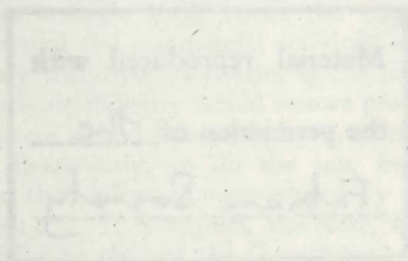


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THE
RAW MATERIAL
CONTROLS

By |

G. D. N. WORSWICK



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THE RAW MATERIAL CONTROLS

The Raw Material Controls

By G. D. N. WORSWICK

Two thoughts are uppermost in people's minds today. How can the war be won in the shortest possible time, and, when it is won, how can we guarantee that the efforts and sacrifices so willingly made during the war will not be dissipated and wasted, as they were last time, in a hectic boom followed by unemployment, insecurity and even starvation, which will, for a third time, involve humanity in a gigantic fratricidal conflict? When people ask this second question, so far as it applies to Britain, they turn naturally to the history of the years after 1918, and try to find the mistakes which were made and which might have been avoided. And very soon they conclude that the main cause of the economic breakdown after the last war was that the Government, which had throughout the struggle itself borne the responsibility for controlling the industrial and commercial activities of the country, hastily and recklessly withdrew its control in the pious hope that somehow or other private industry would restore prosperity, would carry on in 1919 where it had left off in 1914. Private industry failed, and failed disastrously, to do the job, because it was *impossible*, owing to the violent changes caused by the war itself, to "get back to 1913". It is argued, therefore, quite logically, that it would be folly to remove the Government controls after this war, and already the Labour Party has committed itself to a policy of maintaining the controls. But not only the Labour Party, representing those who suffered most acutely from the economic insecurity after the last war, but also many prominent industrialists themselves have echoed the demand for keeping on the controls. At first sight this may appear very surprising, for why should industrialists ask to be controlled by the Government? Some people may think optimistically that it is because even the capitalists themselves understand how capitalism has in the past produced terrible wars and has brought the scourge of unemployment and poverty in the midst of potential plenty, and that, recoiling in horror from the prospects of a repetition of these disasters, they prefer even socialism. Wishful thinking of this kind is very dangerous.

1 Industrial Self-Government

The real key to this apparent unanimity on the question of retention of the controls after the war is to be found in the answer to the question "What kind of controls?" The Labour Party's reconstruction programme does not deal with this point; unfortunately, for it is the crux of the whole matter. The industrialists, however, have no doubts about what *they* mean by retention of control. They mean retention of the existing controls, with the same sort of men in charge after the war as those who are carrying out their functions during the war, precisely because in the vast majority of cases these men represent the industries themselves. In all the main 'economic' Ministries, Supply, Aircraft Production, Works and Building, the wartime administrative staff has been drawn from the industries and trades, with which, as Government officials, they have to deal. This tract covers only one aspect of this problem, namely the Raw Material Controls of the Ministry of Supply, but it should be emphasised that it is only one aspect. The same phenomenon of business men drawn in to govern their own trades can be found throughout the contracting section of the Ministry of Supply (which is really two Ministries; one similar to M A P and supplying the Army, the other dealing with Raw Materials for the whole of industry), in the Ministry of Food, in the Ministry of Works and Buildings, the Machine Tool Control and elsewhere.

The consequences of this 'industrial self-government by industrialists' are twofold. In the first place it means that during the war itself vested interests may prevent the fullest possible use of our economic resources, for fear of endangering their post-war prospects, so that the war is prolonged. Secondly, when at last victory is achieved and the people of Britain can turn to the task of creating a new economy designed to banish poverty and unemployment, they will find that the big monopolies and combines are firmly entrenched within the Government machine itself. Post-war Britain under such circumstances will then be moulded, not to the desires of the mass of the population, but to the profit seeking motives of monopoly capitalism.

It is impossible to deal with this whole problem in a small tract such as this, and my aim here is the much more modest one of *illustrating* this general development, using as an example the Raw Material Controls. At the end I suggest certain immediate changes in the Controls which are necessary both to speed up the war effort and to guarantee that reconstruction plans will not be hamstrung by these particular vested interests. Such changes,

The machinery of government is a complex system of institutions and processes that facilitate the functioning of a state. It includes the executive, legislative, and judicial branches, as well as various administrative bodies and public services. The system is designed to ensure the effective implementation of laws and policies, and to provide for the welfare and security of the citizenry. The machinery of government is a dynamic and evolving system, shaped by historical events and contemporary challenges. It is a reflection of the political culture and values of a society, and it plays a central role in the realization of the public good.

however, would be only a beginning, though a very important one.

THE MACHINERY OF CONTROL

What, exactly, are the functions of the Raw Material Controls, and how do the Controls carry out these functions? In the House of Commons on 21 September 1939 Mr Burgin, the first Minister of Supply, pointed out that 'One of the chief responsibilities of the Ministry of Supply . . . is with regard to raw materials'. The duties with regard to various essential commodities had been transferred to the Minister of Supply under the pre-war Act setting up the Ministry, and extensive powers to carry out these duties had been given under the Defence Regulations. At the end of this pamphlet there is a list of the main commodities now controlled. Some of the materials have been added since Mr Burgin's speech in September 1939; the Aluminium Control was transferred from the Ministry of Supply to Lord Beaverbrook's Ministry of Aircraft Production in August 1940; the four building material Controls¹ are in the Ministry of Works and Buildings; the Board of Trade handles tobacco and petroleum. A new coordinating job of Director General of Controls was established in April of this year, but there has, at the time of writing, been no official statement regarding the precise nature of the new post. In general, however, the Control machinery is much the same as when it was originally created.

