THE FINANCIAL AND ECONOMIC SITUATION

Sir George Paish

To cite this article: Sir George Paish (1920) THE FINANCIAL AND ECONOMIC SITUATION, Journal of the Textile Institute Proceedings and Abstracts, 11:5, 136-139, DOI: [10.1080/00405002008631086](https://doi.org/10.1080/00405002008631086)

To link to this article: <http://dx.doi.org/10.1080/00405002008631086>

Published online: 25 Nov 2008.

Submit your article to this journal [↗](#)

Article views: 2

View related articles [↗](#)

AUSTRALIA: EXPORTS OF WOOL. WOOL TOPS.

Exported to:—	1914-15.		1915-16.		1916-17.		1917-18.	
United Kingdom	17,791	2,015	67,537	12,090	20,617	4,510	..	..
India	23,331	2,612	..	..	..	..	..	..
New Zealand	1,879	233	..	..	..	..	..	..
Japan	4,052,965	506,161	4,894,577	665,442	4,845,515	1,199,180	4,560,198	1,599,681
France	..	..	19,861	3,115	..	..	..	..
Canada	..	..	..	..	3,320	880	5,150	1,118

AUSTRALIA: EXPORTS OF WOOL DURING 1918-19.

	lbs.	£
Greasy	458,033,726	31,479,990
Scoured and Washed and Tops	109,135,989	11,286,765
Skins with Wool (No.)	6,005,291	1,845,057
Skins without Wool (No.)	799,059	96,656
Total Quantity of Wool Grown 1917-18..	573,864,083 lbs.	£37,062,000.

AUSTRALIA.

NUMBER OF SHEEP IN THE COUNTRY.

1913	85,057,402
1914	78,000,334
1915	69,257,189
1916	76,668,604
1917	84,965,012
1918—Victoria	15,773,002
Queensland	18,220,985
West Australia	7,183,747
Tasmania	1,841,924

Luncheon was served in the Council Room of the Institute, and, subsequently, a paper was read by Prof. A. J. Turner, M.A. (Head of the Textile Department of the Manchester College of Technology), on the

subject of "The Strength of Fabrics." Publication of this paper, and discussion, is deferred until next month's issue of this Journal.

Later in the afternoon, an address was delivered on

THE FINANCIAL AND ECONOMIC SITUATION

BY SIR GEORGE PAISH.

SIR GEORGE PAISH said: It is essential, in these days, in surveying Finance, to take into account Economics. The world, and Europe especially, is short of the essentials of life, and with great shortage in essentials it is also short of credit—short of international money. These two shortages may indeed become so great that there may be a complete breakdown not only of credit but of commerce and of national trade.

The great nations of Europe were engaged in war for nearly four and a half years. Since the war came to an end, the making of peace has occupied another eighteen months, making together nearly six years. During that time the peoples of Europe have not been engaged upon production but upon destruction. The effect is extremely serious. You will recollect that, before the war, Europe needed to purchase from outside countries a large percentage of its food supplies. But, owing to the war, the food production of the great nations of Europe has fallen off in an alarming manner and, in the current year, there is a drop in production, in comparison with the pre-war level, of nearly 40 per cent. That means that Europe needs to buy from outside vast quantities of food. But as the food does not exist, it is not possible for Europe to obtain the same amount of food as before the war. In consequence of this shortage, several countries in Europe are in a condition of ferment. In Russia, more particularly in Petrograd and Moscow, people are practically starving. The shortage in Vienna is most serious. The shortage of food in Germany is also exceedingly great, the amount of food available in the great towns of Germany being less than half of the normal quantity

