

Anglo-American Economic Conflict

by J. R. CAMPBELL

THE political relations of the two great western Allies—the United States and Britain—are undergoing a considerable strain at the moment, and the press of both countries, after a mutual bombardment of reproaches, recriminations, jests and insults—has agreed that the sooner Churchill, Roosevelt and Stalin meet to straighten out things the better it will be for everyone.

Things appear to be even worse in the field of economic relations. The differing attitudes of the British and U.S. delegates at the International Businessmen's Conference held at Rye revealed sharp disagreements on all the major questions of the day.

Both U.S. and British business men are suffering from an economic anxiety neurosis. They know that the war has profoundly changed the lines of trade. New countries have become industrialised, old markets have disappeared. The British and American people are haunted by the spectre of mass unemployment. British economists and business men are asking themselves whether Britain can replace the income from lost foreign investments so as to obtain all the imports of food and raw material necessary for her industry. American economists and business men wonder where they will find peace-time markets for their industries, which have been so greatly expanded to meet the needs of the war. Every move made by American business men is watched with intense anxiety and suspicion by the British, and vice versa. If this atmosphere were allowed to develop the very unity of the United Nations would be at stake.

At the Bretton Woods Monetary Conference the main points at issue between the two countries were outlined. Having attained agreement on

the question of an International Monetary Fund, and of a World Bank for Reconstruction and Development, the assembled experts called upon their Governments to meet together to arrive at a common policy on the following points:—

(1) The reduction of the obstacles to international trade and the promotion of mutually advantageous commercial relations.

(2) The orderly marketing of staple commodities at prices fair to producer and consumer alike.

(3) The special problems of international concern which will arise from the cessation of production for war purposes.

(4) The harmonisation of national policies designed to promote and maintain high levels of employment and progressively rising standards of living.

Take problem number 3 mentioned above. In all countries, the capital goods industries have been expanded to meet the needs of the war. The proportion of capital invested in them and of people employed in them, is far greater in relation to the economy as a whole, than it has ever been in time of peace. It is agreed that these industries will have to undergo some contraction in peace time. (The amount of this contraction will depend on policy. It will be less than it would otherwise be, if the main capitalist countries can agree on an international policy for economically developing the backward countries of the world.)

But how is the extent to which the capital goods industries in the various countries are to be contracted, to be decided. Is it to be decided by a process of competition within the various countries and on the international field—a process of cut-throat competition in which each state will be expected to render the maximum assistance to the industries of their own country? This is indeed a recipe for international

chaos. Even those liberal economists whose god is "free competition" shrink from it. They assert that competition is able to make small adjustments in peace time, but express doubts as to whether it can bring about the much greater adjustments which are necessary in the aftermath of war.

Take a concrete example. The aviation industry has been enormously expanded in all countries. The United States aircraft industry, if maintained at its wartime level, could in peacetime produce all the planes needed to maintain a greatly increased air force, and all the planes needed in any enormously expanded world-wide civil aviation industry. But aviation is a strategic industry which every country of any size will seek to develop.

So at the recent civil aviation conference at Chicago two conflicting conceptions met. The U.S. representatives argued for free competition. Let every country produce as many civil aircraft as it wants; let them compete for trade and let the best country win. The British argued for the setting up of an international authority which would apportion quotas of planes to each country. They were supported by most other States.

Here you have a fundamental clash of policies which could be repeated in scores of other fields. We will only take shipping. In pre-war years the capitalists of the United Kingdom owned 17,900,000 tons of shipping. The United States capitalists owned 11,500,000 tons. In the first year after the defeat of Germany the proportions are likely to be—United Kingdom 13,000,000 tons (much of it obsolete) and U.S.A. 40,000,000 tons.

How is the relative size of the merchant fleets of the world to be decided, by an era of embittered competition or by agreement between the governments?

When the U.S. representatives put forward their proposals at Chicago

they were accused in the economic press of the rest of the world as being out for world domination of the civil aviation and aircraft industries. On the other hand, U.S. journals represented the proposals of the British as being monopolistic and restrictive, and aiming at hemming in United States industry.

One can almost see the prototypes for the embittered economic controversies of the post-war world being elaborated—the Americans being represented as aiming to become the world's economic Herrenvolk, the British being represented as backward, corrupt monopolists, feverishly building international cartels, in order to prevent the development of U.S. industry. If these were the only tendencies, then goodbye to the possibilities of building a peace which will last for generations.

