been brought about by the works set going on the open market in order to combat unemployment, in comparison with the dominating unemployment (measured according to the number of unemployed claiming relief) and the employment in reserve works, the following figures may be noted for the same month in three years of economic revival :

	October 1934	October 1935	October 1936
Direct employment on public works on the open market...	40,768	42,482	34,373
Unemployed applying for relief.	84,811	47,045	24,712
Applicants for relief employed on reserve works .....	41,862	23,400	12,377

The importance of this work creation policy from the point of view of State finances is seen to a certain extent from the following table (the figures representing millions of kronor) :

BUDGET YEAR	FISCAL BUDGET	LOAN BUDGET
1929/30.....	744.90	34.41
1934/35.....	824.23	312.12
1936/37.....	1,121.21	116.47

When the public works financed by loans were taken in hand, some anxiety was expressed that this method might undermine the State finances, but this anxiety has proved to be ungrounded. The increase in production, incomes and the yield from taxation was so great in the years after 1933 that all the loans which could not be issued in the usual way for capital investment by means of loans and which thus had to be raised on a short-term basis, could be repaid by the 1936/1937 budget year, without it having been necessary to resort to an increase in taxation.

(e).

After the abandonment of the gold standard which, as described above, provided a necessary basis for Swedish trade policy, a credit and currency policy was pursued during the depression of which the aim was partly to maintain the purchasing power of the krona and partly to keep the rate of exchange constant as against sterling. During the years of depression and the years of revival

which have followed it, this policy has been remarkably successful. But at the present time of boom, the cost of living has increased substantially.

(f).

See the reply to (d).

(g).

The last slump has been completely overcome in Sweden.

(h).

No attempts at autarchy in the ordinary sense of the word have been made in Sweden.

II (a).

The Government has drawn up a list of works suitable to be put in hand to combat a future slump. This list comprises works to a total value of nearly 3,000 million kronor (to be expended over a period of from five to ten years).

One plan has been drafted for public works initiated by the State and covering a period of five years, and another for public works initiated by the municipalities and covering a period of ten years. All sorts of public works are included, such as the building of bridges, highways, agricultural planning, forestry work, etc. The different works may be classified as follows :

State work of an ordinary character.	145,067,323 kronor	
Public utilities .....	378,575,000	—
State reserve works .....		95,722,463 kronor
Public utilities. — Reserve works..		93,059,000 —
Ordinary municipal works; First five years .....	291,191,805	—
Ordinary municipal works, Second five years .....	77,211,820	—
Municipal reserve works.....		196,758,565 —
Total.....	892,045,948 kronor	385,539,028 kronor

Then come a number of public works, which can not be divided into ordinary and reserve works :

Highways and town planning.....	946,000,000 kronor
Planning of agricultural areas.....	463,456,000 —
Forestry work .....	150,000,000 —
Total.....	1,559,456,000 kronor

The public works plan provides for a total investment in public works of 2,837,040,976 kronor. It is impossible to give a detailed description of the works planned, but some of the main sorts of work could be mentioned here. The State works are, inter alia, electrification of the railways and laying of double tracks, development of the telegraph system, construction of fishing harbours and harbours for smaller boats. The municipal works are, inter alia, housing and construction of water supply and sewage systems. In the field of highways and townplanning, the plan provides for the construction of highways (650,000,000 kronor), bridges (84,000,000), town planning (121,000,000). The planning of agricultural areas includes fertilisation work (52,000,000 kronor) and the repair and improvement of buildings (157,000,000).

The whole aim of plan is that, the moment a new depression sets in, the

State, municipalities, public institutions and all other authorities shall immediately be able to set to work, in order in this way to counter the unemployment due to the stagnation of private enterprise. Should economic conditions deteriorate, the authorities will be able to accelerate action so that, for instance, works planned to cover five or ten years may be completed in a shorter time.

The State works are to be paid for entirely out of the budget. Furthermore, the State will be prepared to support the municipalities and other public institutions in order to help them put the plans into effect.

During the last slump it was the Minister for Social Affairs who had the most voice in deciding as to the grants to be given to the individual institutions. State subsidies vary between 20 % and 95 % of the total expenditure, the proportion depending on the burden of the rates and social conditions (number of unemployed, etc.), in the municipality concerned.

Highway construction is almost exclusively covered by the State. Forestry works and agricultural planning receive a considerable public subsidy even where the work almost entirely benefits individuals.

Besides the works mentioned in the report of the public works committee, there are a great number of works ready to be started. Rural housing schemes could be developed just as was done during the last slump. There is also the problem of improving housing conditions for families with many children. Furthermore slum clearance must be carried out in the larger cities. The committee dealing with housing is expected to submit a plan providing for better and larger rooms and flats, and proposals are also under discussion for the construction of public baths, rooms for meetings, etc., in the villages.

Experience gained during the last slump shows that much attention must be given to the drafting of plans for the building trade, since no other industry has the same effect on the general state of employment.

(b).

No special plan has been drawn up by the Trade Unions.