needed to maintain efficiency. Italy needed to import food before the war; her crops have gone down, and at the present moment the Italian people are not able to get the food they require. The French crops have also declined seriously but, fortunately, France, before the war, possessed a large quantity of foreign securities with which she hitherto has been able to buy food. But, the situation in France is now getting serious. Before the war, France imported about 12% of her cereal food; now she needs to buy abroad nearly 50% of the quantity needed to maintain her pre-war level of consumption; and, moreover, the foreign securities she possesses have fallen to a very small sum. Unfortunately, the crops of the rest of the world in the current year are not nearly sufficient to go round; America, during the war, produced far more food than she did before the war, and these additional supplies materially helped us to get safely through the war. Also, the American people made very considerable economies in their food consumption in order to increase our supplies. Now, American production is declining, and the world's supply of food is a long way short of the quantity needed to supply the demand. Moreover, owing to the war, the world's credit facilities have been greatly strained and it is difficult to discover where Europe is to get the credit to pay for the food and material she now needs so urgently. American credit facilities have been almost completely exhausted. In a little over two years the American Government raised in Liberty and Victory loans some 2,000 millions sterling in order to supply exchange to the Entente nations. It is no longer willing to continue. Since the American Government stopped supply of the

necessary credit and the essential exchange, American bankers have lent large sums. But the credit facilities of American bankers are now practically exhausted. That means that the normal credit facilities of America, available for the finance of Europe's purchases, have now reached or nearly reached their limits. In brief, the food supply of Europe is very short, and must be supplemented by immense imports from other countries. At the same time, Europe needs to buy vast quantities of raw and semi-raw materials, notwithstanding the fact that the world's existing credit facilities are practically exhausted and Europe is unable to pay in goods for what she needs. Large amounts of credit are required not only to enable Europe to buy food but to enable the belligerent countries to restore their working capital. The cotton mills of the Continent need raw cotton, and it is difficult for the mill-owners to obtain the credit to enable them to buy what they want. Other textile mills, as well as factories of all kinds, are in exactly the same condition. Until credit is available the Continent cannot produce the things it needs to pay for the things it requires to buy. This situation, you will realise, is extraordinarily serious both for the Continent and for ourselves. Last year, Great Britain supplied goods and services to the Continent to the value of over £400,000,000 for which it accepted payment in securities and promises to pay, while America supplied produce to the value of £500,000,000 for which it took payment in securities and promises to pay.

British credit is, on the whole, good. We owe probably 1,500 million sterling to the rest of the world, which we have borrowed for the purpose of lending it to our friends on the Continent—France, Italy, Belgium, Russia, &c. As far as Great Britain's working capital is concerned, there is nothing very much wrong. We have the power to produce perhaps as much as ever we did; nevertheless, we need a great deal of additional capital. Prices have risen. That is not the only difficulty. The real difficulty comes from the fact that we are selling to our Continental customers and have difficulty in obtaining payment—not difficulty in getting payment there, but difficulty in remitting sums received in foreign currencies to this country because of the lack of exchange. In some measure, this lack of exchange has been made good by Continental nations selling securities to this country. This process, however, does not give us the means of paying for the things we need to buy from other nations. The nations from which we buy are not equally willing to take securities from us in payment of their goods. At the present moment we are buying immense quantities from all the countries which produce food and raw materials for export, and we have very great difficulty in paying for them. Last year we bought from America goods to the value of £543,000,000; we sold back British goods to the value of £33,000,000; we also sold to America £31,000,000 of colonial and foreign produce, and we earned a good deal in carrying freight in our merchant ships. Still, the adverse balance in our trade with America was well over £400,000,000, and if to that one adds interest the adverse balance comes to not far short of £450,000,000. This

