

Reconstruction in Britain

Sir Richard Vassar-Smith's inaugural Address at the British Institute of Bankers, as reported by Lloyds bank's monthly report

I am glad that, on this the second occasion of my addressing you from this Chair we meet under happier conditions than last year. The end of the terrible nightmare which has oppressed the world for the past four years may be not yet, but we know that, unless we slacken our efforts, it cannot long be delayed. Above all, we know that the results will be decisive, and that we shall attain those just aims for which we have made such a heavy sacrifice.

RECONSTRUCTION AFTER THE WAR.

You were good enough last year to forgive me to some extent from the custom of speaking only upon questions of finance, and calling your attention to some matters relating to industry and commerce, as I considered that finance was intimately bound up with them. I am glad to know that this opinion has been generally accepted, and much has been said or written in support of it recently in a very able address given by Mr. Steele, a Fellow of this Institute, at Sheffield, in which he describes the measures taken by bankers with a view to facilitate the extension of British Trade after the war.

STATE CONTROL.

Nothing has been more marked during the war, both in this country and in those of the other belligerents, than the continuous growth of State interference and State control of trade and industry. That there should have been such interference and control we have all to admit was unavoidable. Whether it has been exercised so as to occasion the least amount of obstruction and delay is a question upon which I do not propose to enter. There have undoubtedly been occasions when State interference in trade has been called for and its effects beneficial, but I think it is generally agreed that such interference has, on the whole, been accepted as a necessary evil. We have had abundant evidence of the weak points of such a system of control. We have to deal with a multitude of new Departments and Committees, either entirely unrelated to each other or with no clearly-defined connection, and many of them with over-lapping functions. Merely to find the right Department which is able and willing to deal with any particular question that may arise is a task often requiring infinite patience and involving much loss of valuable time. There is a great need of some co-ordinating authority which shall bring order into the chaos and save the public the intolerable delays and obstructions which constitute so serious an obstacle to business.

No doubt much of the weakness which has been displayed by our new bureaucracy is the inevitable accompaniment of all extemporised effort, but even so we are driven to the conclusion that much of it is inherent in the system. All business men, therefore, will have read with relief the announcement recently made by the President of the Board of Trade at Saddlers' Hall that there will be no attempt to maintain Government control of industry and trade after the war, except in so far as such control may be necessary the transition from a war to a peace basis.

We must expect from some form of Government control over industry will be continued for a time. But I think we shall all have thoroughly learned the lesson that, although Government interference may in some directions be necessary for the protection of the community, it is inevitably a drag and a hindrance to industrial efficiency, and our aim should be to keep it within the narrowest bounds.

Perhaps I may be allowed to repeat here the view I expressed to the Federation of British Industries at their annual meeting last week—that the ideal should be State assistance and not State interference—and that this principle should be established at the earliest possible moment. I also recognised the supreme importance of British industry to the country and the consequent responsibility of manufacturers to the community. Manufacturers de-

mand, and must receive as their right, a greater measure of trust from the Government. They must be allowed to assist the State with their advice upon all industrial matters, and cannot submit to dictation upon questions affecting the development and conditions of the trade to which they have devoted their whole thoughts and energies. At the same time, the interests of industry are the interests of the community; manufacturers should aim at producing quality no less than quantity they should aim at low prices and high wages, and efficiency in production and distribution.

I have already expressed to you my opinion upon the relations which should exist between the employer and the employed. I have no reason to alter this view, and I think that, although slowly, progress is being made in the direction of a better understanding upon these vital questions. There is, too, one other important subject to be considered—that of Education—upon which there has been much unfortunate misunderstanding. It has been alleged that manufacturers cared for nothing but cheap labour, and therefore oppose Mr. Fisher's suggestions. This criticism is entirely wrong. Manufacturers would welcome a sound and liberal system of National Education, attention being paid to technical and commercial training as well as to general culture.

FINANCIAL REQUIREMENTS AFTER THE WAR—BANK AMALGAMATIONS.

Since I last addressed you in this hall, the outstanding feature in banking development has undoubtedly been the spurt in the process of bank amalgamations. It is a subject which I can hardly pass by without notice, though I must own that I speak of it with reluctance. One reason is that I have already referred to it at considerable length before other audiences, another is that a Treasury Committee has already reported upon the subject. Moreover, I have myself taken such a part in the movement that I can hardly be considered an impartial critic. Suffice it to say that I think I can speak for many of my fellow bankers when I state that we are willing to submit to the only real test in such matters and to take our stand upon the value of the services which we hope to render to our customers and the public. Trade and industry have long ceased to be merely local in this country, and those banks which have aspired to offer their customers the advantages of direct representation over the widest possible area, have been compelled to carry the process to its logical conclusion and to extend their branches over the whole kingdom.