(c).

Mention must be made here of the comprehensive housing measures carried out by the Government.

(d).

In 1937, the Government brought a bill before Parliament with the object, *inter alia*, of compelling commercial banks, in case of need, to hold larger reserves in the central bank, thus giving it a greater measure of supervision over credit. (A National Economic Office has been set up, and an investigation into the supervision of rationalisation and monopoly undertakings is now in progress.)

(e).

A new way of drawing up the budget has been introduced, which should make it easier to deal with financial problems in a depression. (Investigations into taxation are in progress.)

III.

The reply to this question is given above, so that there is no need to go into more detail. The above statements indicate the policy pursued by the Swedish Trade Union Movement.

# SWEDEN

## Planning in Sweden

Economic planning measures, as usually understood by this term, have not been applied in Sweden, with the exception of certain State intervention for the benefit of agriculture and for the unemployed in industry and other sections of economy.

The measures adopted in the field of agriculture aimed in the first place at protecting the agricultural population against the effects of the world depression with reference to the regulation of the prices of agrarian produce. The State guaranteed to this section of the population certain prices, reserving to itself in exchange the right to make certain regulations regarding questions such as the cultivation of sugar beet and bread grains, and the production of milk, butter and meat. This agricultural policy was made possible thanks to the collaboration of the Social-Democratic Party, supported by the Trade Union Movement, and the Agrarian Party.

Side by side with these measures, far-reaching action has been taken in the fight against unemployment.

After the elections to the Second Chamber in the autumn of 1932, when the Social-Democrats again came into power, the Social-Democratic Government submitted to Parliament in 1933 a programme for work creation. The number of unemployed registered under the National Unemployment Commission as in need of assistance was about 186,000 at that time. The work creation programme was based on the idea that Parliament should grant large credits to allow of public works being started. It was calculated that the application of the programme, with municipalities and private persons also being stimulated to initiate work, would mean works being carried out amounting altogether to 295 million kronor.

This initiative of the Social-Democratic Government came up against the opposition of the Conservative and Liberal Parties, but the major part of the Government's programme could be carried out, thanks to the fact that it was possible for the Social-Democrats to come to an agreement with the peasants. Thus Parliament granted a sum of 155 million kronor for public works in 1933, in addition to which a sum of 25 millions was allocated for the current relief of unemployed who were in need and could not be found work on the schemes. Parliament also allocated 75 million kronor in the same year in the form of export guarantees.

The application of the work creation plans had a very good effect on unemployment, although the substantial diminution in the number of unemployed between 1934 and 1936 was naturally not exclusively due to State intervention. While, as mentioned above, the number of unemployed registered under the National Unemployment Commission as in need of assistance was 186,000 in March, 1933, it had fallen in March, 1936, to only 53,000. Further credits for public works were voted between 1934 and 1936, the funds allotted for such purposes by the Government up till and including March, 1936, amounting to no less than 222,500,000 kronor.

The public works referred to here—State or municipal—have for the most part been carried out at the open market prices, i.e., at the wages laid down in the collective agreements in force. The others are what is called « reserve works », mainly road-building and similar work, for which unemployed in need of relief were taken on and on which wages could not exceed the lowest rates paid in the district for unskilled labourers. There has been great variation in

the works carried out; after road-building, most work has been done in building dwellings, improving agricultural and afforested land, etc.

In connection with the above-mentioned work creation programme, extensive material was submitted, which had been obtained through a rapid inventory of State and municipal employment projects. In order to be prepared to meet a new economic depression, with its accompaniment of greater or lesser unemployment, the government has this year had another such inventory made, the result of which will probably be published shortly.

As far as the regulation of hours of work and such social measures are concerned, no special measures of « economic planning » have been adopted in Sweden. The same applies to the field of industrial relations. In Sweden there is a continuous development in these fields to the benefit of all classes of wage-earners. In view of the fact that the workers are well able, through their Trade Union organisations, to make their wishes and demands felt, the tendency has been to try to avoid legislative interference as far as possible, and to aim instead at getting the necessary regulation through negotiations and agreements between the organisations of the employers and workers. Collective agreements reflect these endeavours and play a very important part in Swedish social policy and Swedish industry. This is shown, for example, by the fact that the number of wage-earners covered by the collective agreements amounted at the 31st December, 1935, to 719,433. These agreements covered on the other side 27,188 employers. The number of workers organised in the Trade Unions amounted at the same date to about 800,000.

It may be recalled in this connection that for a year now negotiations have been proceeding between the Swedish Employers' Association and the National Trade Union Centre regarding current labour market problems, with reference to social policy and industrial relations.