is a very different situation to the one before the war. Before the war we had no difficulty in paying America. On the average before the war we bought £130,000,000 worth of American goods and sold to America £30,000,000 of British goods and £20,000,000 of colonial and foreign produce, while we then had to receive some £30,000,000 a year as interest on our American investments and a large sum from the expenditure of American tourists. In the aggregate, not only were we able to pay America for all she sold to us, but we were lending her about £20,000,000 of additional money every year. We accomplished this partly by means of our exports to the Continent, to South America, and to the Far East. Now, the Continent cannot pay us for the goods we sell to her and we are exporting no more, indeed less than we need to export to meet our imports from South America and the Far East. Last year, America sold to Europe £1,040,000,000 worth of goods and bought back only about £150,000,000. The balance against Europe was thus nearly 900 million sterling. Nor is our trade with Canada much better. Last year we bought from Canada £115,000,000 worth of produce and sold back our own goods to the value of only £16,000,000, together with £2,000,000 of colonial and foreign produce—a balance against us of £97,000,000, less some £30,000,000 for interest and a substantial sum for freight. This year, the Canadian Government has placed an embargo on the import of Canadian securities, which means that we are to pay Canada through the United States.

Canada buys most of the goods she requires from outside countries from America. Therefore, she is saying to us: "We do not want you to pay us in our own securities; we want you to pay America." But America is not very willing to take our securities; she wants her capital to increase her own productions. Moreover, the amount of investment money in America at the present time is unusually small. America is also suffering from war finance, an income tax running up to 85% being still imposed. There is very little new investment money coming from wealthy people. The Argentine is in much the same condition as Canada. We are buying from her large quantities of produce and selling back a comparatively small amount. Last year, our imports were £82,000,000 and our exports £22,000,000. The Australian situation is very much the same; we are purchasing enormous quantities of food at high prices and selling back goods to a relatively small total. Our imports from Australia and New Zealand last year were £164,000,000 and our exports £38,000,000 all told. Thus, the situation neither of the Continent nor of Great Britain is what one would wish it to be.

The war has reduced the productive powers of Europe and forced it to buy from outside countries far more than previously, while its power to export has greatly declined. A solution of the problem must be found because, otherwise, the credit resources of the world will be soon exhausted, and there will be a complete breakdown. It is clear that measures ought to have been taken as soon as the war was ended to begin the work of reconstruction, and unproductive expenditures ought to have been reduced to the lowest

possible level. Certainly, Great Britain ought not to have expended some £1,800,000,000 gross on Government in the past fiscal year, nor to have provided for an expenditure in the current Budget of nearly £1,200,000,000. Our great enemy has been completely defeated. No one who goes to Germany is in any doubt that Germany will not be able to make war again for a very long time. We are using up our resources and diminishing our strength by maintaining this enormous, unproductive expenditure. Before the war, our expenditure was about £200,000,000 and now in this current year it is six times as great. Our Government is not the only Government pursuing such a policy. The French, Italian, German, and in fact almost every Government is spending money in a manner that nations have never seen before in peace time. They do not seem to realise how seriously the world has been injured, or that it is essential now to be economical in order to make good. It is of the greatest moment that every one should appreciate the dangers that exist and should cause Governments to reduce expenditure to the point of safety, and should insist upon the employment of every available man on production. Moreover, private as well as public economy should be insisted upon. What will be the consequences of continuing a policy of excessive expenditures? Unless Europe's productive power can be re-established, the exchange of all the nations of Europe must fall.

There is, however, one bright spot on the horizon, and that is the action that is being taken by the League of Nations. The members of the Supreme Economic Council and the members of the League of Nations all realise the dangers of the situation, and have induced the nations to consent to the calling of a world's conference to discuss it. This conference is to meet early in June. What the result will be will depend upon the influence which the peoples of the various nations can bring to bear upon their governments.

Can we induce governments and the peoples of all nations to look facts in the face, to get away from the atmosphere of war, and to regard the situation as it exists? If we can, measures will be taken to avert the dangers which threaten not only the continent, but the world. What measures are necessary? In the first place, it is obvious that something must be done to strengthen the credit of the continental nations in order that they may be able to buy raw material, and so get to work and to restore production. If they can do that they can begin to pay for the food they require and for the material they need.