The main task of each Controller is to see that his particular material is only used for essential purposes. It will be simpler to show how this has been done in the case of one particular Control, Iron and Steel, and then indicate where the practice of other controls differs. The instrument originally used to carry out this distributive job was the licence. The Minister of Supply has power to issue any Statutory Rules and Orders which he may consider necessary, and under the first Control of Iron and Steel Order, dated 1 September 1939, anyone wanting to buy or sell steel had first to obtain a licence from the Control authorising him to do so. There was, however, a large class of purchases and sales exempted from this provision. Thus all persons working on contracts for Government defence departments and other Government departments, persons requiring supplies for ARP, shipbuilding, and many others could obtain steel without a licence. The exempted list was very soon cut down, as the demand for

¹ These four Controls are not Statutory, but are run with the voluntary cooperation of building and other contractors.

steel for 'essential' purposes was so great. In the first nine months of the war, therefore, the position was this. Anyone engaged on war work, as defined by the exemption list of the operative Control of Iron and Steel Order, could order (not necessarily obtain) as much steel as he liked. All other consumers were obliged to obtain a licence from the Control, and by refusing to grant a licence the Control was able to see that no steel was wasted. This state of affairs could not last long for two reasons. First of all the demand for steel for armaments and other war purposes was growing very rapidly, and formed an ever larger proportion of the steel supply, which, at any rate as far as British production is concerned, was strictly limited by the number of blast furnaces already in existence. In addition the Service Departments over-ordered on a large scale. Thus the proportion of consumption which was exempt from the licensing control approached the whole available supply. Secondly the Control itself is believed to have been very liberal in granting licences to the various other steel consumers, so that in the beginning of 1940 the demand for steel for both war production and other purposes far exceeded the available supply, which at the end of 1939 was running at an average of over one million tons a month, very nearly the maximum capacity of the steel industry.¹

The Control was obliged to do something about the tremendous accumulation of orders for steel, for there existed no machinery to sort them out into any reasonable priority. In their own words, 'The Ministry of Supply felt it desirable that the requirements of Government Departments and Services . . . should be brought within the estimated capacity of the industry to deliver . . .' A fully fledged Distribution Scheme was launched in April 1940 in Control of Iron and Steel Order No. 8. The chief users of steel are grouped under twenty-six 'Departments', mainly Government Departments, but including also, for example, the Electricity Commissioners. The year is divided into four quarterly delivery periods. Each 'Department' gives the coordinating Priority Committee² its estimated requirements of finished steel for each period; the Committee, working with the Iron and Steel Control, squares these estimates with the available supply of steel. It then allocates to each 'Department' a global tonnage of finished

¹ There was, it is true, some increase of imports of semi-finished steel from Belgium, but this source was cut off in May 1940. It was not until after Dunkirk that steel was imported on a large scale from the United States.

² Originally the Joint Production and Materials Sub-Committee of the Ministerial Priority Committee. Later the Raw Materials Committee was responsible to the Production Executive. It is now part of Mr. Lyttelton's Production organisation.

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steel for the various periods. The 'Departments' distribute their ration among the consumers grouped under them. In this way the competitive demand for steel by Services and others is related to the needs of the war economy as a whole. In some periods the Ministry of Supply may get more steel for tanks and guns, in another a larger proportion may go to ship-building, and so on. The Scheme took a long time starting, but seems to have been working well by the beginning of 1941. The number of 'Departments' has been increased, and in the summer of 1941 the same distributive technique was applied to iron. As an increasing proportion of steel consumption is used in the fulfilment of Government contracts, the number of uses covered by licences has diminished. The various 'Departments' use a standard authorisation form for the Government contractors themselves, though they cannot issue beyond their global tonnage for the delivery period. Thus the Ministry of Home Security, when placing contracts for steel shelters, etc., must ensure that the total amount of steel authorised to its contractors does not exceed the global figure.

The licence is commonly used among the other Controls, though a few, e.g. Wool and Aluminium, buy up all the material, either home produced or imported, and distribute it directly themselves, thereby rendering the licence unnecessary. Distribution schemes similar to that for Iron and Steel have been introduced more recently for Cotton and Timber, but elsewhere considerable authority appears to rest in the Control itself for the determination of whether a particular use should be sanctioned or not.

The other main function of Controls is the ensuring of adequate supplies; here the practice varies more widely than in distribution. Early in the war the Government contracted to buy all the available Empire supplies of wool, lead, copper and aluminium. Imports of steel are centralised in the British Iron and Steel Corporation, a subsidiary of the Iron and Steel Federation, which is in the closest touch with the Control. Rubber, tin and cotton, and some other materials, however, were imported in the ordinary way by private merchants for quite a long time. The principle of bulk imports of cotton was gradually introduced and completed in April 1941. The ever growing pressure of events has, in fact, slowly forced the various Controls to take over the bulk import of their respective materials. The collection of scrap is another source of supply; this is mainly organised through local authorities, in connection with the various Controls.

The work of the Controls is vitally important. If it is badly

done it must seriously hamper the war effort. In my view the job has been badly done. Improvements in the technique of distribution and of coordination of the various controls have been made from time to time, but, in general, the Controls have always waited until the imminent danger of a complete collapse due to scarcity of a particular material has forced them to take the necessary steps. There is no evidence of any foresight, of any planning for the use of alternative sources, or of substitute materials, in case the usual supply should dry up. The reason for nearly every failure, every lack of foresight, can be traced back to the staffing of the Controls.

