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The Balfour Committee on Industry and Trade, after 4½ years’ work, has now completed its labours. In my opinion it is highly desirable that the Government should decide without delay which of its recommendations they are prepared to adopt so far as these recommendations call for action by the Government.

It will be necessary for the several Departments concerned to examine the Committee’s proposals. I, for my part, am prepared to say at once what in my opinion the attitude of the Government should be to each recommendation affecting the Board of Trade. I have set out below in Lists A and B the various recommendations which concern my Department together with a note in each case of what is or should in my opinion be the Government’s attitude. List A contains proposals which call for additional or revised action by the Government, and list B proposals to which existing Government action already conforms.

In addition, I have included in an appendix a summary of the Committee’s principal findings and recommendations calling for Government action, or having a bearing on government policy, which affect other departments than the Board of Trade, though the Board of Trade in many cases are of course interested.

Cmd. 3282  P.C-L.

Board of Trade, 27th March, 1929.
The relevant pages in the Final Report of the Balfour Committee are given by the figures in the Margin.

LIST A.

PROPOSALS OF THE COMMITTEE ON INDUSTRY AND TRADE WHICH CALL FOR ADDITIONAL OR REVISED ACTION BY THE GOVERNMENT.

I. RECOMMENDATIONS RELATING TO INDUSTRIAL POLICY.

(1) Tariff Policy.

General Principles and Safeguarding.

The Committee emphasise the importance of stability and continuity in tariff policy, and conclude that no substantial change in the basis of British customs duties is justifiable unless there is evidence of such widespread support as will afford a reasonable prospect of stability.

In the case of Great Britain, the fact that life and employment are dependent on the free flow of imports of food and materials means that the historic type of tariff policy must in the main be a tariff for revenue, subject to two qualifications. The first qualification is the necessity of ensuring the maintenance within the country of certain special industries essential to the national existence in times of emergency. The second qualification is the principle of Imperial preference.

The Committee gather from the very inconclusive and ambiguous nature of the evidence they received that there is no strong and general trend of organised commercial opinion in favour of any material change of national tariff policy, and consider that evidence of this nature is wholly insufficient to justify the recommendation of a general tariff, even if on other grounds they were in favour of such a measure.

The Committee consider that it is neither defensible in theory nor feasible in practice to frame our tariff policy with the object of neutralising international differences of labour costs by means of differential customs duties.

Subject to a recommendation regarding Key Industry Duties (referred to below) the Committee are not in favour of using the customs tariff to encourage the multiplication and diversification of industries.

The Committee consider that the strengthening of the position of British manufacturers in the home market with a view to increasing their exporting power, as a principle of tariff policy is unsuitable to be the foundation of a general tariff. They conclude that some procedure analogous to that of the special enquiries now held into applications for "safeguarding" duties affords the only method by which the principle of using tariff duties in suitable cases to strengthen the position of the British manufacturer in the home market can be effectively tested.

The majority of the Committee consider nevertheless that there is justification for continuing the experiment of
safeguarding for a long enough period to yield more definite conclusions than have so far been obtained. They also consider that the operation of the safeguarding procedure should be limited both as regards the field of industry to be covered and the period of time for which any safeguarding duties shall continue in force. They recommend, however, a revision of the rules and instructions embodied in the White Paper, as follows:

(1) The requirement that an applicant industry must be of substantial importance should be dropped;

(2) Instead of the test of abnormality of imports the test should be whether imports are "Substantial and increasing" or some such phrase.

(3) That less emphasis should be put on the idea of unfair competition through differences of labour conditions, the Committee to have unfettered discretion as to the weight to be given to this factor in any particular case (see p.272).

(4) The Board of Trade or the Committee should invariably have regard to the adequacy of the provision made by an industry for research when considering the question of reasonable efficiency.

(5) The rule instructing Committees to take account of the effect of a proposed duty should be widened to cover the effect of a possible increase of price to consumers, or if it be deemed inexpedient to make so formidable an addition to the Committee's duties, this all important point should invariably be taken into account by the Department to which the Committee reports.