It is clear that the credit of individual nations has already suffered seriously. That being so, it will be necessary to create collective credit in order that the stronger nations may place their credit at the services of the weaker. In my judgment, the situation demands that all the nations of the world—those who have benefited by the war as well as those who have been injured—should pool their credit and give collective security of so much value that no one will question it. Whether or not the nations will see that this apparently altruistic proposal is really not one of altruism but of intelligent self-interest remains to be seen. If the right view is taken then success may be achieved at

the Brussels Conference in June; if they realise the danger with which the world is confronted they may devise some form of collective credit. It is essential they should realise that the credit facilities of the nations are practically exhausted. During the war, the American Government provided a large amount of credit in order to assist the Entente nations in the matter of exchange—something like £2,000,000,000 in a little over two years. Now, the American Government is not willing to issue fresh loans and American bankers are full of credit, while the investment market in America is a very difficult one. It is essential that not only the suffering countries should economise and become more productive, but that the nations which have benefited by the war should also become economical and more productive and thus supply both produce and credit. If the people of the world appreciate the danger in which the world is placed, I am sure they will respond to an appeal for economy, production, and credit. While it is essential that the people of Europe should realise the danger in which they stand, it is specially necessary that the British people should do all it is possible for them to do to overcome this exceedingly grave situation.

DISCUSSION.

Sir FRANK WARNER proposed a vote of thanks to Sir George Paish, and said that the facts of the situation had been splendidly put before them. If there was a case which demanded plain speaking, it was the question of national and international finance. He agreed that, if we did not increase our production and the goods which we could barter for food, we would not be able to get the food and raw materials we required. Although we grumbled at the high prices of textile raw material, it was pretty clear that unless the high prices were paid the raw materials would not be forthcoming. With low prices the temptation to the farmers of South America to grow foodstuffs instead of cotton would prevail. If cotton did not fetch the high price it was doing the inducement to grow it would not be there. Provided we could produce the goods that would pay for the materials we needed, he thought we should pay the high prices cheerfully. The great difference between the value of our imports and exports had been, to a large extent, due to the filling of the very great vacuum which existed at the close of the war in raw materials. It would take a considerable time before we could turn out our goods and ship them to the customers abroad. He believed that, in view of the fact that we had been importing such large quantities of raw materials, and with absence of industrial upset, we should show a very large increase in exports of manufactured goods in the coming months.

Mr. T. FLETCHER ROBINSON (Manchester) seconded, and expressed the opinion that if Sir George could address the leaders of the trades unions of the country his words would clear the minds of the workers and help them to realise the dangers of the financial situation.

Mr. OSCAR S. HALL (Bury) supported, and said that the French, during the war, and even at present, had not sufficiently taxed themselves. From facts available to him, he had come to the conclusion that

France was one of the richest countries to-day in Europe. It was a curious thing to say, yet the individuals of the country were rich and the French Government was one of the poorest. The French had to withstand a great deal during the war, and it may have been considered wise not to place heavier burdens upon the people. He felt that now the time had come the country would rise to its responsibilities.

COL. F. R. MCCONNELL (Manchester) also supported the resolution, and said it was up to them as masters and up to the workers as workmen to do everything in their power to try to smooth over any difficulties there might be to work to help on the prosperity of the country, and to try to sink individual feelings of irritation, as was done during the war.

The resolution was unanimously approved, and in reply Sir George Paish said the textile trades were the great trades of the country. They had the power, in greater measure than they imagined perhaps, to

rectify the situation. Almost all the world was short of clothing. We in Europe were short of food. If the textile workers would work as they could work, they could help in a very large measure to rectify the situation, and what the Lancashire textile trades did, one might hope that the other trades of the country would also do.

VISIT TO WORKS.

On the Thursday morning about 80 members availed themselves of the opportunity to visit the works of the Ford Motor Company at Trafford Park. The party assembled at Albert Square and was conveyed by chais-a-banc and motors to the works. By the courtesy of the management, the members were conducted through the engineering and assembling departments, and the value of organisation in so large a works was impressed upon all. The facilities afforded by the Company were highly appreciated.