THE CONTROLLERS

The list at the end of this pamphlet shows that all but five of the 25 Ministry of Supply Controllers had some financial interest before the war in the production or merchandising of the material they now control. The exceptions are the very minor cork, abrasive and diamond controls and the Non-Ferrous Minerals Department. Not only the Controllers but also many of the deputy-controllers and other high administrative personnel had similar pre-war financial interests. There are two particularly remarkable cases of what Herbert Morrison called, in March 1940, this 'objectionable form of capitalist syndicalism'. Part of the organisation of the private British Iron and Steel Federation was at the outbreak of war taken over by the Iron and Steel Control, and its then President became the Iron and Steel Controller (a rump of the Federation still exists). The staff continued to be paid by the Federation. The Auditor General appears to have had considerable difficulty in establishing an impartial investigation into costs of production of steel, which is one of the most useful tests of the efficiency of an industry, and after two and a half years of war there still appears to be no adequate government check on costs. The 1941 Public Accounts Committee reported 'Your Committee regret that the results of their examination have not given them sufficient information on which to base any conclusions regarding the price fixing arrangements in the iron and steel industry.' The second striking instance was in the case of Non-Ferrous Metals where the principal trading company, the British Metal Corporation, was hired at an annual fee of £200,000 to carry out the duties of the Statutory Control.¹

In most other instances the Controller, and some of his

¹ This arrangement terminated at the beginning of 1942. The staff was re-employed at the customary civil service rates of pay, thereby saving 50% of the cost.

principal staff, were taken from the biggest companies dealing with the particular raw material. For instance, the first Controller of Aluminium was, before the war, a director of the British Aluminium Company, which produces nearly all the aluminium made in Great Britain. The agreement made between the Control and the Aluminium Company to buy its entire output at £94 a ton was sharply criticised by Mr Vyvyan Adams in the House of Commons in March 1940 on the grounds that competent authorities stated that the aluminium could be sold at a profit to the Company at £65 a ton. It is relevant in this connection to quote again from the 1941 Report from the Committee of Public Accounts :

“ In the case of aluminium the pre-war price, which was fixed by the company controlling the supply, has been raised to meet the increase in certain basic items of cost which were expected to fluctuate. These items, however, amounted to £41 only of the pre-war price of £94 a ton. It was explained that very large capital expenditure was required for manufacture, but no information was furnished to your Committee as to the period within which the capital expenditure is to be written off.”

From the minutes of evidence taken before the Committee it appears that the price paid by the Government to the British Aluminium Company increased from £94 to £107 a ton, equivalent to an increase on ‘ basic cost ’ of one third.

The exact position of a Controller with regard to his own private business is somewhat obscure. As will be seen from the table at the end, many Controllers receive no salary from the Government. The Treasury (in a minute sent to the Public Accounts Committee) points out that an arrangement whereby individuals, who, while holding an executive post, wish also to participate in their private businesses, is open to grave objections on principle, because (1) such individuals ought to devote their full services to Government work and (2) they should not be placed in a position where their official duties conflict with their private interests. Nevertheless, in the Treasury’s view, in war-time public interest may require that these objections be waived and therefore each case is to be treated on its merits. Thus a Controller, or a member of a control organisation, may, under certain circumstances, retain his financial interest in his private business. Apart from Iron and Steel, the Committee mentions (question 3334) a part-time member of the Paper Control who was “ permitted to retain his position in groups of companies trading in the material concerned ”. But though the present relations of the Controllers with their trades may be difficult to ascertain exactly, there can be no question of their past, and probable post-war positions as leading figures in the trades concerned.

The general argument against the present constitution of the Controls is well summed up in the words used by Herbert Morrison in the House of Commons on 1 February 1940: "Unfortunately the Government have gone on the line that people shall be taken from the trades and industries they have been running and be transferred to the Departments, to be the big noises in the running of these industries. That seems to be in the most elementary sense wrong and contrary to the principle of good public administration." The moral argument that men should not hold public office to deal with an industry from which they have in the past and may in the future derive financial benefit is weighty, and, although the Controllers are honest and impartial, it is likely that they will not drive as hard a bargain with their own trades as would an outsider. If this were the only criticism against the Controls, one might make a formal protest and say no more about it, but the objection to the present system is more fundamental; under it the war effort cannot go 'all out' in the way we are all agreed is essential to victory.

DEFECTS

It is urged in favour of the present system that only a man already fully conversant with the industry or trade concerned can grasp the complicated technical problems and decide on the necessary policy, and that to bring in a man from another industry or firm outside would lead to mistakes which might prove dangerous. This argument is devoid of any substance. If it were true, then it would follow that the change of government in May 1940, instead of holding the nation together through the perilous months which followed, ought to have led at once to disaster. Mr Churchill had never been a Prime Minister; Mr Bevin, as he proved to the consternation of his critics on more than one occasion, was not even conversant with the etiquette of the House of Commons. Mr Morrison was not an industrialist, though he became Minister of Supply. The Chancellor of the Exchequer is not a chartered accountant. The qualities required of a good Controller are much the same as those required of a good Minister: intelligence, the ability to grasp quickly the nature of a problem, and the determination to carry out any policy which has been decided. These qualities are not confined to the leaders of a few industries and trades, nor even to business men as a whole; they are also to be found among civil servants, professors of Greek, Trade Unionists and elsewhere. The Controller must, of course, have his advisory team of experts, industrial and technical, but what is above all

The first of these is the fact that the Government has not yet decided upon a definite policy in regard to the tariff. It has only announced that it will consider the question of a general tariff reduction, and that it will do so in the near future. This is a very vague statement, and it is difficult to see how it can be of any practical value to the public. It is true that the Government has a right to consider the question of a general tariff reduction, but it is equally true that it has a duty to do so in a timely and effective manner. The public has a right to know what the Government's policy is, and it has a right to have that policy carried out in a prompt and efficient manner. The Government should not keep the public in the dark, and it should not delay in making a decision upon this important question.

