

far as in them lies, done everything, even if no success follow; and they have their reward laid up for them.

I am deeply grateful to Bishop Hilarius. He wrote to me asking my leave to go back to his diocese, set things right there, and then return. Since his presence is important (he is a holy man, zealous and indeflectible) I have bidden him go and return quickly. Take care that my letter to him is delivered early and safely and is not thrown aside; he asked most urgently for a letter, and his presence is important. So be most careful with the letters that I enclose; if the priest Helladius is not with you, choose some other intelligent man with his wits about him, and make sure that the letters reach my friends.

*Translated by* WALTER SHEWRING.

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## THE ECONOMIC CRISIS

THE economic crisis with which Britain is faced today has very little to do either with Tory Misrule before the war or with Socialist Mismanagement since. It is to some extent due to the loss of most of our overseas investments during the war; but it is mainly due to the fact that we are finding it more and more difficult to export our manufactures in exchange for food and raw materials. More than a hundred years ago Disraeli declared that 'the continent will not suffer England to become the workshop of the world', and he was right in spite of the fact that during the latter part of the nineteenth century we grew wealthy by exporting our manufactures in exchange for cheap food. The situation today is very different. The rest of the world is becoming more and more industrialised and the world is short of food. The ruthless exploitation of virgin forests and farmlands has resulted in erosion in five continents so that yields are going down and land is passing out of cultivation. At the same time populations are increasing and there is somewhat greater equality of income so that the effective demand for food is increasing. The result is that the terms of trade are moving against us. We are having and shall have to pay more in manufactures for what food we cannot produce at home and for the raw materials we need to keep our factories going.

In the long run it is probable that emigration will be necessary. In the short run we have to produce more so as to pay for essential imports of food and raw materials and shall probably also have to consume less. It was in order to enable us to sell more abroad and pay for essential imports that the pound was devalued last

September. The result of devaluation has been that the cost of living has increased and will increase further. We shall have to pay more for raw materials such as American cotton, Canadian wheat and American tobacco—and films if we must have them. The diversion of goods to export will leave less for us at home too. One result in the increase in the cost of living is that pressure for wage-increases is likely to grow. The engineers, the railwaymen, civil servants and other workers are all pressing for increases; yet if a general increase in wages is allowed, costs and prices will rise and we shall be unable to maintain our export markets.

What has the Labour Government done to meet the crisis? It has increased the tax on distributed profits. It proposes to allow some wage increases for lower paid workers. And it has announced some administrative economies and some cuts in Government expenditure which are likely to increase the cost of living still further. The profits tax and the wage increase for lower paid workers will both reduce incentive and tend to increase prices. Some of the economies announced by Mr Attlee are useful but the Government has, so far, done nothing to tackle the main problem which is to stabilise wages and prices in spite of devaluation and the increased cost of living and to increase productivity by establishing a spirit of partnership in industry.

To judge from the recent Conservative Conference a Conservative Government has no alternative proposals to meet the economic crisis with which the country is faced. The Conservatives talk a lot about partnership but the people of this country are not likely to work harder simply for the pleasure of working under a Conservative Government. There were resolutions on the agenda of the Conference which proposed that a Conservative Government should restore co-partnership in the gas industry and introduce co-partnership in the mines, but they were not chosen by the party leaders for debate. There was an amendment to the resolution on the 'Right Road for Britain' which proposed that co-partnership should be encouraged in industry generally by tax concessions, but it was not debated. In general the Conservatives talk about reducing taxes and Government expenditure but at the same time maintaining the social services. They do not say which taxes are going to be reduced and which controls withdrawn, and it is possible that a reduction in the profits tax in the name of incentive and of controls over big business in the name of enterprise would do little to encourage the workers to work harder. The general attitude of the party was summed up by Mr Eden when he said, 'Unless and until we have access to all the facts and information we cannot tell you what our plans will be'; and by Sir Herbert Williams when

he declared, 'When we rule in the next parliament we must rule with a free hand'.

What then are we to do? We cannot afford to allow pressure for wage increases to force up prices and make it impossible for us to maintain our export markets. We should then have to make drastic cuts in our imports of food and raw materials and be faced with mass unemployment and possibly starvation. Some people suggest that a Conservative Government would try to bring down wages and prices by a deflationary policy such as they adopted after the Great War, but that would mean current prices falling below past costs, depression and unemployment.

One thing which we shall certainly have to do and that is to produce a much larger proportion of the food we need from our own soil. That cannot be done by large scale mechanised farming which increases output *per head*. It can be done only by relatively small scale mixed farming which can raise and maintain yields *per acre*. It must be made worth while to farm poor and marginal land and that can best be done by tax adjustments to help such farmers, possibly accompanied by an increase in food prices. But unless we kill off our livestock and live on potatoes and cereals, we are not likely to feed ourselves from our own land; we must increase productivity in industry so as to pay for food and raw materials which we have to import. We are, however, unlikely to secure any substantial increase in productivity so long as the workers know that extra effort on their part is going to increase the profits of the stockholders or be collected in taxation instead of benefiting themselves and their families.

In order to secure an increase in productivity and in order to stabilise wages and prices in spite of the increased cost of living, the Government will probably be forced to introduce legislation making dividend limitation statutory and permanent and providing for the distribution of the surplus revenues of industry as a dividend on wages and salaries. Sir Stafford Cripps announced in the debate on devaluation that he might have to introduce legislation on profits with the next budget. He may, however, be forced to do so before then. The present system of 'voluntary' limitation does little good because the worker knows that surpluses accumulating as a result of such limitation and of restraint in wage demands will, sooner or later, be distributed to the stockholders; sooner in bonus shares or later in cash. If dividend limitation is made statutory and permanent, however, the worker will know that after a reasonable return has been paid on capital any available surpluses will be distributed as a dividend on wages and salaries. He will therefore have every reason to co-operate wholeheartedly with management

in increasing production and little reason to press for wage increases.

The incorporation of the co-operative principle of a limited return on company law would probably do more to increase productivity and enable us to pay our way. Curiously enough dividend limitation is also advocated by Fr Andrew Gordon in the 1949 Catholic Social Guild Year Book, *Property in the Christian Tradition*, not so much because it is economically necessary as because it is socially desirable. For if the return on capital is limited by law and the workers become the residual beneficiaries of industry, they become holders of the 'equity', owners in the sense that ordinary shareholders are owners today. Dividend limitation is also advocated by Mgr Ryan in his pamphlet *A Suggested Limitation of Capitalist Property* and by the late Archbishop Temple in his book *Christianity and the Social Order*. Archbishop Temple proposed that company law should be amended so that wherever the liability of the investor is limited his return is limited too.

Such a change in the structure of industry is probably essential if we are to achieve that increase in production which all the experts tell us is so necessary. But a change also is required in the attitude of the worker to his work. It is not enough to make changes in the law; whether we in this country are to produce enough to pay for essential imports of food and raw materials depends upon the attitude of each individual to his work. Even if we do all work with a will and find some sense of vocation in our work we still may not be able to maintain quite such a high material standard of living as some of us have enjoyed in the past. We may have to do without some of the American films, television services or giant aircraft that we may have tended to regard as essential to the 'good life'. The terms of trade will still move against us whatever change we may make in the ordering of our lives. Yet it may be that in the lean years which lie ahead we may find satisfaction in our work and be as happy as other people who are able to afford all the latest devices of technology. It is not always the rich people who are the happiest, nor yet the wealthy nations.

PAUL DERRICK.