(6) A Standing Committee should be substituted for ad hoc Committees.

Further, it should be made a condition of the granting of a duty in future that adequate statistics as to prices, production, employment and costs should be furnished to the Board of Trade; and a similar requirement should be imposed by law where safeguarding duties already apply.

Lastly, every safeguarding duty should be automatically submitted to a Committee for review a year before the date fixed for its expiration.

Recommendation (1) is substantially in accordance with the provisional revised rules proposed to be brought into operation in the next Parliament.
In connection with Recommendation (2), the Government have stated that the criterion is to be whether goods are being imported into and retained for consumption in quantities substantial in proportion to total consumption in this country.

As regards (3) the Government's proposal is that the Tribunal will have to decide whether the particular foreign goods are manufactured in the country of origin under unfair or inferior conditions of hours or wages. It must be admitted that meeting the demands for the necessary information of a confidential nature from foreign countries to give effect to this has been a source of great embarrassment to the overseas officers of the Department of Overseas Trade.

As to Recommendation (5), the Government have stated that the tribunal should consider whether the imposition of a duty on the goods in question would exert a seriously adverse effect upon employment or costs of production in any productive industry including agriculture. The Committee, however, would go further and provide for the consideration of the interests of other consumers.

As to Recommendation (6), the Government have stated that the tribunal will be a permanent body under the President of the Board of Trade.

As regards the recommendations of the Committee which differ from or exceed the proposals announced by the Government, I have formed the following conclusions:

(a) I think the provision as to unfair competition through differences of labour conditions must be retained as it is. We maintain of course our right to impose Key Industry duties for the benefit of special industries which, by reason of their nature, are of vital importance to the country. We also maintain the right to impose duties primarily for revenue purposes. But beyond this, I do not believe it would be
politically possible to impose other duties where the test of unfair competition was not fulfilled and I am rather surprised that the Committee should appear to suggest it.

(b) I agree with the Committee as to the importance of research, but I think it is too stringent a condition to lay down that an industry should not be entitled to a duty unless it had a satisfactory research organisation. The Committee themselves recommend that the test of substantial importance should go. They would therefore open the door to small industries as such but close it to them unless they had a research organisation. Moreover, some larger industries which are very hard pressed may well have been unable to find the necessary funds for research. I agree, however, that, when an industry obtains the benefit of a duty, it should develop its research, and I would make the amount and nature of expenditure on research one of the particulars which a protected industry should give after it obtains a duty.

(c) I think it would be impossible for the standing committee to go into the question of the effect on cost to the consumer. It is a very speculative inquiry, and, if we invite such an inquiry, we should extend enormously the hearing of each case. It is the duty of the Government to justify duties from the consumer's point of view.

(d) I am in favour of a provision that protected industries should produce special statistics, and I think this should extend to industries subject to existing duties, whether Safeguarding, McKenna or Key Industry duties. I am doubtful about including costs in the statistics required. If we get particulars of production and prices, particulars of costs seem unnecessary.
(2) The "McKenna" Duties.

The majority of the Committee find as regards the McKenna duties that the valid justification for retaining them is that they are in force without giving rise to substantial dissatisfaction and in the interests of trade stability and revenue should not be disturbed. The obligation to furnish statistical returns which is proposed to be applied to safeguarded industries should also be applied to the McKenna industries.

I am in sympathy with this proposal and consider that effect should be given to it, but, as I have stated above, I should not include figures relating to costs in the statistics required.

(3) Key Industries.

The Committee are of opinion that the policy adopted in regard to Key Industries is right in principle and ought to be maintained, but the scope and operation of the duties should be reviewed at intervals.

Such a review was made in 1925/6 and the precedent would be followed in 1935/6, when the period of the present duties will be approaching termination. I hardly think it is necessary to promise a complete review before that time. In the meantime, if one of my earlier suggestions is accepted, the Key Industries will have been required to submit yearly particulars of output, prices, etc., which I think should be sufficient in the meantime.