DEFICIT

The second of these is the fact that the Government has a large deficit. It is estimated that the deficit for the year ending in 1900 will be about \$100,000,000. This is a very large sum of money, and it is a very serious matter for the Government. It is true that the Government has a right to borrow money, but it is equally true that it has a duty to pay it back. The Government should not run up a large deficit, and it should not keep the public in the dark about it. The public has a right to know what the Government's financial condition is, and it has a right to have that condition improved in a prompt and efficient manner. The Government should not keep the public in the dark, and it should not delay in making a decision upon this important question.

essential in the Controller is impartiality and independence of the traditional background of the particular industry or trade. In war the needs of the community are often in direct conflict with the interests of a particular industry. When such a conflict occurs, 'it is only human nature,' writes the *Economist*, 'that the man whose whole life has been and will be in the trade should hesitate and hang back, that in a painful necessity he should see more clearly the pain than the necessity.' A few illustrations will be sufficient to show that in fact the necessity has in many cases not even been seen.

In peace time Britain produces most of her own steel, partly from ores mined at home, partly from ores imported from overseas (e.g. Narvik), partly from scrap. The capacity of the industry is about 15 million tons a year, considerably less than that of the Old Reich, and probably less than half of the Nazi-controlled capacity after Dunkirk. One would have thought that an expansion of our production of ores, a really intensive campaign for the collection of scrap, and, possibly, an increase in the steel making capacity should all have formed an essential part of our war effort. But the Control (the Iron and Steel Federation) is fearful of the post-war position of an industry which has developed too much plant during the war, and it is perhaps not a coincidence that the Control has from the beginning adopted the line that the industry could easily produce all the steel the nation could conceivably require, and some to spare.¹ The fallacy of this view was proved by the heavy imports of steel from the United States after Dunkirk; imports in the last quarter of 1940 were more than three times as high as in the first quarter. The campaign for the collection of scrap iron and steel was mainly the responsibility of the Control. As far as possible they relied on the 'normal channels of trade', and hoped that to pay a fair profit to the usual scrap merchants would be enough to do a job five or ten times as great as in peacetime. In the summer of 1941, in spite of continuous propaganda drives, *The Times* remarked caustically that '... the collection and disposal of scrap metal should be like a swift and smoothly flowing stream. Instead, what with unsalved material and salved dumps, it is more like a congested and almost stagnant canal.' At the end of 1941 the Government took the unprecedented step of shifting the responsibility of scrap collection to the Ministry of Works and Buildings, a clear if belated admission of the failure of the Control to carry out a vital job.

¹ It is not denied that expansion of ore mining is now taking place. The point is that post-war interest conflicted with war-time necessity and undue weight was given to the former.

The case of rubber is not so much one of the Control's failure to act in a proper manner, as of failure to act at all. It is possible that if the Rubber Controller had, as soon as he was appointed in April 1941, told the Minister of Supply that he expected the Japanese to have occupied Malaya and the Dutch East Indies within the next twelve months, he might have been jailed as a defeatist. But it would have been prudent to lay in great stocks of crude rubber and to allow the Americans to do the same, just in case. To do this would have called for pressure on the International Rubber Regulation Committee to raise the production quotas, pressure which, since the Committee is predominantly British and Dutch, would have been successful. But when Mr Jesse Jones, US Secretary for Commerce, was asked recently if the British and Dutch were reluctant 'to release stocks and raise the percentages of the base quotas', he replied: 'I could not say that they were reluctant to release stocks sufficient to provide the United States with a reasonable stock-pile, but apparently they did not want the quotas to be increased to such an extent that post-war markets would be seriously affected.'

The Controls have shown a remarkable tenderness towards the usual merchants. By buying directly all home produced and imported wool the Wool Control took to itself the merchants' functions of valuing and distributing the raw material and of risk-bearing. But when the Control has valued the wool and indicated whether it is to be used for Government production or the home market, it then hands it to the usual private merchants to see that it reaches its destination and pays them a commission.¹ The same thing happens in cotton. All incoming supplies are bought directly or indirectly by the Government. Distribution is dealt with by the Raw Materials Committee of the Production Organisation and by the Control. The importing merchants' functions of risk taking and distribution no longer exist, but they still get a commission for little more than making returns for the Control! The timber merchants all share the profits of distributing timber; the same number of firms appear to be handling a trade about one-third or a quarter its pre-war size. There seems to be a considerable wastage of managerial skill.

Instead of effecting all those real economies (in terms of plant and labour) in distribution which a monopoly position should give, especially when backed by statutory powers, the Controls have in many cases simply superimposed a bureaucratic machine on top of the 'normal channels of trade' which no longer perform any real function at all. The result is waste and inefficiency.

¹ For a full account of the Wool Control see Brook, Dryden: *The Wool Industry*, Fabian Research Series 1942, 6d.

The time when the United States was a part of the British Empire, and the progress of the American Revolution, is a subject of great interest to the people of this country. It is a subject which has been the subject of much of the best of our literature, and which has been the subject of much of the best of our history. It is a subject which has been the subject of much of the best of our art, and which has been the subject of much of the best of our music. It is a subject which has been the subject of much of the best of our science, and which has been the subject of much of the best of our philosophy. It is a subject which has been the subject of much of the best of our religion, and which has been the subject of much of the best of our ethics. It is a subject which has been the subject of much of the best of our law, and which has been the subject of much of the best of our politics. It is a subject which has been the subject of much of the best of our economics, and which has been the subject of much of the best of our sociology. It is a subject which has been the subject of much of the best of our anthropology, and which has been the subject of much of the best of our linguistics. It is a subject which has been the subject of much of the best of our psychology, and which has been the subject of much of the best of our physiology. It is a subject which has been the subject of much of the best of our medicine, and which has been the subject of much of the best of our agriculture. It is a subject which has been the subject of much of the best of our industry, and which has been the subject of much of the best of our commerce. It is a subject which has been the subject of much of the best of our education, and which has been the subject of much of the best of our culture. It is a subject which has been the subject of much of the best of our art, and which has been the subject of much of the best of our music. It is a subject which has been the subject of much of the best of our science, and which has been the subject of much of the best of our philosophy. It is a subject which has been the subject of much of the best of our religion, and which has been the subject of much of the best of our ethics. It is a subject which has been the subject of much of the best of our law, and which has been the subject of much of the best of our politics. It is a subject which has been the subject of much of the best of our economics, and which has been the subject of much of the best of our sociology. It is a subject which has been the subject of much of the best of our anthropology, and which has been the subject of much of the best of our linguistics. It is a subject which has been the subject of much of the best of our psychology, and which has been the subject of much of the best of our physiology. It is a subject which has been the subject of much of the best of our medicine, and which has been the subject of much of the best of our agriculture. It is a subject which has been the subject of much of the best of our industry, and which has been the subject of much of the best of our commerce. It is a subject which has been the subject of much of the best of our education, and which has been the subject of much of the best of our culture.