Finally it may be pointed out that since 1921 a special Commission—the Socialisation Commission—has been occupied in dealing with various social and economic problems. The Commission has published the following monographs:

1. The Conditions for and State of Socialisation in England.
2. The Conditions for and State of Socialisation in Denmark.
3. Observations on Socialisation in Austria 1918-1922.
4. The Swedish Tobacco Monopoly 1915-1922.
5. The National Railways. Development, Economy and Organisation.
6. The National Railways as a Public Undertaking.
7. Municipal Undertakings in Swedish Towns.
8. Sweden's Sources of Water Power and Water Production.
9. Conditions in and History of the Swedish Lumber Industry.
10. Sweden's Privately-owned Forests.
11. Consumers' Co-operation in Sweden.
12. Telegraphs.
13. The Postal System.
14. Sweden's Publicly-owned Forests.
15. General Principles for New Mine Legislation.
16. The Balance-Sheets of Swedish Companies.
17. The Scope, Aims and Organisation of Publicly-owned Farms.
18. The Problem of Socialisation. I. General Considerations.
19. Conceptions of Socialisation in Europe.
20. Socialisation in Theory and Practice in the Soviet Union. I
21. The Problem of Socialisation. II. Problems and Factors in Budgeting.
22. Socialisation in Theory and Practice in the Soviet Union. II

No legislative or other state measures have up till now been adopted in connection with the work of this Commission.

# SWITZERLAND

## A. GENERAL AND SPECIAL CAUSES OF THE DEPRESSION

### I. General causes of the depression

(a) We are not to speak here of the general causes of the world depression, but only of the general causes of the depression in our own country. The depression began in Switzerland with the **DECLINE IN EXPORTS**, which was the natural repercussion of the depression in the consuming countries. It had no real seat in the home market. Export trade had declined steadily from 1929 to 1933, as well as the **FOREIGN TOURIST TRADE**, which is very important for our country. The explanation of the increase in unemployment between 1930 and 1933 lies predominantly in the depression in foreign industry. Individual sections of the branches of production working for the home market were very well occupied during that period. Building activity reached its peak in 1931-1932, and was still at quite a high point in 1933-1934. This resistance on the part of the home economy to the depression was possible because of high purchasing power and extensive and fairly widely distributed reserves, and it considerably mitigated the effects of the depression up to 1935.

In the second phase of the depression, a **SLUMP IN THE DOMESTIC ECONOMY** was superimposed on the depression in the export trade. On the one hand, it was a repercussion of the working deficit in the export trade and tourist trades, and on the other, a consequence of the official economic policy: the latter was guided by the belief that, by reducing prices and wages, the export industry could again become competitive, and thereby the depression could be overcome. It was not until 1933 that unemployment affected the domestic economy to any considerable extent, and then in 1935-1936 it ascended steeply. In the autumn of 1937, immediately prior to devaluation, the peak of the curve of unemployment was reached, and the lowest point of the crisis.

The depression in Switzerland can accordingly be attributed, on the one hand, to the **REPERCUSSIONS OF THE WORLD ECONOMIC DEPRESSION**, and on the other hand, to the **POLICY OF DEFLATION** of employers and the authorities.

(b) **BOTH INDUSTRY and AGRICULTURE** were gripped by the depression. Both were first of all affected in the export group, and subsequently both suffered from the pressure which was exercised on prices and wages and which reduced the purchasing power and the willingness to buy of the large mass of the people.

(c) Both prior to, and during the depression, Swiss industry **DEVELOPED RATIONALISATION**. Unfortunately, on account of the character of Swiss industry (producing finished goods of exceptionally high quality) it is impossible to give more detailed statistical information about it. But the effect of the rationalisation is illustrated in the fact that, in 1929, the clock and watch industry exported 23 million clocks and watches and clock and watch movements, a figure which will be round about 30 million for 1937, in spite of the fact that more than 3,000 watch-makers are unemployed.

There were no great disparities to be met with between capital and consumers' goods, (which might be regarded as a cause of the depression) nor between

industry and agriculture. It was not until the depression was under way that a considerable increase in building activity actually led to OVER-EXPANSION OF THE BUILDING TRADE, which subsequently gave way to an all the greater decline in building activity. The number of newly-erected dwellings, in the 30 largest centres, fell from 13,230 in 1932 to 3,722 in 1936.

(d) As a result of the world economic depression, EXPORTS, as has been mentioned above, experienced a severe setback, they did not begin to make a gradual recovery from this until the middle of 1936. In the early years of the depression, thanks to the maintenance of the purchasing power of the people, IMPORTS were still relatively high. It was not until 1934 that imports dropped to a level enabling equilibrium to be restored in the balance of payment. The development of foreign trade is demonstrated in the following tables :

	IMPORTS		EXPORTS	
	in million francs 1929=100		in million francs 1929=100	
1929 .....	2,731	100	2,078	100
1930 .....	2,564	93.8	1,747	84
1931 .....	2,251	82.4	1,336	64.3
1932 .....	1,763	64.5	769	37.0
1933 .....	1,595*	58.4	819*	39.0
1934 .....	1,434*	52.5	824*	39.7
1935 .....	1,283*	46.9	795*	38.2
1936 .....	1,266*	46.3	882*	42.4
1937 .....	1,350*	67.0	917*	60.0

\*Inclusive of temporary duty-free importations of materials for refining and re-exportation, and manufactures sent for repair.