(4) The Dyestuffs (Import Regulation) Act.

The Committee consider that the temporary regulation of the import of dyestuffs was unavoidable, but trust that the Dyestuffs (Import Regulation) Act which is due to lapse in 1931 will not be continued or renewed beyond the minimum period necessary to achieve its purpose.

It is naturally impossible at this stage to take a definite decision. The Committee's recommendation should be borne in mind when the time comes to decide Government policy in this matter.

(5) Combinations and Monopolies.

Regarding abuses connected with trusts and combinations, the Committee feel that "on the whole and on balance — in the circumstances of the present industrial situation the case
for immediate legislation for the restraint of such abuses —
cannot be said to be an urgent one". If action be decided
upon, the Committee think the best course will be to vest in
an appropriate public authority the power to investigate
complaints of abuse of monopoly, with the right to require
the production of all relevant data. Reports would be
published subject to safeguards as to confidential
information. A minority of the Committee contemplate
further action for the restraint of abuses which may
be found to exist.

The Committee unanimously recommend that the Board
of Trade should include among its general duties the
watching of the movement towards consolidation and agree­
ment in industry and the continuous collection of data
with regard to various forms of combination. They
recommend also that periodic reports on the question
should be made to Parliament, and that should the Board
of Trade find themselves hampered in their inquiry
by refusal to supply the necessary information, such
refusals should be mentioned in the reports to Parliament.

The Mines Department maintain close touch with the
organisers of the co-ordination schemes recently initiated in
the Coal-mining industry, from whom statistical and other
information is obtained in confidence. A good deal of
information on the general question is available in the Board
of Trade from various sources, but the reports of the
Committee set up under the Profiteering Acts (which gave the
fullest information as to the position in certain trades)
are more or less out of date. A memorandum on the nature and
extent of combination was prepared by the Board of Trade and
published in the Committee on Industry and Trade's volume,
"Factors in Industrial and Commercial Efficiency". It would
be possible for the Board to continue the collection of
information on a systematic basis, and to issue from time to
time revised memoranda on similar lines to that furnished to
the Committee, and I propose that this should be done in
accordance with the recommendation. I should follow the
general lines which the Committee propose when they say —

'We are aware that without special compulsory
powers the Board would not be able to conduct a running
investigation of the operations of each combination. It
is not, however, an intensive investigation of this
kind, that we have in mind, but rather an extensive
survey of the field of combinations and agreements with
a view to keeping up to date the information already collected, and noting any important changes and developments. Should the Board find that they are hampered in this inquiry by refusal to supply the necessary information, such refusals should be mentioned in the periodical reports to Parliament which we think that the Board should make on this subject.' (Report pp.192-193).

This is consistent with the general line which we have followed in the past and which is on the whole approved by the majority of the Committee.

(6) Standardisation.

The Committee recommend that on certain conditions an annual contribution should be made by the Government to the British Engineering Standards Association equal to the sum subscribed by the trades subject to a maximum of, say, £10,000.

The work of the British Engineering Standards Association is of real importance, and I agree that the Government should give substantial support. I think it is particularly important that there should be full and quick liaison between the British Standards Association and the corresponding bodies throughout the Empire, in order that we may, if possible, secure and maintain common Imperial standards. The exact amount of the contribution is a matter for discussion between the Board of Trade and the Treasury. The Government's contribution was reduced from £500 to £105 in 1922.

(7) Industrial Art.

The Committee recommend that the Treasury should make a suitable grant to the British Institute of Industrial Art for, say, three years to enable the Institute to carry on certain investigations.

I understand that the President of the Board of Education is already in communication with the Institute on the subject of this recommendation.
II. TRANSPORT.

(1) Railways.

The Committee are not satisfied that the machinery for collective consultation between representatives of the railways and of the traders is at present utilised to the fullest extent and to the best advantage.