The time when this country could afford this waste is past ; we can no longer rely on a great neutral like the United States to help us out with steel when we run short. But I can see no reason why the same Controls which have made these mistakes in the past will not continue to make them in the future, and this time the mistakes may be disastrous. Quite apart from the failure of the individual Controls there is a much deeper problem of the co-ordination of the controls. In the early months of the war there were serious delays in production due to the fact that a manufacturer, having obtained licences to use (say) three materials, was held up because a licence for a fourth material could not be obtained. This type of hold-up seems now to have been eliminated, but that is not the whole story. An essential pre-requisite of planning ahead is that the planning body should know exactly both what are the available supplies of raw materials and what is the potential increase of these supplies. Until the appointment of Mr Lyttelton as Production Minister, the body in charge of raw materials was the Materials Committee of the Production Executive. The Select Committee on National Expenditure says of this Committee that they have 'done good work' but 'had no adequate power or organisation at their disposal. They depended too much on the individuality of their chairmen and too little on proper system and organisation.' Only in four materials, Iron and Steel, Cotton and Timber, did the Committee actually allocate, on a quantitative basis, the supplies of the raw material to their various uses. It is quite impossible to say in all other materials, whether there was any such quantitative allocation, or if there was, who did it. In view of the weakness of the Production Executive it would appear that the Controllers themselves have great power in this respect and the recent appointment of a Director-General of Controls implies that the decision of the various Controllers as to which uses of materials should be licensed and which prohibited have not dovetailed into one another.

Furthermore, although the Controls have local officers, the licensing decision depends entirely on headquarters. Now there will clearly be many cases where one firm in a region will be short of an important material, while another may, temporarily, have large stocks, and yet be idle for some other reason. In such cases, a man on the spot should have the power to transfer the material to the active firm. In other words, the raw material controls should be fitted into the new Regional Organisation (recommended by the Citrine Committee) to which the Government has agreed. But this would be strongly resisted by the present controls, because it would imply a break-up of their monopolistic power.

2 Controls and Reconstruction

A total war effort working smoothly necessitates a change both in the structure and the staffing of the Controls. The type of change depends on whether the Controls are 'for the duration only', or whether they are to be a permanent factor in our economy. I have argued that the monopolistic and conservative psychology of the present Controllers is such that a change must be made if the war is not to be prolonged indefinitely and if the risk of defeat is to be averted. But if the argument that the present Controls are a hindrance to the war effort is powerful, the argument that they would wreck any attempts at reconstruction is overwhelming.

The Labour Party, in the 'Old World and the New Society', its preliminary programme for Reconstruction, has demanded the retention of 'controls' after the war, and among these controls are presumably included those dealing with raw materials. The demand for 'Control' and 'Planning' after the war does not come only from the Labour Party, but from almost every quarter, including the bulk of the industrialists and the monopolists themselves. The latter envisage a continuation of the present system. They believe that their private interests are synonymous with the good of the community, and they would use their position within the State machinery to eliminate 'cut-throat competition', i.e. any independent business firms which preferred to sell a large output at a low price rather than to extort monopoly prices from the consumer. The economic policy of the 1931 National Government was one of support of private monopolies, and it was argued that this would bring about a recovery after the world economic crisis. In fact a considerable recovery did occur between 1933 and 1937. This was not, however, *because* of the increasing monopoly but *in spite* of it. The chief causes of the recovery were: cheap food, which enabled people to spend money on other things, e.g. radios, cars and houses; low interest rates which enabled people to build new houses at lower cost (through Building Societies); and the depreciation of the pound, which assisted our export trade. The monopolies acted as a brake on this recovery. (E.g. if steel prices had not been so high, more construction might have been undertaken.) Nor should we forget the other side of this 'recovery': well over a million unemployed; the 'depressed areas' doomed to rot until they died a natural death; the 'recession' which was sharper than the 1931 crisis and would have produced an unprecedented slump if rearmament had not come to the rescue of capitalism; the scrapping of 'surplus' capacity

The first of these is the fact that the
 government has a right to regulate
 the commerce between the states
 and with foreign nations. This
 power is vested in Congress by
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 Constitution.

which could have been used to produce goods for the poor and the hungry. If this was the state of affairs before this war, imagine the record unemployment, the scarcities, the slumps, and last, but not least, the profits which private monopoly would achieve if it retained its position as part of the post-war State machine. This is not a wild nightmare but simply the application of cold logic—logic so admirably expressed in a recent statement of the Tobacco Federation of the British Empire, quoted in the *Financial News*: 'While supporting the principles of the Atlantic Charter, Rhodesian and other Empire growers feel that long-term planning for tobacco needs a long-term tariff policy.'

On the other hand, controls are necessary, as part of the planned economy which we must have if Reconstruction after this war is not to suffer the same fate as after the last. The end of the war will not find Britain in Easy Street; there are few men who would prophesy that the Empire will be restored to us as it was in 1939. Many of the principal sources of our raw materials may have disappeared; for example, mines and plantations will have undergone one or more 'scorched earth' policies. Our trade balance will present a rather sorry picture. All sorts of new materials and new methods of production will have to be used, calling for courage, foresight and the over-riding of all vested interests. But these methods can only be used by State organisation, representing the community, planning for plenty and not for scarcity, and oblivious to the special pleading of vested interests.