CUSTOMS POLICY had no decisive influence on the foreign trade of Switzerland during the depression. To be sure, duties had been heavily increased, namely, in 1921-1922. Taking them by and large, however, they are relatively moderate, compared with other countries. The stemming of the flood of imports was undertaken by IMPORT RESTRICTIONS, that is to say, by quotas. After numerous countries had devalued their currencies, there were offers from them for dumping in Switzerland, and these measures served as a protection against this dumping. In addition, the quotas policy was also placed at the service of the export trade, to secure compensating trade. The import restrictions led to a decline in imports from 1932 onwards; to be sure, the majority of the quotas were fixed at the volume of the previous imports or not substantially below that figure. In 1935-1936, imports declined chiefly on account of the fall in purchasing power, and much less because of the quotas. Indeed, very many quotas were not even delivered in full.

## II. Special causes of the depression

### (a) CREDIT SYSTEM.

Prior to the present depression, the Swiss banks, in particular the big credit banks, had made use of the capital wealth of the country to negotiate large foreign loans on the Swiss market, and to grant direct short-term credits for big sums. In the years 1924-1930, FOREIGN LOANS to the value of 1,175 million francs were accepted in Switzerland. Exact figures of the extent of short-term lending abroad are not available. The most important was the export of capital to Germany. According to German statistics, which are not quite complete, the Swiss holding in Germany at the beginning of 1932 amounted to 3,400 million francs. The total indebtedness of Germany to Switzerland at that time can certainly be calculated at some 4,000 million francs. Swiss owners of capital suffered enormous losses on

account of Germany's moratorium on payments, and the piecemeal limitation of the transfer of interest. There is no doubt that this acted as an aggravating factor in the depression. In addition, the large banks had huge sums lying in Germany which they can no longer mobilise. In some banks, this led to extensive withdrawals and difficulties in finding adequate liquid funds, so that some had to close their doors and be relieved. Then, too, important quantities of Swiss capital are frozen in Hungary and other Balkan countries. The general TIGHTNESS OF CREDIT and the bank crisis which were prevalent in 1935-1936, were further aggravated by these factors. The limitation of credit which was the sequel, was an important factor in the depression, particularly in the last year.

(b) CURRENCY POLICY.

In 1929, the Swiss franc was stabilised by law at a gold rate of 290 milligrammes of fine gold to the franc. The outcome was that the management of the National Bank and the Government in power were of opinion that this rate had to be unconditionally maintained, even after the devaluation in other countries. The entire economic and financial policy had been subordinated to this currency policy, instead of the contrary step, that of placing the currency policy at the service of the economic policy. This erroneous view was the CAUSE OF THE POLICY OF DEFLATION, which was constantly preached, and which was the cause of serious harm, even though it was applied only in a half-hearted fashion.

It was not until 26 September, 1936, when France reduced the gold content of the franc, that this currency policy was altered, the Federal Council deciding to maintain the gold content of the Swiss franc in future at between 190 and 215 milligrammes of fine gold, an average devaluation of 30 per cent. The sequel to this was a very rapid revival of foreign trade, and a partial recovery of the home market since the latter was, to some extent, relieved of the pressure of deflation.

(c) CARTEL AND MONOPOLY POLICY.

In Switzerland there is a very large number of cartels and organisations on lines similar to cartels. The number of cartels in heavy industry is relatively small, however, and their power is not very great, since the home market is not of decisive importance for them. A cartel policy which, on account of a too-high level of prices, leads to OVER-EXPANSION of the industry, is therefore a rare phenomenon in Switzerland. A typical instance is the CEMENT INDUSTRY. But, owing to their insignificant effect on the whole of industry, such cases can not be regarded as decisive factors in the depression. The majority of the Swiss cartels endeavoured to maintain prices during the depression, but in our view it has worked rather in the direction of a consolidation of production and returns.

(d) ALTERATIONS IN THE STRUCTURE OF WORLD ECONOMY.

Alterations in the structure of world economy are of course always readily detected in Switzerland, because she is closely interlocked with the world market. The heaviest loss sustained was that which Switzerland was involved in in the international textile crisis, which arose on the one hand because of the industrialisation of colonial countries and their supplying their own demands, and, on the other, because of changes in fashions. The latter have hit the embroidery and silk-ribbon industries particularly hard, indeed, they have almost annihilated them. But most industries have lost their markets less because of specific structural alterations than because of the general world economic depression. They are thus at the present time in a position to regain their lost markets.

(e) DEFECTIVE INDUSTRIAL OR AGRICULTURAL POLICY.

If what one has in mind is particular economic spheres of industry or agriculture, there are no particular errors which can be cited as causes of the depression.



On the other hand, as has already been indicated, the GENERAL DIRECTION OF ECONOMIC POLICY (deflation) was a deciding factor in the onset and intensification of the economic depression in the home market.

