between supply and demand. The colossal stocks which were depressing markets have gradually been reduced to more normal proportions, and, whether by the hand of Nature, or by artificial means, or by a combination of the two, current outputs have been brought more into accord with prospective consumption. The recovery of industry has brought about a gradual revival of genuine consumptive demand for nearly every industrial raw material, and fuller employment and higher wages have meant increased consumption of foodstuffs. Under these combined influences, prices have begun to move upward, not hitherto in the spectacular manner associated with a boom, but in the steady way that encourages a further expansion of trade. It is safe to say that commodity prices owe little of their increases so far to undue speculation."

Edward B. Orme, Esq.—

"We have recently seen a quite exceptional rise in the price of certain commodities, such as cocoa, rubber, wool, wheat and various metals, and all indications point to a continuance of this upward trend. The cause has to be traced back to post-war conditions and the recent depression. Low prices and artificial restriction gradually reduced surplus stocks. Reviving trade absorbed them, and the last six months of boom conditions have caught the market short of future supplies. Hence the striking rise in prices. It is impossible to estimate the extent to which this will go, or to measure its effect, but it has already benefited the producers of primary products enormously, and placed them in the position of being able to purchase the goods of other countries. This augurs well for the flow of international trade."

Colin F. Campbell, Esq.—

"The rise in wholesale prices, which are still in most cases substantially below the levels of 1928, is thus a correction of an influence which produced incalculable distress, not only among the agricultural and mineral workers whom it affected most directly, but also among the manufacturers—both employers and workers—in the older countries which found so many of their customers impoverished and so had to curtail output and suffer the miseries of unemployment.

"There is, however, another point of view which is worthy of some thought. If this rise in commodity prices were to go so far as to cause a considerable increase in the cost of living, followed by a rapid advance in wages, we might be faced with a serious rise in the cost of production.

". . . it is reassuring to bear in mind that greatly increased industrial turnover, coupled with substantial improvement in the efficiency of plant and equipment, should act as a powerful factor in preventing an undue rise in prices."

CREDIT AND CHEAP MONEY

The Hon. Rupert E. Beckett—

"There are, fortunately, some respects at least in which the present situation differs from those which have succeeded previous depressions. I see no convincing evidence that a boom is yet developing. Prices so far have not risen unduly, profiteering is not rife, and there is no shortage of commodities such as has been associated with booms in the past. Credit remains plentiful and cheap, and company flotations and capital operations are subject to much closer scrutiny than ever before. Whilst, therefore, I am sensible of the dangers of an excessive rise of prices, I think that those who already advocate steps to check the present rise are prematurely apprehensive. The control of prices is itself not without dangers. It is important to remember that prices are symptoms rather than causes, and undue interference with them destroys both a valuable guide in the exploitation of resources in the ways best fitted to man's needs and desires, and a safety valve of much importance in the operation of the economic system. The only effective method by which the general price level can be controlled is by regulation of the volume of money and credit in active circulation. In other words, the rise of prices can be checked only through a contraction of credit, and the adoption of a deflationary policy which is the very antithesis of that which has carried us thus far out of the slough of depression. I, for one, do not believe that present circumstances justify such drastic action."

". . . there are perhaps now clearer indications of methods of self-help than have been discernible at the commencement of many previous years. The first necessity appears to me to be the continuance of the policy of cheap money. During the past year, there have been from time to time signs that the supply of credit is not quite so plentiful as in recent years, and the most sensitive rates have been inclined to harden under the influence of important though passing events. Expanding trade and higher commodity prices were responsible for an increase in advances by the eleven clearing banks of some £80 million during 1936, an appreciable rise from the corresponding figure of £31 million in 1935. Nevertheless, we should still be some distance from the necessity for dearer rates. Building and commercial construction formed the basis of our recovery, and these have been, more recently, supplemented by rearmament activity. A tightening-up of credit would not affect rearmament, but would undoubtedly diminish the amount of new building and commercial construction, apply a brake to business enterprise, and exert an adverse psychological effect all round. Industry and commerce still need every facility open to them to continue their development. It need not be feared that, granted the necessity for continued cheap money, its maintenance will be a matter of difficulty, for the authorities have ample powers to expand the credit base as that is deemed desirable."

The Rt. Hon. R. McKenna—

"If the conditions in respect of labour, speculation and international payments are as I have endeavoured to outline, it seems unlikely that we have yet reached a stage at which the upward trend of industry and trade will be halted. We must not blink the fact, however, that cheap and abundant money, so beneficial to trade and industry, provides a fertile field for the growth of the adverse influences to which I have referred, and we may yet find ourselves face to face with forces which if left uncontrolled would result in an upward spiral of costs and prices."

". . . Consider first the risk of excessive speculation. I do not wish to be dogmatic on the subject, but it seems to me that the remedy lies with the banks. They have the power, acting together on an agreed basis, to place a curb upon speculation by directly restricting the quantity of credit used for that purpose. Genuine business would not be affected; there would still be cheap money and abundance of credit for legitimate trade, but there would be no easy money for the mere speculator. I repeat, there are no sufficient indications at present of dangerous speculation, but should this appear a powerful remedy could be provided by the concerted and direct action of the banks without recourse to high rates and indiscriminate restriction of credit. The country ought not to be required to submit to general stagnation as a cure for the activity of speculators."

Edwin Fisher, Esq.—

"Cheap money is one of the traditional correctives for industrial depression and there is little doubt that the availablity of large funds for employment at low rates of interest has been a factor in the revival of industry in this country. Very properly it acts as a stimulus to business; but it is necessary to guard against the danger of too much emphasis being placed on the importance of cheap money and too little on those other essentials which are necessary for the maintenance of healthy conditions, in which alone real prosperity can be assured.

"In most cases, interest on borrowed money is only a minor item in costs of production, and if too great stress is laid upon the importance of cheap money as a means of maintaining and improving the activity in trade, small changes in interest rates may have an entirely disproportionate effect on confidence. Experience indicates that, while stringency in the capital markets might, and probably would, tend to retard progress, cheap and abundant supplies of money alone are not sufficient to promote development."