3 A New Model for the Controls

I have argued that the 'Controls' must be changed as part of our drive for victory. I have also argued that new Controls, acting on entirely different principles, are an essential part of Reconstruction. We should, therefore, change the organisation of the war-time Controls in such a way that we are laying the foundations of the Raw Materials Sector of the Post-war State.

The first principle must be that the head of each Control should have no past, present or probable future financial interest whatever in the material he is controlling. Secondly, as these Controls are intended to be permanent, the use of existing Trade Organisations as Controls should be abolished altogether. Thirdly, it will probably be best to employ the Controllers on a terminable contract, say for five years. This raises a problem of the salaries to be paid, and its solution depends entirely on whether, after the war, industry carries on in much the same way as before the war, or whether there will be a substantial degree of socialisation. In the

former case there will be the danger that many of the most suitable candidates for the posts would prefer to earn the high 'industrial' salaries rather than to accept a salary equivalent to that of a Permanent Secretary. It would probably be necessary, therefore, to follow the precedent created by the Public Boards, such as the L P T B, the B B C, and so on, where the high officials are paid rather on the 'industrial' than the Civil Service scale. If, however, there is a strong drive towards socialism, then the great industrial incomes will be very unusual and it will be possible to get the best men at a remuneration comparable with that of a Civil Servant of similar status, allowing for higher actual salaries to compensate for lack of pension rights. In both cases it is desirable that the income tax should remain steeply progressive (or become more so) in order to reduce the real income inequalities between public servants.

The functions of these new Controls would vary. In Iron and Steel, for example, the change which I propose might imply the nationalisation of the industry up to the point where raw steel is produced, although if we were considering distribution alone it would be sufficient for the Control to buy all raw steel from private producers and then distribute it. Where a substantial proportion of a raw material is produced at home, e.g. aluminium, it would be desirable for the Control to take over the responsibility for production directly, and not merely buy up the produce of private companies. On the other hand, for materials such as wool and cotton the main function of the Controls would be to buy imports (and such minor home production as exists) and, replacing the traditional merchants, carry out the function of distribution. These are, of course, only examples to show the diversity of the type of control. Each one should be examined on its merits, and the sphere of activity of the Control delimited.

The Controls should be grouped to cover close substitutes, e.g. the Wool, Cotton, Rayon and Silk, and Flax Controls should be closely coordinated, as the textiles produced from these materials are to some extent substitutes for one another, and should therefore be treated as a whole rather than separately. The new National Rubber Control, in addition to being responsible for imports, would also be responsible for the development of synthetic production, should that be necessary.

What I propose, therefore, is an entirely new branch of government, charged with the provision of all the principal industrial raw materials, and of producing substitutes if natural supplies are no longer available. Such a body is, of course, an

The first of these is the fact that the United States is a young nation, and that its history is a history of growth and expansion. The second is the fact that the United States is a nation of immigrants, and that its history is a history of the struggle for a better life for all.

The third is the fact that the United States is a nation of free men, and that its history is a history of the struggle for freedom and justice for all.

The fourth is the fact that the United States is a nation of peace-loving people, and that its history is a history of the struggle for peace and harmony for all.

The fifth is the fact that the United States is a nation of progress, and that its history is a history of the struggle for a better and more prosperous life for all.

The sixth is the fact that the United States is a nation of hope, and that its history is a history of the struggle for a brighter and more hopeful future for all.

The seventh is the fact that the United States is a nation of faith, and that its history is a history of the struggle for a higher and more noble life for all.

The eighth is the fact that the United States is a nation of love, and that its history is a history of the struggle for a more loving and more caring life for all.

The ninth is the fact that the United States is a nation of courage, and that its history is a history of the struggle for a more brave and more daring life for all.

The tenth is the fact that the United States is a nation of honor, and that its history is a history of the struggle for a more honorable and more dignified life for all.

The eleventh is the fact that the United States is a nation of integrity, and that its history is a history of the struggle for a more honest and more upright life for all.

The twelfth is the fact that the United States is a nation of justice, and that its history is a history of the struggle for a more fair and more equitable life for all.

The thirteenth is the fact that the United States is a nation of mercy, and that its history is a history of the struggle for a more compassionate and more forgiving life for all.

The fourteenth is the fact that the United States is a nation of kindness, and that its history is a history of the struggle for a more gentle and more peaceful life for all.

The fifteenth is the fact that the United States is a nation of patience, and that its history is a history of the struggle for a more calm and more serene life for all.

The sixteenth is the fact that the United States is a nation of humility, and that its history is a history of the struggle for a more modest and more unassuming life for all.

The seventeenth is the fact that the United States is a nation of gentleness, and that its history is a history of the struggle for a more soft and more tender life for all.

The eighteenth is the fact that the United States is a nation of meekness, and that its history is a history of the struggle for a more lowly and more unassuming life for all.

The nineteenth is the fact that the United States is a nation of mildness, and that its history is a history of the struggle for a more gentle and more peaceful life for all.

The twentieth is the fact that the United States is a nation of sweetness, and that its history is a history of the struggle for a more pleasant and more enjoyable life for all.

The twenty-first is the fact that the United States is a nation of goodness, and that its history is a history of the struggle for a more virtuous and more noble life for all.

The twenty-second is the fact that the United States is a nation of beauty, and that its history is a history of the struggle for a more attractive and more pleasing life for all.

The twenty-third is the fact that the United States is a nation of grace, and that its history is a history of the struggle for a more elegant and more refined life for all.

The twenty-fourth is the fact that the United States is a nation of glory, and that its history is a history of the struggle for a more magnificent and more splendid life for all.

The twenty-fifth is the fact that the United States is a nation of honor, and that its history is a history of the struggle for a more noble and more dignified life for all.

The twenty-sixth is the fact that the United States is a nation of power, and that its history is a history of the struggle for a more strong and more powerful life for all.