#### (f) BUDGET POLICY.

An incorrect financial policy was a substantial contribution to the intensification of the depression. The efforts of the export industry to reduce prices and wages were in line with the endeavours of big capital to TRANSFER THE BURDEN OF THE DEPRESSION TO THE POORER CLASSES OF THE NATION. That was effected by economies, particularly the reduction of State contributions to measures of work-creation and maintenance of economy, and social and cultural institutions (sickness, accident, unemployment insurance, etc.) and, in addition, by wages reductions and by new taxation raised partly on vital commodities.

These financial measures were, in the main, adopted by the so-called Financial Programmes of the Confederation, of 1933 and 1936, and their life was prolonged in 1937. In this way, about 740 million francs in round figures were raised by economies and increased receipts between 1933 and 1937. A small part only of this sum was raised from actual owners of property.

This financial policy also exercised severe pressure on prices and wages, and thus, in consequence, on the income of the wide masses of the people. It can be said quite plainly that the financial policy was the most important instrument in the deflation policy of the State.

## B. MEASURES FOR OVERCOMING AND PREVENTING A DEPRESSION

### I. Measures for overcoming a depression

Speaking generally, it must be said that Swiss economic policy, although in theory it was proclaimed to be aiming at adjustment to the world price and wage level, operated IN PRACTICE, under pressure from agricultural, industrial, and working-class organisations, as a POLICY OF RELIEF, certainly not conscious and consistent, but taking the form of individual measures, intended to prevent or retard a collapse of prices and of production in particular branches. The great short-coming of these measures was that there was no systematic connection between them, and that they ran counter to, and were in part rendered illusory by, the general deflationary tendency which was publicly preached.

#### (a) INDUSTRY.

1. Export industry. The collapse of the EMBROIDERY INDUSTRY, which, to be sure, had already set in ten years before the present crisis, was the occasion for relief measures. A Society of Embroiderers' Trustees was set up which, with the aid of State funds, put out of commission a number of embroidering machines, by demolition or sealing up, and fixed definite minimum prices.

From the onset of the depression, the clock and watch industry suffered particularly severely from the price-cutting of the manufacturers. A holding company was formed, in which the State was represented, and which was granted a fairly large State loan. Its object was to create a stable organisation of the clock and watch industrialists in the various branches, in order to guarantee the observance of price agreements. Those outside were in part bought up, in order to make undercutting on their part impossible. In addition, a board of trustees was set up for the small industrialists in the clock and watch industry, which with the aid of State subsidies carried out a relief campaign in favour of necessitous small industrialists.

The relief to the HOTEL TRADE falls in the same category : this consisted, on the one hand, of a veto on the building of new hotels, and on the other, of financial assistance, which served the purpose of setting necessitous concerns on their feet again.

It was relatively late in the day when Switzerland took steps for ENCOURAGING EXPORTS by means of State subsidies, since the export industrialists themselves had for long rejected it. From 1932 onwards, contributions were made to the export industry by the agency of the so-called « productive unemployment relief »; at the outset, credits were very meagre, but from 1934 they were substantially increased.

In addition, the export industry was granted a State GUARANTEE FOR RISK, for partial cover of losses arising out of the devaluation of the currency or out of foreign moratoria on payments.

## II. Trade and Industry

The depression and the ensuing diminution of markets led, in part, to ruinous competition in inland trade and industry. For this reason, a veto was placed in the BOOT AND SHOE INDUSTRY on the opening of new concerns, or the extension of existing undertakings. A veto was also placed on the opening of new retail shops financed by the industry itself.

Restrictive measures were also applied in branches of industry, as for instance the SHOE-REPAIRING TRADE, where a permit had to be obtained for the opening of new shoe-repairing workshops, or the extension of existing premises.

With regard to DISTRIBUTION OF GOODS, competition was intensified through the growth of large retail houses, particularly the one-price shops and the « semi-wholesale » shops, the latter introducing travelling shops to increase their trade. An urgent decision of the Federal Council made the setting up of new shops, one-price establishments and similar undertakings with branches, and the extension of existing premises illegal, except by special permission.

As has already been mentioned, inland trade and industry was protected by IMPORT QUOTAS against dumping from abroad.

### (b) AGRICULTURE.

As Swiss agriculture (which is based almost entirely on grassland, and therefore on the production of milk) exported nearly 20 per cent. of its milk yield in the years before the crisis, in the form of cheese, condensed milk and chocolate, the severe decline in exports threatened the price of milk, and with it the most important element in agricultural income. By the application of State funds, measures were taken to counteract the decline in the price of milk, even though it could not be entirely warded off. The State subsidies were, in particular, of service in facilitating a reversion from cheese production, which had been for the foreign demand, to the production of butter. In a very short time they succeeded in completely filling with native produce the home demand for butter, whereas previously 30 to 40 per cent. of the requirements of butter was imported. In order not to place too great a burden on the consumers, State funds had to be made available.

As these measures were inadequate to relieve the milk industry, the State fixed quotas for milk production, which even the unorganised milk producers had to submit to.