The Committee state that in view of the historical position and of the quasi-monopolistic power enjoyed by the railways in respect of their main business, it might be prudent to enact some general provision giving jurisdiction to the Railway and Canal Commission to deal with complaints by outside interests affected by "unfairly oppressive" action on the part of the railway companies in the conduct of an ancillary business of any kind.

Desiring to see the railways as free as possible to undertake business ancillary to their principal objects, the Committee think it worthy of consideration whether it might not be safe and desirable, subject to the overriding condition covered by the preceding recommendation, to free railway companies from the existing necessity to incur the great expense of application to Parliament each time that they find it desirable to embark on some business ancillary to their principal objects. In any Act of Parliament giving effect to this recommendation it would, of course, be necessary to take precautions against the possibility of an undue extension of the meaning of the term "ancillary".

In this connection the question of the manufacture of locomotives by the railway companies arises. The Committee state that strong recommendations were made to them by the Locomotive Manufacturers' Association regarding the policy of the railway companies in constructing their own locomotives; and that they are "strongly impressed with the desirability that the railways should give adequate support to the locomotive building industry on economic terms as the necessary basis for keeping in healthy existence an industry of great value to British export trade and also of potential value to the railway companies".

The matter raised in paragraph 1 is one mainly for the Ministry of Transport. The Board of Trade are, however, also interested. At a meeting in February 1927, between representatives of the railway companies and London coal merchants I suggested that the ad hoc Committee of railway representatives and coal merchants which had previously discussed the question of delays in the transport of house coal to London should meet again to discuss arrangements for dealing speedily with difficulties that might arise during the remainder of the Winter. The Committee met, and as a result the railway companies appointed a Coal Traffics Controller, who has functioned since with, it is understood, satisfactory results.
The other three recommendations raise large questions of policy, some aspects of which are primarily for the Ministry of Transport.

The Board of Trade and the Ministry of Transport should, in my opinion, confer with a view to seeing what action is desirable under all the above heads. I doubt myself whether Parliament would give the railways a covering general authority to engage in ancillary undertakings. It would be difficult to define what are the ancillary undertakings which should be covered, and I should think it would be even more difficult to define the jurisdiction which the Railway and Canal Commission were to exercise in deciding whether the activities of the Railway Companies were fair.

(2) Shipping.

Where there is a substantial demand for it, export shippers should be allowed the same alternative to the deferred rebate scheme of freights as has been conceded in the Australian trade (viz. the contract system).

Bodies such as the British Chambers of Commerce or the Federation of British Industries should promote export shippers' associations, and that the Board of Trade should in the last resort take up the matter directly.

These are matters in which the good offices of the Board of Trade will probably not be required. The question of shipping rebates was debated in the House of Commons, and I then stressed the importance of the different trade associations acting themselves in the way which the Balfour Committee now suggest.

Light Dues and Suez Canal Dues. - The Committee call attention to the fact that the shipowners have referred to the high duies of the Suez Canal and to their obligation to pay light dues, and the Committee express the hope that in determining these questions due weight shall be given not only to their financial aspects but also to their bearing on the broad question of maintaining and increasing the competitive power of British overseas trade.

Something like one-third of the Light Dues of the United Kingdom are paid by foreign ships, and as the Suez Canal dues are paid by all ships alike, the charges, whatever may be their merits, can hardly affect the competitive power of British ships. However, as regards the Light Dues for which the Board of Trade have some responsibility, they act on the
principle that the charges ought not to be more than is needful to cover a reasonable cost.

Coasting Trade - Port Control. - The Committee consider that the interests of British trade would be served by the revival of some of the smaller ports and the resuscitation of the coast-wise trade. They also state that they feel there may be certain advantages in maintaining a variety of forms of port control, the results of which can be observed and compared and to some extent be brought to the test of competition.

It is not clear to what extent effect could be given to these opinions by Government action, but in so far as Government action is called for it would appear to be mainly for the Ministry of Transport. The question will no doubt fall to be considered by the Royal Commission on Transport now sitting, and I propose that their attention should be called to this recommendation.
III. STATISTICAL AND OTHER INFORMATION.