The twenty-seventh is the fact that the United States is a nation of wisdom, and that its history is a history of the struggle for a more intelligent and more thoughtful life for all.

The twenty-eighth is the fact that the United States is a nation of knowledge, and that its history is a history of the struggle for a more learned and more educated life for all.

The twenty-ninth is the fact that the United States is a nation of truth, and that its history is a history of the struggle for a more honest and more upright life for all.

The thirtieth is the fact that the United States is a nation of justice, and that its history is a history of the struggle for a more fair and more equitable life for all.

The thirty-first is the fact that the United States is a nation of peace, and that its history is a history of the struggle for a more calm and more serene life for all.

The thirty-second is the fact that the United States is a nation of love, and that its history is a history of the struggle for a more loving and more caring life for all.

The thirty-third is the fact that the United States is a nation of hope, and that its history is a history of the struggle for a more optimistic and more hopeful life for all.

The thirty-fourth is the fact that the United States is a nation of faith, and that its history is a history of the struggle for a more trusting and more confident life for all.

The thirty-fifth is the fact that the United States is a nation of courage, and that its history is a history of the struggle for a more brave and more daring life for all.

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The fiftieth is the fact that the United States is a nation of glory, and that its history is a history of the struggle for a more magnificent and more splendid life for all.

The new National Constitution is a grand document, which is not possible to
 describe in a few lines. It is a masterpiece of wisdom and statesmanship, which
 will stand the test of time. The framers of this Constitution were men of
 high character and ability, who were able to see the needs of the people and
 to provide for them in a wise and practical manner. The Constitution is a
 living document, which will grow and develop with the needs of the people.
 It is a document which will guide us in our journey towards a better future.
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essential part of a planned economy, though it is not possible to say whether it could be fitted into a general peace-time plan without structural modification (for example, it may be preferable to organise on an *industrial* basis from raw material to finished product). For the duration of the war, however, we can be more specific. The organisation should be taken out of the Ministry of Supply altogether and transferred to the Production organisation. Mr Lyttelton, in his statement on production, argued that to tear the Controls out of the Ministry of Supply at this stage would cause great dislocation. This may be true if no changes whatever are to be made in the Controls, but then the war effort must suffer from the inefficiency of the present machine. But if we introduce the changes in staffing and organisation which I have argued are necessary to increase the war effort, then the transfer to the Ministry of Production would cause little additional dislocation.

Critics of these proposals will argue that I want to lay 'the dead hand of bureaucracy' over all war industry, and that civil service methods would be even worse than the present system. The answer to this is threefold. In the first place the civil service is no worse an offender in this respect than private monopoly. No Control has been more criticised for the multiplicity of forms to be filled in and statistics to be collected than the Iron and Steel Control, which, since it is staffed by members of the Iron and Steel Federation, is presumably run on business lines. Secondly, the new system would eliminate the duplication of many jobs; for today the Controls allow the 'normal channels of trade' to function, but put their own policemen at every corner to keep a check on distribution. Thirdly, the new system would make the fullest use of technicians and business men who would not be hampered by vested interest or tradition. There is, in fact, no reason why the controls should employ civil service methods, or even civil servants. Thus, on the first count, the new system could be no worse than the old; on the second it would be more 'streamlined', able to adapt itself rapidly to changing circumstances, and no longer carrying a trail of useless camp-followers; on the third count it would clear away the multifarious vested interests of industry and civil service alike. During the war we should achieve both coordination of the controls and decentralisation of their powers to the regions within the Production Organisation. Further, we should know that, after the war, the resources of the country would be developed, not for the profit of anti-social combines, but in the interest of the community as a whole.

Minister of Supply :

SIR ANDREW DUNCAN, President of the British Iron and Steel Federation.

Director General of Controls :

SIR KENNETH LEE, Director, District Bank; Chairman, Tootal, Broadhurst, Lee Co.²

Controllers :