As the increase in pig production had led to an excessive supply, a quota was fixed for pig production.

In order to ease the burden on the cattle market, subsidies were granted for the encouragement of exports of cattle.

In addition, peasants were accorded statutory protective measures to save them from unjustified compulsory selling-up. Substantial funds were also made available for setting on their feet peasant undertakings which are self-supporting.

### (c) SOCIAL MEASURES.

One important measure against the depression was relief for the unemployed since assistance given to the unemployed could have a corrective effect on the collapse in purchasing power; this was effected by unemployment benefit, which was provided by an Act of 1924 for a specified period — 90 days per annum — and to the amount of 50 per cent. (for married persons 60 per cent.) of wages. But unemployment insurance did not prove adequate to cope with the heavy and long-term unemployment. It was supplemented by Crisis Relief, a purely State measure of unemployment assistance, which was not calculated according to wages; instead, specific amounts of relief are fixed according to social conditions. Crisis relief was only paid to necessitous persons. It serves to tide unemployed insured persons over the difficult period.

### (d) PUBLIC WORKS.

At the beginning of the depression, the Federal authorities were very cautious, or even hostile, to the execution of public works. It was not until the depression deepened that it was possible to secure credits for this purpose. A real programme for the creation of public works first came into operation in 1936, and it was chiefly restricted to work underground, and reconstruction and renovation projects. The Confederation provided the following subsidies for work creation :

1932 .....	0.4 million francs.
1933 .....	2.4 — —
1934 .....	3.8 — —
1935 .....	6.2 — —
1936 .....	8.0 — —

These figures do not include the normal State expenditure for building, renovation, etc. In the same way, expenditure by the cantons and municipalities for work creation is not included.

The method of financing is by the ordinary budget channels. The number of unemployed who secured employment by the creation of public works, can not be accurately ascertained. The following are the annual averages of those occupied on emergency work schemes :

1934 .....	8,863
1935 .....	8,140
1936 .....	9,998

These figures are not, however, complete, as only those unemployed directly re-absorbed into employment on so-called emergency work schemes have been reckoned in. There must be several thousand more who were indirectly employed, or who were re-absorbed by other means.

Since the onset of the depression, the Swiss National Centre has carried on an energetic fight for the creation of public works. It demanded not only substantially higher credits, but in addition a higher degree of planning and better preparation of public works. It proposed that these measures should not be financed through the ordinary budget, but that a special account should be opened to cover measures to deal with the crisis, to be paid for over a terms of years by special income, particularly tax on property. By this means, we desired to prevent the funds for work creation being provided simply by economies elsewhere, as in fact proved partly to be the case.

(e) CREDIT AND CONCURRENCY POLICY.

To support the credit system, a National Loans Fund was set up, the obligations of which were guaranteed by the State; in addition, the financial institutions also took a hand.

In addition, the Government intervened to relieve several banks whose position was threatened. It endeavoured to avert the collapse of the Swiss Discount Bank at Geneva by depositing large sums (65 million frs.) but it proved of no avail. It then lodged 100 million francs in the Swiss Popular Bank (an institution with large numbers of depositors in the working and middle classes) following on the compulsory writing-off by this bank of half its capital.

The devaluation of the Swiss franc on 26 September, 1936, was, so to speak, the Government's last remedy, since it could see no other way of fighting the depression.

(f) FINANCES DURING THE DEPRESSION.

As has already been mentioned, the Government adopted extraordinary measures to keep the budget balanced even in the crisis in spite of declining revenue and increasing expenditure. By themselves, the financial programmes of 1933 and 1936 were not capable of effecting the balancing, even though they were to yield 130 and 140 million francs per annum respectively. The make-up of the budget and the net indebtedness can be seen from the following figures:

	Revenue	Expenditure (in 1,000 Swiss francs)	Surplus	Net indebtedness
1929 .....	395,957	371,966	23,991	1,443,995
1930 .....	433,106	426,374	6,732	1,406,564
1931 .....	428,400	426,145	2,255	1,338,918
1932 .....	419,909	444,082	-24,173	1,321,650
1933 .....	409,780	482,061	-72,281	1,359,296
1934 .....	453,585	480,246	-26,661	1,341,283
1935 .....	485,403	503,995	-18,592	1,338,526
1936 .....	513,759	540,498	-26,739	1,411,939

Taxes have been substantially increased during the course of the depression, national taxation as well as that of the cantons and the municipalities. Tax receipts from all types of taxation amounted to:

	States	Cantons	Municipalities	Total
1929 .....	399.5	278.7	262.1	940.3
1930 .....	548.9	278.8	271.8	1,099.5
1931 .....	410.3	279.1	273.7	963.1
1932 .....	395.9	267.7	265.1	928.7
1933 .....	361.9	261.0	261.1	884.0
1934 .....	392.2	258.7	261.4	912.3
1935 .....	426.8	261.3	259.4	947.5

From 1930 onward, there was at first a decline in taxation receipts. They rose, however, through increases in taxes, so that the figure for 1935 (and probably those for 1936 and 1937 as well) exceeded the pre-crisis receipts. As, however, taxable wealth (the volume of taxed income and capital, and the volume of dutiable goods for home consumption) had declined during the period of the depression, it was only possible to achieve the higher revenue by substantially increasing the rates of taxation.