Fortunately there are other tendencies, which found notable expression in President Roosevelt's budget speech. Congress was urged by the President to implement the Bretton Woods policy of an International Monetary Fund and a World Bank for Reconstruction and Development. There can be no doubt that if such measures were implemented it would simplify the problem between Britain and America. There has been too great a tendency to quarrel over the division of the post-war world market, as if it was bound to be a static, or even a shrinking quantity. But the U.S.A. and Britain have the power to expand the world market. If they get the World Bank for Reconstruction and Development going, then international lending for the development of the backward regions of the world can be developed on entirely new principles. The first effect of this policy will be to provide an outlet for the capital goods industries of Britain and the U.S., so that they need not be contracted to the extent that would otherwise be the case. As the economic d

velopment of the backward countries proceeds and their standard of life rises, they will become markets, also, for an increasing quantity of consumers' goods. It is the highly industrialised countries of the world which provide the best markets for each other. So perhaps before quarrelling over the division of the markets of the world, there should be a concerted effort on the part of the United Nations to expand those markets.

More important, however, was the unequivocal declaration of the President of his intention to take all the necessary governmental measures to maintain full employment in the United States. There can be no doubt that the operation of such a policy will enormously reinforce those tendencies making for world economic co-operation.

In recent months in Britain, whenever the question of the re-creation of a world-wide system of currency and trade on the lines proposed at Bretton Woods has been suggested, the critics have cried out, "What's the use? The U.S. won't play ball. It is a country wedded to the obsolete ideas of *laissez-faire*, and no State intervention in industry. It is a country liable to be devastated by the most appalling economic crises, and if we are linked to it in any kind of international currency system, then we will be dragged down with it." This attitude reached fantastic proportions in certain economic writings. One would have imagined that economic crises were a specifically U.S. disease, that they could not possibly originate in a capitalist Britain.

There can be no doubt, however, that the economic weight of the United States is such that a crisis originating there tends to spread rapidly through the whole world. It will inflict the maximum devastation if the various countries are linked together in the way proposed by the international monetary fund.

There can be no question that world trade, and particularly British exports, rises and falls with the curve of economic activity in the United States. It is true that direct British exports to the United States only constitute about 6 per cent. of our total exports. But most of Britain's overseas customers are exporters to the United States also. When the United States is prosperous, they are prosperous too and tend to buy more from Britain. This was particularly true, between the wars, of the British Dominions, the Argentine, Malaya and the Dutch East Indies. The fluctuating character of U.S. prosperity was therefore between the wars a major economic problem, much more so than the high American tariff. If President Roosevelt can pursue a policy of full employment he has made a major contribution to the orderly expansion of world trade.

If we are seriously intent on world peace we will co-operate with the President on these two major questions, which he stressed in his Budget speech.

Indeed, the time is ripe for the British and U.S. Governments (both of which have now declared in favour of maintaining employment) to get together to discuss ways and means of co-ordinating their policies. If they could arrive at a measure of agreement on their employment policies, then there would be a reasonable probability that there will be expanding trade in the post-war world and the solution of other problems would be greatly simplified.

It is hopeless to expect that all the questions in dispute between the two countries will be settled at one and the same time, and yet there is a school of timorous business men and economists in Britain who would not agree to operate any joint economic policy with the U.S. until every conceivable eventuality has been provided for. A beginning has got to be made some-

where and the two major proposals made by the President constitute an excellent starting point.

But it is only a starting point and must be followed up by agreements relating to vital interests and services. Take the question of shipping. The size of the mercantile marine which will be maintained by Britain and the U.S. will never be settled by competition between shipping companies, as some American business men suggest. For behind the shipping companies of the respective countries would stand the Governments, each subsidising its own mercantile marine. The effect on Anglo-American relations would be disastrous. The Governments cannot disinterest themselves in this question, so why not come in right away, instead of waiting until a period of frenzied competition has poisoned the relations between both countries.

Or take synthetic rubber. The U.S. is now producing annually a quantity of synthetic rubber equal to one-half of the total annual production of rubber in the pre-war years. Rubber is a commodity for which there is an expanding demand and there is room for both sides of the industry. But is the division of the market between synthetic and natural rubber only to be decided after decades of competition in which plantations and synthetic rubber factories are alike reduced to bankruptcy?

American business men are tremendously suspicious of any international

agreements apportioning production. They suspect them as a device for protecting the weaker and more inefficient producer and very often they are right.

But they overlook two major points in the present situation. The first is that the readjustment from war to peace will involve considerable changes as to the proportionate part played by these various industries in the national and international economy. No process of cut-throat competition could bring about this adjustment and no European Government could possibly assent to such a method of tackling the problem. Secondly, a policy of agreement with regard to certain markets need not be restrictive. Agreements which are part of a general policy aimed at increasing world trade can be expansive. Their aim is to secure orderly development in place of chaotic competition.

There are political and business forces in the U.S.A. who understand this. They will be helped by the British Government agreeing with President Roosevelt with regard to the implementing of the Bretton Woods proposals, and with regard to the harmonising of national employment policies. Such a move would create an atmosphere of confidence in which the solution of the other considerable economic problems could be undertaken with reasonable hopes of success.

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