(1) Periodical Revision of Committee's Work.

It seems to the Committee highly desirable that the various index figures which they have published serving to measure movements of industrial activity should not only be systematically published from year to year, but should be brought together and analysed at regular intervals of not more than five years in a single volume, which would serve to continue and keep up to date the principal measurable results of the investigation. At the same time the principal Departments concerned with the subject matter of the Committee's various surveys should consider what parts could with advantage and without extravagant cost be revised and re-issued for the information of the commercial and industrial community, the general public, and the Government.

The main index figures and statistical data which the Committee desire to see kept continually up-to-date are those relating to (i) industrial output, (ii) wages, and (iii) profits (see pages 231-3 of their Report).

As to (i), the Board of Trade are already acting on the lines of the recommendations made by the Committee in publishing, at quarterly intervals indices of industrial activity. These serve as pointed out by the Committee, to bridge the gap between successive Censuses of Production. (As to the frequency of the Census of Production, see the following section of this memorandum.)

As to (ii), the proposal is that the Ministry of Labour should at least once in every five years conduct a voluntary census of wages rates and earnings, by occupation and by industry, on comprehensive lines, and in addition, that they should compile and publish at suitable intervals a series of wages index numbers which would serve to bridge the gap between successive censuses. The greater part of the material for the latter purpose is, I understand, already in existence.

As to (iii), the proposal is that steps should be taken to compile and publish annual indices of the movement of profits in relation to turnover for each of a number of selected groups of industry and for the whole of these groups combined. Data for compiling such statistics are in the possession of the Inland Revenue Authorities, but up to the present the only published figures derived from this source are those submitted to the Colwyn Committee on the National Debt and Taxation, an analysis of which
appeared in one of the volumes of the Committee on Industry and Trade.

I am in agreement in principle with those recommendations of the Committee. The exact nature and scope of the statistical information that might be published from year to year, and brought together and analysed at regular intervals of not more than five years is a question for discussion between the Departments concerned. In my opinion the Departments concerned should also consider what other parts of the information collected by the Committee might be brought up to date and re-issued. Obviously, the period of revision might vary with the nature of the information and it would be desirable no doubt to vary the scope of the information from time to time to suit changing economic and other circumstances. Large portions of the volumes published by the Committee were based upon memoranda and other material furnished by different departments, and it would greatly add to the value of the work of the Committee if the changes that have taken place since the volumes were published were periodically brought out in fresh surveys made by the Departments concerned.

(2) Census of Production.

The Committee express the view that there is a strong case for holding a Census of Production every five years, and they strongly recommend that this should be arranged.

I have held this view for some time, and my Department has in hand a detailed memorandum to send to the Treasury on the matter. The five-yearly system would greatly add to the value both of the Census figures and of other productive statistics and would reduce the cost of each census.

(3) Date of Publication.

In one of their volumes the Committee express the strong view that the postponement of the date of publication of information which is of practical interest to the commercial and industrial world is not a legitimate method of economy, as the comparatively small saving thereby effected may be purchased at the expense of a serious reduction in the practical utility of the information. They have convinced themselves that delays in publication (e.g., in the case of the Annual Statement of Trade) is not attributable to any deficiencies or neglect on the part of the Statistical Departments, but is solely a question of expense. They strongly recommend that all cases in which there has been increased delay in publication as compared with the pre-war standard should be reconsidered.
I am in sympathy with this recommendation. It must be admitted that, so far as relates to certain publications which are the concern of the Board of Trade, the interval between the date to which the statistics relate and the date at which they are published is substantially greater than it was before the War. I consider that the matter should be discussed between the Board of Trade and the Treasury.

(4) The Prices of Official Publications.

The Committee express the view that the present scale of prices applied to official publications is one calculated to hinder the widest and most effective use of the information contained in them. They urge that the major public interest is to increase the number of readers and users, and that this principle should be observed in pricing publications. They therefore recommend that the principles on which the prices of official publications of interest to industry and commerce are at present fixed should be reconsidered.