## (g) CLEARING UP THE JETSAM OF THE DEPRESSION.

Switzerland reached the trough of the depression in the autumn of 1936, and from December 1936 onwards, the unemployment curve tends to fall. There is still a good deal of the jetsam of the depression left behind, for, compared with the highest point and taking into consideration seasonal fluctuations, unemployment has fallen only by some 36 per cent.

The unemployment which still remains is in part of a structural character. Thus there are still some 3,000 persons unemployed in the clock and watch industry, even though production has considerably exceeded that of the last boom period. In the building industry, there were 19,000 unemployed even in the summer, comprising 38 per cent. of the total number of unemployed, and who can not all be re-absorbed even in the event of a substantial recovery of the building industry. Then there are over 5,000 unemployed in the metal industry, who are also dependent upon the state of the building market. These three categories make up 55 per cent. of the unemployed. Then again, the heavy concentration of unemployment in the cities is critical. The five largest towns in Switzerland contain 42 per cent. of all the unemployed. Moreover, there are, to be sure, the older people, who will never be re-absorbed into the process of production. Fifty-two per cent. of all the unemployed are over 40.

The Trade Unions made the following proposals for solving the unemployment which still persisted:

Industrial training in industrial workshops, to provide people who for a lengthy period had not been able to get work in their own trade with sufficient training to enable them to operate modern processes of production.

Training and transfer from occupations with, by their nature, heavy unemployment, to occupations where there is prospect of shortage of labour.

Fight against overtime and against an all-round lengthening of working hours, to enable the maximum number possible of unemployed to find work.

Measures for strengthening the home market, that is to say, for increasing purchasing power (we will refer to these proposals later).

Comprehensive programme of public works.

## (h) TENDENCIES TOWARDS SELF-SUFFICIENCY AS CRISIS MEASURES.

Mention has already been made of the fact that restrictions on the importation of industrial and agricultural goods were decreed for the protection of internal production. These measures, it is true, were conceived less as measures for overcoming the depression than as measures for preventing it from intensification.

With the recovery of economy, the tendency to abolish these measures has become stronger. Already, numerous imports restrictions and quotas have been mitigated or completely removed. Efforts at self-sufficiency will decline, even if they do not entirely vanish, to the same extent to which international trade, and primarily the Swiss export trade, recovers. The greatest efforts towards self-sufficiency are in respect of agriculture, since Swiss agriculture can maintain its existence only if it can supply the home market, and, it is true, not at the prices in the world market, but at prices corresponding to the cost of production.

## II. Measures for preventing a new depression

(a) As Switzerland has had only one year's experience of economic recovery, and as large sections of industry are still in the trough of the depression, the problem how to prevent a future crisis has hardly been considered, at least, not by the authorities.

#### (b) TRADE UNION DEMANDS.

It is now some years since the Swiss National Centre presented its demand for planned fighting of the depression, in particular by a policy of work creation adapted to the state of the market. In a petition submitted to the Government in 1930, it demanded an enquiry into public contracts and the possibility of their being distributed with some regard to the fluctuation of the market. It also demanded the creation of special body to be entrusted with the task of periodically ascertaining the works which public corporations had in hand, and to direct their efforts to distributing them according to the state of the market.

Since then a body similar to this has been created. But it is first and foremost dealing with the present creation of work, and not so far with measures for some time ahead.

#### (c) and (d).

It certainly can not be said that our authorities are adopting real measures based on the fluctuation of the market. Everything that has occurred so far has been measured strictly according to the needs of the moment. Any systematic influencing of economic development, or a « taxation of the rise and fall of the market » does not exist, even in an embryonic form.

There is a proposal that an article should be incorporated into the Constitution, giving the Government the right to exact by decree, in times of depression, provisions for the creation and financing of work schemes. This would provide a constitutional basis for a policy based on the fluctuation of the market, a policy based on the fluctuation of the market, a policy which could act as a preventive to depression by spreading-over work schemes and by making funds available at the proper time. But a lot of water will flow under the bridge before this article comes into force.

In addition, there is a legislative amendment in preparation, giving the Swiss National Bank the authority to pursue an « open market policy ». The capital market and the rate of interest are thus to be influenced by the buying and selling of Government bills.

#### (e) BUDGET AND TAXATION POLICY.

The budgetary and taxation policy of the Government is still entirely in the ruts of the depression, and it comprises nothing which can be interpreted as a policy of provision against a crisis.

The TRADE UNIONS have consistently advocated the line of fostering the economic recovery which has set in since the devaluation by a policy of taxation which lightens the burdens on the poorest sections of the community, in order to increase purchasing power. We anticipate such measures will lead to increasing tax receipts and reduced depression expenditure, and withal an improvement in the country's finances. As soon as this improvement had set in, the moment would have come for precautionary measures to be taken against a future depression. In the present situation, that is still premature.