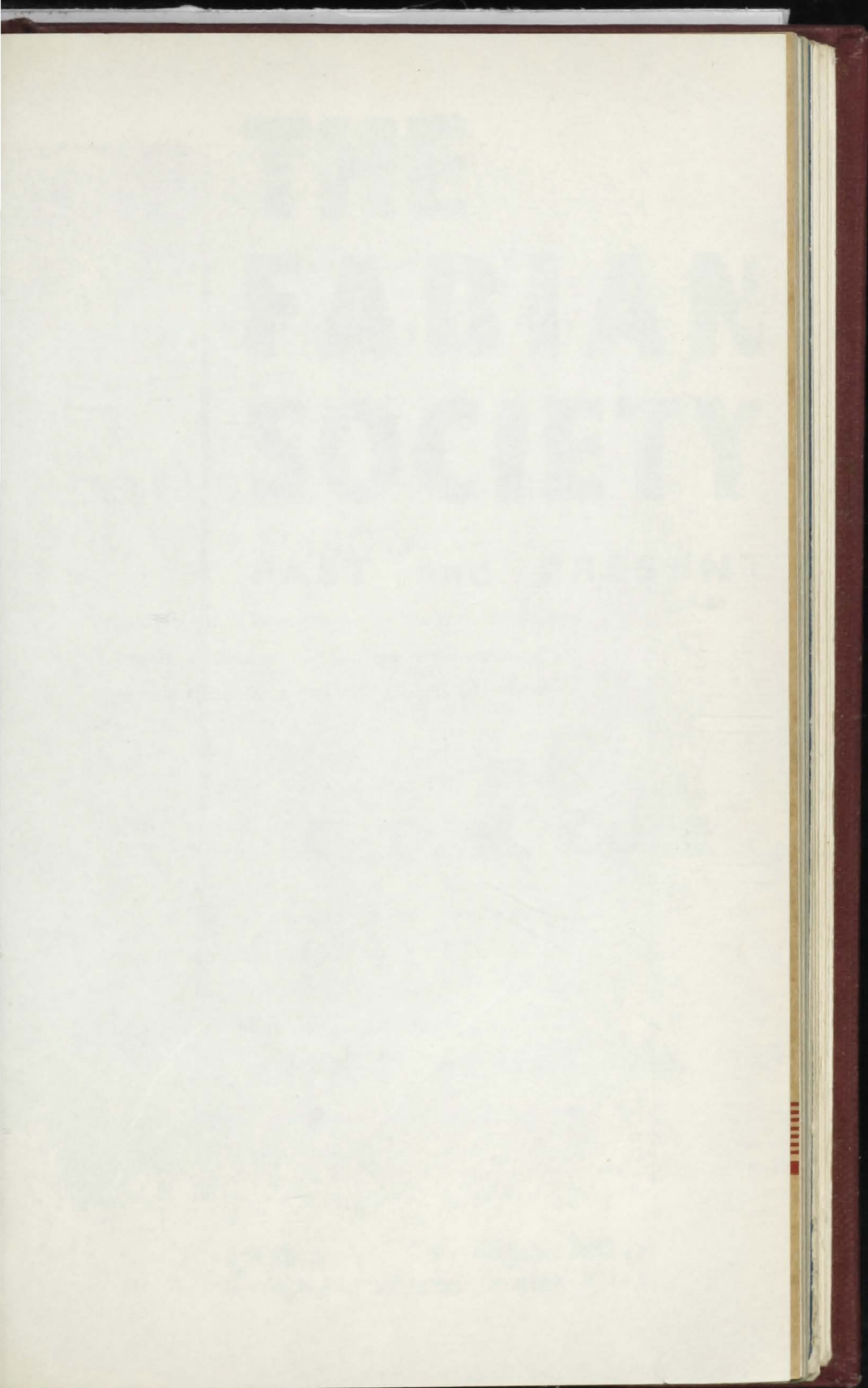
Abrasives .. .. .	..	C. J. Brockbank .. ..	..	Brockbank & Powell, Ltd., Consulting Engineers
Alcohol, Molasses & Solvents .. .. .	..	*T. F. A. Board .. ..	..	United Molasses' Distillers Co., British Industrial Solvents
Chemicals (Miscellaneous) .. .. .	..	*D. J. Bird .. ..	..	Director, Fison, Pacuard & Prentice Ltd. (Fertilisers)
Chrome Ore, Magnesite and Wolfram .. .. .	..	*W. T. V. Harmer .. ..	..	Technical Assistant to Director of United Steel Companies Ltd.
Cork .. .. .	..	W. Skinner .. ..	..	Director and Asst. Manager, Bush House
Cotton .. .. .	..	Frank Platt .. ..	..	Lancashire Cotton Corporation
Diamond Dies and Tools .. .. .	..	R. L. Prain .. ..	..	Anglo Metal Co., Roan Antelope
Diamonds (Industrial) .. .. .	..	*Sir Cecil Rodwell .. ..	..	Consolidated Gold Mines of South Africa, Roan Antelope
Fertilisers .. .. .	..	H. Cunningham .. ..	..	Fertiliser Manufacturing Association, Scottish Agricultural Industries (I.C.I.)
Flax .. .. .	..	*J. S. Ferrier .. ..	..	Wm. F. Malcolm Ltd. (flax, hemp and jute merchants)
Iron and Steel .. .. .	..	*Col. Sir Charles Wright .. ..	..	Baldwins, ex-President British Iron and Steel Federation
Hemp .. .. .	..	*A. M. Landauer .. ..	..	Landauer & Co. (hemp and fibre merchants)
Jute .. .. .	..	*H. S. Sharp .. ..	..	J. Sharp & Sons, Dundee Association of Jute Spinners and Manufacturers
Leather .. .. .	..	Dr. E. C. Snow .. ..	..	Manager, United Tanners' Federation
Non-Ferrous Metals .. .. .	..	*A. M. Baer	}	British Metal Corporation
	..	*W. Mure		
Non-Ferrous Mineral Department .. .. .	..	*Sir William Larke, K.B.E. .. ..	..	Director, British Iron and Steel Federation
Paper .. .. .	..	*A. R. Reed .. ..	..	Albert Reed & Co. Ltd. (paper manufacturers)
Plastics .. .. .	..	*L. P. B. Merriam .. ..	..	British Associated Plastics, British Xylonite Co.
Rubber .. .. .	..	*F. D. Ascoli .. ..	..	Dunlop Plantations Ltd.
Silks and Rayon .. .. .	..	H. O. Hambleton .. ..	..	Hambleton & Co., (silk weavers)
Sulphate of Ammonia .. .. .	..	*F. C. O. Speyer .. ..	..	I.C.I.
Sulphuric Acid .. .. .	..	N. Garrod Thomas .. ..	..	National Sulphuric Acid Manufacturers' Association
Timber .. .. .	..	*Major A. I. Harris .. ..	..	L. Bamberger & Sons (timber merchants), Past President Timber Trades Federation
Wool .. .. .	..	*Sir Harry Shackleton .. ..	..	Taylor, Shackleton & Co. (spinners), Past President Bradford Manufacturers' Association
Light Metals (M.A.P.) .. .. .	..	G. W. Lacey .. ..	..	British Aluminium Co.

1. The details in this table are taken mainly from "Hansard" (quoted in "Financial News," 15th May, 1942).

2. The first Director General of Controls (appointed in April, 1942) was Sir George Beharrell, Chairman of the Dunlop Rubber Company and President of the F.B.I. in 1932-3. He resigned in May owing to ill-health. Sir Kenneth Lee has been since July, 1941, representative in the United States of the Industrial and Export Council of the Board of Trade.

* These Controllers receive no salary from public funds. The remainder receive salaries ranging from £1,000 to £1,500 a year.

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TRADE UNION OFFICIALS
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