It is certainly desirable that the price of many official publications of interest to manufacturers and traders, e.g., the United Kingdom Statistical Abstract, should be lower. I think the Customs, Treasury and Board of Trade (and other Departments concerned in this question) should confer on the matter with a view to reducing the prices of the publications which would be widely demanded if they were cheaper. It is to the interest of the country that larger use should be made of many of these publications.

(5) Banking Statistics.

The Committee say that it has been strongly represented to them that the statistics published by the Joint Stock Banks afford insufficient information with regard to their transactions to enable the public to follow the course of the financial situation. The Committee agree with this view and are strongly impressed with the necessity of greater publicity. They think that the question, which has already engaged the attention of the Board of Trade, should be further pursued, and they strongly recommend that the periodical statistics issued by Joint Stock Banks should in all cases include the following particulars so far as they are not already given:

(1) the total "turnover", i.e., the total value of cheques drawn on customers' accounts, and (2) holdings of Treasury Bills separated from those of Commercial Bills, and advances by way of discounts separated from general advances in the few cases in which this is not already done.

I agree with these recommendations. As the Committee say, the publication of these particulars "would be of material assistance in furnishing the data to enable movements in trade activity to be more accurately observed and predicted", and, with
regard to the proposed return of cheques drawn, it is a fact, as
the Committee point out, that "owing to the many amalgamations the
Clearing House figures, which only relate to inter-bank
transactions, give less guidance than formerly". I suggest that
the banks should be approached. I further consider that the banks
might be advantageously asked at the same time if they could not
also give current and deposit accounts separately. This would
furnish another indication of business conditions: the Chairman
of the Midland Bank, in giving the separate figures for that bank,
pointed out that the proportion of deposits on deposit account
varies with the state of trade.

Incidentally, I may add that, when the Committee, referring
no doubt to the preparation of a Bank Bill which began in 1918 and
was abandoned about 1921, say that "this matter (of greater
publicity) has, we believe, engaged the attention of the Board of
Trade and proposals have been framed for legislation, which,
however, have not up to the present made much progress", they seem
to imply that the project (which related to audit, accounts and
amalgamations) is still in existence and had a wider scope than
was actually the case.

IV. COMMERCIAL QUESTIONS.

(1) Exhibitions.

The Committee suggest that in respect of exhibitions
confined to a single definite branch of industrial science
or art, British participation in such "cultural" exhibitions
should be definitely organised, controlled, and financed by
public authority.

This suggestion raises a large question of organisation
which calls for further consideration. It is not, however,
pressing as no such exhibitions are at the moment in contemplation
(For other conclusions of the Committee regarding exhibitions see
List B /III (4)(d)\)

(2) Commercial Training of Diplomatic Officers.

The Committee emphasize the importance of commercial
diplomacy and desire to see the interest of the Diplomatic
Service in commercial matters strengthened. As a tentative
proposal it is suggested that every member of the Diplomatic
Service should at a comparatively early stage in his career,
serve for a period on the staff of a Commercial Diplomatic
Officer. (See also List B /III (3) - page 21/).

This proposal should be examined by the Foreign Office and the
Department of Overseas Trade.
LIST B.
PROPOSALS OF THE COMMITTEE ON INDUSTRY AND TRADE TO WHICH EXISTING GOVERNMENT ACTION ALREADY CONFORMS.

I. INDUSTRIAL QUESTIONS.

(1) Railway Rates and Industry.

The Committee report general agreement that the existing railway charges on the heavier classes of materials such as coal, iron and steel are affecting seriously our competitive position in the markets of the World.

This matter has been effectively dealt with as part of the Government de-rating scheme.

(2) Reconstruction and Rationalisation.

The Committee emphasise the need for financial reconstruction and "rationalisation" in the iron and steel, cotton, and other industries.

They also think that steps ought to be taken by the Cotton industry to obviate the dangers connected with the financing of mills partly by loans from depositors.