As to the danger of a money trust, I personally am unable to take the suggestion seriously. There is the strongest safeguard against any such eventuality in the fact that our large banks are all working in the glare of full publicity. Tyrannical action on the fact of any or all of the big banks would bring a sure and swift nemesis in its train. The cry of monopoly is one which might be advanced against all trading on a large scale, and yet the tendency to combined effort in almost every branch of trade and industry is, in my opinion, irresistible.

THE USE AND ABUSE OF CREDIT.

Attention is becoming more and more riveted upon the question of the provision of credit facilities for carrying on the trade and industry of the country when we are once more at peace. It is a subject upon which there has been, and is, a great deal of loose thinking. There is a marked tendency in some quarters to cut adrift from what have hitherto been regarded as fundamental principles, and to embark on experiments which can only be regarded as reckless in the extreme. Many are deceived by the apparent paradox that during the course of this bitter struggle, when every effort has been concentrated upon the provision of the means to victory, the country should have exhibited to a marked degree those signs which we have always

associated with periods of business prosperity. Although there has been a growing scarcity of food and materials, and a rise in prices which has of late become specially marked, there has been plenty of money in the country; labour has been well paid, and there has been no unemployment. If we can find all the money needed to carry on this war and yet have plenty to spend, why, it is said, cannot we do it after the war? Of course the simplest answer to such criticism is to point out that all the apparent prosperity with which we are surrounded is simulated prosperity, not real. It cannot last. We are living on our capital, helped out by borrowings from America. But this simple explanation is not enough. At the back of many people's minds there is a genuine feeling that, seeing that we have been able to provide these enormous sums for carrying on the war, sums which five years ago would have seemed beyond the range of possibility, there should be no difficulty in doing the same to meet the demands of trade and industry after the war. To meet the necessity for providing the sinews of war, say these people, this nation and all other belligerent nations have created credit on a huge scale. The prophecies, of which we heard so much before the war, that public credit would crumple up in the face of universal war, have proved utterly fallacious. We must revise all our preconceived ideas of credit, and build for the future on the experience gained during the war. If the gold standard is an obstacle in the way of an expansion of credit, this experience has shown that we can do very well without the gold standard.

Reasoning of this character has, as you know, led to all sorts of extravagant propositions. We are told that we can pay the whole cost of the war, and incidentally establish an earthly paradise by turning the war debts into money and printing off currency to equal the amounts of these debts.

Now far be it from me to belittle the necessity for learning from the experiences of the past few years. We have gained many valuable lessons—we are looking at the future from a new standpoint. But we cannot reject previous experiences as useless, and must recognize the value of moderation in all attempts to reconstruction. Looking at this vast creation of credit which has marked the war finance of all countries, we are driven to recognize that we are paying, and shall continue to pay, a heavy price for it. Inflated credit has been followed by high prices, producing popular discontent expressing itself in complaints of "profiteering." This has led to agitation for higher wages, which in turn leads to still higher prices, and we find ourselves in a vicious circle from which egress is difficult. To attempt to remedy this condition of affairs by the further creation of credit is obviously useless. I do not say that we shall be able to reverse the process of inflation directly after the war. We have got to face the fact that the most urgent problem will be to find employment for the men and women who have been in the Army or providing munitions, and to get our industries on to a peace basis once more, and for this purpose credit must be liberally provided. But we must never lose sight of the fact that at the earliest possible moment we must put ourselves in the position to produce goods which we can market abroad at a price which will compete successfully with those of other industrial nations.

We must have a plentiful supply of raw materials, efficient labour, intelligent management, and, as I said last year, hearty good will all round. But the mere multiplication of credit will give us none of this. Let us accept for a moment the generally accepted definition of capital as accumulated savings and credit as the right to the use of this capital. Credit is, as it were, the title deeds to the accumulated wealth of the world. By multiplying and duplicating the title deeds you do not increase the amount of this wealth—you merely reduce the value of the title deeds. It is true that the extension of the opportunities to share in the use of capital may possibly result in its finding its way into the hands of those who are better qualified to use it; but this is a chance upon which it would

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