

Britain's Trade Control

How the British Government Regulated War Prices

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(Editor of The London Daily Chronicle.)

A nation does not go to war only with armed men. It organizes armies, but back of the armies there are many things to be done, things essential for the support of the forces in the field and for the protection of the people at home. We read a great deal about the clash of arms, the marching of multitudes of armed men, of the production of munitions—millions of shells and thousands of guns—of war in the air and under the sea, of all the martial and picturesque elements of fighting; but we hear little or nothing of the great silent work which goes on behind the armies and without which belligerent nations could not endure.

When the war began no country was so ill-prepared as England was for controlling the trades and businesses ancillary to war, for protecting the public against monopolies. And yet no country has done the big things which are of vital importance to the armies and the people so well. The strong hand of the State has intervened, untrammelled for the time being by legislative checks, and has asserted its power of possession, control, direction and regulation in every sphere of trade where public interest and the welfare of the army had to be safeguarded.

Plunged in Commercial Anarchy.

When the war took the world—except the Teutonic portion of it—by surprise on August 1st, 1914, Europe commercially was at once plunged into anarchy. The first shock demoralized all the exchanges and knocked the bottom out of credit; checks were not cashed, the sacred Bank of England "fiver" was rejected as a worthless scrap of paper. The possession of gold and goods was the only thing that counted. Goods were being cornered and prices were mounting unrestricted to prohibitive prices. England was in danger of a food famine. Promptly the Government set up a Food Control Committee to regulate prices and prevent cornering. It was only a temporary measure to meet an unprecedented emergency. Things settled down in a few weeks, except in one or two directions.

The first discovery made, which no control could help, was that the country was short of sugar. England imported 39,385,190 cwt. of sugar per annum, and two-thirds of the supply came from Germany and Hungary. The outbreak of the war caught the country between two seasons, when supplies from Cuba and elsewhere were stopping and when the German imports had not begun. The stock in the country was very short. Mr. McKenna, who was then Home Secretary and Chairman of the Food Supply Committee, promptly took action. A free hand was given to him by the Government. He called together all the sugar importers and refiners and selected two of them to buy for the British Government. They bought sugar—both raw and refined—all over the world. England invaded the Java market for the first time. Supplies were obtained from Italy, America, the Argentine and other South American countries, from Spain, and from every country which had sugar to sell. The total value of those first purchases was over \$86,400,000—the biggest deal in sugar in the history of the trade.

It was not very long before the holders of sugar discovered that they were selling to the British Government and began to raise the prices. Purchasing then stopped, but the official buyers swooped down on the market later on, and since then there has been difficulty about the supply of sugar in England. Contracts for long periods were made. The only difficulty has been not the shortage of sugar but the shortage of freight to carry it to England.

The purchasing scheme was only preliminary. The Government set up a commission to control the whole sugar trade. The British Government is the only sugar importer. It sells at fixed prices to refiners, fixes the prices for wholesale houses and retailers. To every intermediary is allowed a fair profit and the consumer is better protected than ever he was. When the war came the tax on sugar was about 45 cents per hundred weight. It was raised, for war purposes, to \$2.24. In normal times the retailers would have added two cents per pound to cover the increase, but the Government had made so many favorable purchases that it only increased the price to the consumers by one cent per pound, and had left not only the duty for the revenue, but also a profit on the transaction. The duty on sugar is now

\$3.36 per hundredweight, and yet it is cheaper in England than in any other belligerent country, and in most neutral countries. The public has been protected and the Treasury enriched. This year's budget includes, as the revenue for the British Exchequer on account of sugar, the sum of \$33,600,000. The British Government now supplies the French Government with sugar at cost price.

Beef Supply Problem.

The problem of beef supply had to be tackled at the same time as that of sugar. England depends largely at all times on imported frozen or chilled meat. When the war crises came, the public and the army had to be protected from the Beef Trusts. Early in the war it was evident that the State had to act. Mr. Runciman, the president of the Board of Trade, the department which looks after commercial and mercantile marine interests, intervened.

His first master stroke was to seize all steamers with refrigerating space capable of carrying chilled meat. Chilled meat for England comes chiefly from the Argentine, Uruguay and from Australia and New Zealand. In 1913 we imported 15,397,554 cwt. of chilled and frozen meat. The Government having got possession of the ships, the two parties were then on a level footing for bargaining. The meat corporations had the beef, but could not sell it without ships. The Government had the ships and wanted the meat, so that it did not take long to come to terms. The business was put in the hands of a committee of shipowners, and the whole transit problem was solved without delay. As a precaution against any shortage of chilled meat from the usual sources, the Government entered into contracts with a great American meat firm. As a further protection, freezing works were acquired in South America for the period of the war.

