

growth of our country's income and prosperity firmly based on well-distributed purchasing power. It is also most satisfactory to note that some of the industries that were hardest hit by the depression have lately shown signs of joining in the general recovery. Shipping has benefited from the greater movement of produce and of raw materials generally, which has brought about an increase in the rate of freights. The breaking up of old vessels also has stimulated activity in our shipyards. The cotton industry has not only been quickened by a large number of orders for Coronation materials, but has shown that its capacity for export, assisted by the rise in commodity prices involving increased purchasing power of its overseas customers, is full of vitality."

"... Most of our recent recovery has been due to sound business reasons, abundant credit, political confidence, and the conviction that there is plenty of demand for industry's output if it can be offered at a price that consumers can pay. The great activity in house building, though perhaps started by official encouragement, was based largely on the increase in the wages bill which enabled thousands of people to secure the better homes which had long been overdue to them. But our rearmament programme is certainly a temporary matter and though we can be sure that it will keep industry busy for some time, the day will come when its effect will taper off and we shall go back to the normal demands of our defensive forces."

INTERNATIONAL TRADE

The Rt. Hon. Lord Wardington—

"... it is very necessary that the present activity of our internal trade should not make us liable to forget the essential importance of retaining our export connections. There is a definite danger that this may happen. We are so busy internally that many of our trades under the additional stimulus of our armament programme are working at a 100 per cent capacity, and in such goods as machine tools, to mention only one, we are unable to meet our own requirements and are actually importing large quantities, while a shortage of labour has induced many manufacturers to scour the country to find fresh workmen and women in the depressed areas who can be persuaded to leave their homes and take up the work which is awaiting them in more fortunate parts of the country. A curious illustration in terms of labour of the phrase 'poverty in the midst of plenty' which we have so frequently used in recent years in reference to goods."

Edwin Fisher, Esq.—

"A resumption of foreign lending, when conditions are favourable, would also be of assistance in reviving international trade, but the test

which we apply to our domestic loans, namely, the ability to repay, must be kept well in view."

"... The change in the creditor position of various countries, resulting from the War, has also had a marked influence on international financial and trading relationships, for in the period since 1914 it has not been practicable to make the necessary adjustments to meet the altered situation. America, in particular, as a great creditor nation, will continue, to a greater or less extent, to be a disturbing factor until the ability of her debtors to fulfil their obligations by sending goods is facilitated. The reduction of tariffs made by the United States in the special agreements she has concluded with other countries has proved beneficial, but indications point to the fact that goods still cannot be sent to America to an adequate extent in payment of amounts due to her; nor will it be possible for her debtors to meet their liabilities automatically in this manner until the economic structure of the United States, which had been built up over a long period of years in accordance with her needs as a debtor nation, is adjusted to conform to her position as a creditor country. Such an adjustment will involve a complex, difficult and lengthy procedure, but, in the absence of deliberate and conscious efforts to make the necessary changes, the natural play of economic forces will eventually provide a remedy. Various influences have affected American external trade in recent years, but already there are signs of adjustment—for example, the marked decline during 1936 in the excess of exports over imports. Nevertheless, a long time may elapse before the United States occupies a position comparable to our own, where for many years a large adverse balance of visible trade has enabled our debtors to meet their liabilities in goods."

Edward B. Orme, Esq.—

"I base my favourable outlook for world trade largely upon the increasing production of gold. Hitherto, the full benefit of this has been lost owing to America and France absorbing the world production. So far as France is concerned, the flow there may probably be considered at an end. America—since the war a creditor nation and a high tariff country—could not avoid taking gold. Actually during the last three years there has been an influx of gold into America greater than the world's production in that period. Her ability to attract this has, to a very considerable extent, been created by Europe's purchases of her securities. This condition may not repeat itself during the next three years, and the world's gold production will, to some extent, be available to create credit in countries which of late have been drained of this necessary backing.

"As I have said, primary products in many cases have doubled in price from the low point of 1931 to 1932. With gold in freer distribution they would be likely to maintain present high levels, and this must, as already indicated, create

'two-way' world trade. The profit on manufactured goods, with the employment entailed and the services required from our railways and shipping, will, I consider, offset the extra cost of our purchases abroad."

EXCHANGE

The Hon. Rupert E. Beckett—

"In the economic sphere, as distinct from the political, the latter part of the year witnessed an event that might well have been, and may yet prove to be, the turning-point in the course of national trade policies. I refer to the devaluation of the French franc, which took place in September, and which was quickly followed by the devaluation of the Dutch, Swiss and Italian currencies. Much more important to the world at large than the change of policy on the part of the French Government was the tripartite agreement among France, the United States and our own country to co-operate in maintaining exchange equilibrium and in efforts to modify trade restrictions. For years these restrictions have exercised an increasingly powerful hold on trade, and the occasion of the French currency devaluation was hailed as an excellent opportunity to undertake a drive against all such prohibitions. Unfortunately, events since September have done little to encourage the high expectations then entertained. Not only has the initial force of the currency re-alignment been spent without imparting that impetus to world trade which had been hoped for, but there has been little sign, as yet, of any action, concerted or otherwise, to rid the world of the many other restrictions which are preventing the growth of international commerce. The longer the delay the less effective is such action likely to be, and the less will be the driving force derived from the act of devaluation."

COMMODITY PRICES

The Hon. Rupert E. Beckett—

"By far the most important happening in the economic sphere during the past year has been the sustained rise of commodity prices."

"... The rise of prices which was universally recognized as desirable is now in full course. Monetary policy is, however, only one of the factors in a development of world-wide extent. During the past twelve months, wholesale prices in practically every country of importance have risen by something like seven per cent. The most significant, and at the same time the most hopeful, aspect of the rise of prices is its incidence on agricultural products."

"... In the majority of cases, the rise of prices has been brought about in the healthiest possible way—by improvement of the balance