### III. The policy and the tactics of the Trade Unions

We think it best not to reply to questions (a) to (c) separately, but to set down our efforts all together.

Since the onset of the economic depression, and particularly since the advent of the Fascist danger, the Swiss National Centre has consistently endeavoured to weld together in Switzerland the great majority of the people, with the firm resolve to defend their freedom and to put into operation a policy of social

progress. As this majority can not be formed by the workers alone, and certainly not by the Social-Democratic Party alone, it is necessary to collaborate with other groups within the nation.

Our closest links are with the clerical employees' organisations, with which we for long maintained friendly relations. We also endeavoured to secure a working arrangement with the religious organisations. That was successful, however, only with the Evangelical Trade Union, not with the Catholic « Christian-Social » Trade Unions. It was, moreover, necessary to get into contact with the agrarian population. This was facilitated through the growth of an opposition movement within the peasants' political organisations, and, after its leaders had been expelled therefrom, came out as an independent political movement. There has been for years occasional collaboration with this group, which is called the Swiss Peasants' Homeland Party, or Young Peasants.

Negotiations were opened in the summer of 1936 with these movements, to obtain lasting co-operation for overcoming the depression and for the defence of democracy. A common programme was drawn up, to serve as a basis for common action. We attach this programme, which appeared under the title of « Programme for Economic Reconstruction and the Safeguarding of Democracy », and which subsequently gave the movement the title of « Programme Movement ».

So far, there are fourteen organisations belonging to the Programme Movement, namely:

#### INDUSTRIAL ORGANISATIONS:

- Swiss National Trade Union Centre.
- Federation of Employees in Public Administrations and Undertakings.
- Association of Swiss Clerical Employees' Trade Unions.
- Swiss Evangelical Workers & Employees' Trade Union.
- National Community of Action (consisting of various organisations of officials and employees).

#### POLITICAL ORGANISATIONS:

- Swiss Peasants' Homeland Movement.
- National Democrats.
- Schaffhauser Peasants' Party.
- Swiss Social-Democratic Party.
- Swiss Free Trade Federation.
- Zürich Democrats.
- Ticino Liberal Radical Democratic Party.
- St. Gall Federation of Free Democrats.

#### CULTURAL ORGANISATIONS:

- Community of Young Catholics in Switzerland.

The basic ideas are: By means of inter-party collaboration, in which the independence of each individual group is guaranteed, an alteration in the direction of Swiss policy is to be achieved. It is of supreme importance that manual and non-manual workers and peasants march shoulder to shoulder towards a common goal, the contradictions among the economic interests of these groups being thereby substantially lessened.

The Programme Movement announced its attitude to a number of current questions by a series of petitions to the authorities. In some cases, these petitions were successful, in others they achieved nothing, as the present Cabinet and the Parliamentary majority is hostile to the Programme Movement. The intention is in time to win national support, by means of campaigns and the enlightenment of

the people, for the demands of the Programme. One initial campaign has in view an amendment to the Constitution, to provide safeguards against the side-tracking of the people's rights. According to the Constitution, the electors have the right, upon presenting a petition bearing 30,000 signatures, to submit to referendum any law or resolution to be binding upon the generality. For some years this right has been side-tracked, in that all decisions have been declared to be of an urgent character, and for that reason the plebiscite has been dispensed with. It was possible to do that only because the existing provisions of the Constitution are inadequate. Our proposal lays down that this declaration of urgency is possible only on certain conditions, in particular, only if both Chambers of Parliament acknowledge the state of urgency by at least a two-thirds' majority. Signatures are being collected at the present time for this proposal.

For some years now, efforts have been made in collaboration with the Trade Unions to influence the press, that is to say, even the bourgeois press, in a progressive direction. This has not been in vain.

Even though this collection of forces has not succeeded (and in the short space of time could not succeed) in gathering together a popular majority for the Programme, yet it has prevented the isolation of the Labour Movement, which in our view might be a preliminary stage to Fascism. At the last elections to the National Council (the Swiss Parliament) the proportion of the electors voting for the Parties represented in the Federal Council, that is, the Government, declined from 64 per cent. in 1931 to 54 per cent. in 1935. In autumn of 1935, before the actual foundation of the Programme Movement, the groups belonging to the Movement polled 322,846 votes, or 35 per cent. of the total poll, while in 1931 the Social-Democrats alone were able to muster 247,946 votes, or 29 per cent. But it must be borne in mind that the strongest non-Socialist opposition group, the Free Democrats (Young Peasants) was formed only in 1935, shortly before the elections. It has without a doubt increased its poll, as has been indicated by isolated cantonal and local elections.

Naturally, time has been all too short to enable a judgment to be formed on the possibilities of development of the Programme Movement. But we in the Swiss Trade Union Movement are convinced that the path which has been taken here is the only one possible to guarantee democracy and a policy of progress in Switzerland.