The enormous quantities of meat imported from the United States for the armies are mainly in the form of bully-beef and other canned meat. The British Government went into the beef business in order to supply the troops at home and overseas with chilled meat. It has done so at an average cost of twelve cents per pound. It also supplies all meat of this kind required by the French army, the Italian army, the Belgians and the Serbians. The amount of meat required several months ago for the British and French armies was 80,000 tons per month; for the Italian army about 10,000 tons per month. These quantities have increased proportionately with the additions to the forces during the last six months.

Having created a State monopoly in the importation and control of chilled meat, the Government had to make provision for domestic supplies outside the army. The Board of Trade arranged to sell to British firms the surplus meat at market prices. They obtained a small commission, lower than hitherto received from traders. Sales to speculators were prohibited.

How Wheat is Purchased.

Wheat was quite as important as sugar and beef, although there was less risk of a world corner. Wheat is purchased for Government account on somewhat similar lines as beef. A small committee at the head of whom is a civil servant and a corn expert, manage the whole business. One of the largest importing houses was commissioned to do all the purchasing, while the other houses held off, and it was four months before the corn trade, on the selling side discovered that the purchases were made for the State. Naturally, the commission which the State pays on such transactions is nominal. The British Government organization buys and ships wheat, oats, fodder, etc., for Italy. The French Government buys its civil ravitaillement wheat through the Hudson's Bay Company. Large purchases have been made in Canada on behalf of the Italian Government.

There are other examples of Government purchase and control of food. Take fish, for instance. The fishing trade in the North Sea has been paralyzed to a very large extent by the war, especially by the danger from submarines and mines. The Government has maintained a service of fishing boats by acquiring the whole fish harvest of the year. Last year Germany bought the Norwegian fish supply. This year, before the German agents had time to turn round the British Government

had bought the lot, and deprived Germany of the sole outside source of supply. This must have been bad news for Germany, as it means fishless days as well as meatless meals.

The system of Government control has been successful in other directions. There is the case of coal, an article of vital importance. Without coal the war could not go on. Coal is wanted for the allied fleets, for munition works, and for transportation by land and sea. Clearly the production and distribution of coal had to be made a public utility service. The Government passed a Price of Coal Limitation Act, which fixed a fair profit for the coal owners according to the prices in the year before the war. Having got the coal owners under control, the act then regulated the prices which the wholesale dealers could charge, and also the retailers, throughout the United Kingdom. The result has been no shortage of coal and no excessive prices.

Regulation a Stupendous Task.

The regulation of coal has been a stupendous task, as more than half a million men engaged in coal-mining have enlisted, and the first duty of the Government was to see that not only the British navy, but the French and Italian navies, should have ample supplies. Next came the mercantile marine, transports, munition works, etc. The British Government supplies not only its own needs, but also those of France and Italy.

After much trouble the problem of freight has been regulated, as far as England and her Allies can control their own mercantile marine, but much of the trade is done by neutrals. The general export of coal was prohibited, except to the allied countries and British possessions. A network of coal and coke supply committees has been set up throughout the country, under the supervision of a central authority, working under the Board of Trade. Beyond supplying the war and Governmental needs, including the railroads of the French and Italian Governments, the British Board of Trade regulates the freights for the supply of coal for commercial and business in France and Italy, so far as it has the tonnage available. Mr. Runciman declined to make this arrangement until France introduced the same system of regulating prices, otherwise the whole of the benefit would otherwise have got into the pockets of the French coal merchants.

There is another great extension of State control. On the outbreak of war the British Government took possession of the railways. The plan had been worked out for mobilization purposes years ago. National control had been foreseen, but the conditions had not been arranged. Railroads in Great Britain, as regards organization, occupy a position midway between the State-owned railways on the Continent and the American railroad system. The States interfered to an extent that stopped all competition in many directions without giving the public the benefit of national uniformity. The Unifying process had been at work for years, agreements lessening competition had been entered into among groups of lines, and a central committee of officials met to regulate business common to all and to protect railroad interests against legislative attacks.

The Railways Nationalized.

On the outbreak of war railways were nationalized. The Government agreed to guarantee the dividends of the railroad corporations. The management of the roads were placed in the hands of a railway executive board composed of the chief officers of all the railway companies. These men hold daily meetings just like a great American railroad corporation, and control the whole railroad and transportation system of the country. The State not only took over the railways, but also the docks belonging to the railway companies and their harbors and their steamships, engineering workshops, etc.

The first duties of the railways in wartime are to carry troops, next to carry supplies for the troops and the navy, and to distribute foodstuffs for the general community. All this has been a prodigious traffic in itself, but the railroads have been quite equal to it. There have been no complaints about the State management of railroads. It has worked so well that every one hopes that the State control will remain after the war. There has been no wastage from useless competition or overlapping; and in spite of the fact that over 150,000 railroad men have joined the forces, the service, while somewhat curtailed, has caused the general public no great inconvenience.

From an administrative and financial point of view the State control has been so successful that the Government is able to pay the railway companies their dividends as guaranteed, and at the same time

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