In the case of the coal industry the Government introduced the Mining Industry Act, 1926, Part I of which is designed to facilitate amalgamations in cases where the parties consider that an order of the Court and relief from stamp duties which the Act affords are of advantage to them. It is designed also to meet cases in which complete amalgamation cannot be achieved without compulsion being brought to bear upon one or more of its proposed constituents. The Board of Trade has also interested itself in and influenced what is being done in the cotton industry. The disadvantages of the method of financing referred to are now widely realised in that industry.

(3) Collective purchase of materials.

Regarding the collective purchase of materials, the Committee express the opinion that Government action of this kind, on the great scale which would be required, would necessarily involve a degree of national responsibility for the industry dependent on the materials purchased which makes it difficult to treat the proposal as an isolated measure capable of being fitted into the existing system of competitive industry.

I fully concur.
(4) **Cotton Growing.**

Reference is made to the efforts of the British Cotton Growing Association and the Empire Cotton Growing Corporation to develop cotton growing within the Empire and it is recommended that these efforts "should be consistently supported on the part of H.M. Government by all those necessary measures (e.g. the development of transport facilities in overseas colonies and territories) without which cotton growing is not economically possible and which only a Government is able to take".

This supports Government policy. The specific recommendation is for the Colonial Office.

(5) **Research.**

(A) The Committee emphasise the importance of progress in research; and a clearer line of demarcation between the function of the State and that of industrial undertakings either singly or in co-operation. They also urge very strongly the essential necessity of better utilisation of the results of research by industry. They find cause for disquietude in regard to the relations of research associations to industry and the extent to which industries avail themselves in practice of the results of research by their own associations. They note that many associations make efforts to bring the results of research to the notice of those concerned, and find that many could not do more in this direction without diminishing the energies devoted to research. They recommend that every important trade association (i.e. ordinary association) should take into consideration the existing means for the dissemination of information of this kind, and when it finds the existing means inadequate should take steps to establish suitable machinery for the purpose (p.217). They recommend also that individual undertakings should have some responsible officer on the staff whose duty it would be to follow closely the progress of scientific research in relation to the requirements of the undertaking. They urge that there should be no relaxation or curtailment of the efforts of the Department of Scientific and Industrial Research and no withdrawal of financial support on the part of the Government. They feel strongly that the question of State aid for research associations should be determined on a broad and long view of the ultimate national interest, and not merely on the basis of measurable results already achieved; and they welcome the recent decision of the Government to continue for a further period to give financial support to research associations under modified conditions.

This is primarily a matter for the Department of Scientific and Industrial Research; it is also a matter for the Treasury.

I understand that a good deal is already being done to secure the better appreciation and wider utilisation of the results of work of Research Associations. The National Federation of Iron and Steel Manufacturers is setting up, in
co-operation with the Department of Scientific and Industrial Research, a Research Council, one of whose functions will be the systematic dissemination of the results of all research work (British and foreign) relating to the industry.

(B) The Committee emphasise the great importance of maintaining and expediting fuel research.

A Fuel Research Station is maintained under the Fuel Research Board and an Advisory National Fuel and Power Committee has been set up. In addition, the Mines Department is keeping in close touch with the development of low temperature carbonisation and hydrogenation processes, and also, jointly with the Mercantile Marine Department and the Department of Scientific and Industrial Research, in the experimental use of pulverised fuel for steam-raising on board ship.

(6) Indices of Production.

The Committee refer to a recommendation made in a letter to myself dated July, 1926, with reference to the preparation of periodical indices of production.

This recommendation has already been acted upon. See also List A (iii) (i) p.10.

(7) The Shipping Industry.

(A) The Committee call attention to the fact that British shipowners had urged strongly on them that they were at present unduly handicapped in world competition by safety regulations from which their trade rivals were free, and had pointed out that the International Convention of 1914 on Safety of Life at Sea had been put into force by British law although the Convention had not been ratified. The Committee emphasise the importance of securing international uniformity so far as possible in these matters not only in the interests of safety, but also to safeguard the competitive power of British shipping.