GENERAL PROCEEDINGS, AND REPORTS

THE WOOL RESEARCH ASSOCIATION'S PREMISES

The scheme for the establishment of the headquarters of the British Research Association for the Woollen and Worsted Industries, at "Aireville," Bradford, has proved impossible of achievement. It will be remembered that, largely through the activities of the late Mr. Harry Longbottom, then Chairman of the Technical Education Sub-Committee of the Bradford Education Committee, the Association was persuaded to establish research laboratories and workshops in Bradford, and later decided to transfer its headquarters from Leeds. The site selected, a large house and grounds known as "Aireville," Frizinghall, was an excellent one, and was available at a price of £11,000. Matters were apparently quite settled, the Corporation having agreed to the purchase and to rent it to the Association, when the Board of Education refused to grant a loan to the Bradford Education Committee for the purchase of the estate. Meanwhile, Mr. Harry Longbottom, the chief advocate of the proposal, had unfortunately died, and it looked as if the scheme would have to be dropped. The Sites and Works Sub-Committee of the Education Committee recommended the purchase of the estate, but the Finance Committee rejected the recommendation, on the ground that a field which the Association would not require and which the Corporation would have to take over, at a valuation of £3,800, was of no educational use. The Association was thus left in the lurch, because, acting on the implicit understanding that the Aireville premises would be available by 15th April, it had given notice to terminate tenancy of its Leeds headquarters, and had also terminated an option on property in Leeds which had been kept in view for the proposed research laboratories.

The Bradford Corporation gave the matter further consideration, and decided to stand by the bargain originally made by the late Mr. Longbottom and the Director of Education. The credit for this decision largely rests with Mr. Wilfrid Turner, a well known Bradford spinner, who is also a member of the Bradford City Council. He had a difficult task, in that he rose at a late hour—10-30 p.m.—after a long sitting on 13th April, but the clear manner in which he explained the negotiations and the advantages of having the Association headquarters in Bradford made an obvious impression. To show the position as it was understood by the Association, whatever the legal position might have been, he quoted from the *Journal of the Textile*

Institute. His proposal was that the minute rejecting the scheme should be withdrawn, and that the Elementary Education Committee should be empowered to complete the purchase the following day (14th April), as it was a matter of urgency.

In the debate which followed, the Chairman of the Finance Committee (Mr. W. Leach) denied that the Corporation was guilty of any breach of faith or had committed themselves in any way. Every item of negotiation, he contended, had been safeguarded by the legal department. He expressed some sympathy with the Association, however, because it might be that the late Mr. Harry Longbottom, in his tremendous enthusiasm for the scheme, had led them to believe things which were not warranted. Mr. Turner countered this by quoting a letter to the Association from the Director of Education, dated 15th December, 1919, which stated: "My principals have secured the option to purchase this property with the view of renting the house to the Association, and will proceed with the matter on hearing that your Council desire them to do so. Possession can be secured by April 15th. There will not be the slightest difficulty in making arrangements which will be mutually agreeable, and my principals will be glad to discuss such details with your representatives."

Ald. A. W. Brown, the Chairman of the Education Committee, then admitted that he could not quite accept Mr. Leach's interpretation that there had been no breach of faith. After reading through the correspondence, whilst there might be no legal commitment, yet he was bound to admit that the Association would be led to believe that they were going to be housed on the Aireville estate. He believed the late Mr. Longbottom had pledged the Corporation as far as he could do so, and, as the pledges were made in the best interests of the city, he would go a long way to redeem them. The present proposal, however, involved the purchase by the Education Committee of a field costing £3,800 which was useless for educational purposes, and he could not agree to that unless the Corporation itself would take responsibility for the purchase.

On a show of hands, Mr. Turner's amendment was carried. Mr. Leach demanded a recorded vote. The Town Clerk thereupon pointed out difficulties if the amendment involved the purchase of land without any definite purpose in view. Eventually, it was agreed to have a joint meeting of the Elementary