The Board of Trade always bear in mind the importance of not putting British shipping at any competitive disadvantage, and they consider very sympathetically any representations that may be received from shipowners in regard to the cost involved by safety regulations. They fully realise the necessity for uniformity, and with this object the International Conference...
for the Safety of Life at Sea has been summoned and will meet in London on April 16th. All new safety regulations are considered by the Merchant Shipping Advisory Committee, on which shipowners are fully represented, and they are thereby enabled to consider and advise on all aspects of the question that may be raised by any proposed amendments to existing regulations.

(B) The Committee refer to the grievance of double taxation and state that it is particularly pressing in the case of shipping. They add that in view of the necessarily slow progress of international negotiations there might be an advantage in isolating the special case of shipping and endeavouring to obtain a solution of this part of the problem in advance of any more comprehensive agreement.

This matter is primarily for the Board of Inland Revenue, who have already taken the action recommended. Agreements for the exemption of shipping companies from double payment of income tax have already been concluded with eight countries, and negotiations are proceeding with others.
II. ACCESS TO CAPITAL AND FINANCIAL FACILITIES.

(1) The Export Credits Guarantee Scheme.

With regard to the Government Export Credits Guarantee Scheme, the Committee consider that the most scrupulous care should be taken to make the conditions of guarantees or insurances such as to preclude any reasonable possibility that the Scheme shall impose a burden on the taxpayer. They also think that the participation of the State in the credit insurance kind of business ought to cease the moment private enterprise shows itself capable of taking over the business. They hope, therefore, that it may not be found necessary to extend the period of State participation in the Scheme beyond the date (September, 1931) to which H.M. Government have already announced their intention to prolong it. They also trust that in the meantime suitable machinery will be established by private enterprise to provide any necessary assistance to trade in the matter of long-term credits.

As the Committee note, H.M. Government have now appointed an Expert Committee to examine the administrative expenses of the Scheme and other matters connected therewith and to consider what steps can be taken to facilitate the ultimate transfer of the Scheme to private enterprise.

(2) Maintenance of Competition among Banks.

The Committee recommend that the position as regards banking amalgamations should be carefully watched so that if ever there should be signs of the development of a banking monopoly, or indications of any disposition on the part of any of the banks to refrain from consulting the Advisory Committee on Bank Amalgamations, or to disregard the decisions based on its advice, the appropriate measures might be taken without delay for the protection of the public interests.

This supports what is now being done. It is primarily for the Treasury, but on the questions referred to the Board of Trade is consulted.
III. COMMERCIAL QUESTIONS.

(1) International Commercial Relations.

(1) The Committee say that broadly speaking they endorse and adopt the general point of view with regard to international commercial relations which is set out in the final Report of the World Economic Conference held at Geneva in 1927. They emphasize the truth that the commercial world forms an inter-dependent community, the prosperity of every member of which is bound up with the prosperity of the others. It is, in the long run, much more important for British trade that the purchasing power of the countries with which that trade is carried on shall be revived and increased than that British exporters should profit by adverse conditions affecting some of their competitors to displace them in some particular market.

(2) The Committee consider that, generally speaking, Great Britain's major interest is to take a leading part in negotiating and participating in international conventions.

(3) As regards the use of tariffs for bargaining purposes, the Committee say, "we can the more unreservedly concur in the condemnation of tariff bargaining on the continental model, because neither the principles on which the present British Customs tariff is framed, nor those advocated by any of the trade witnesses who have given evidence before us, would admit of Great Britain adopting the continental procedure as a normal method of tariff construction.

Such procedure would necessitate the imposition of Customs duties on particular classes of imports into the United Kingdom, at rates designedly exceeding those which are thought necessary to meet the needs of the British industries concerned, in order to leave a margin for lowering these rates in exchange for the freer admission into some overseas market of some other class of British products; we may express our doubt if any support would be found for such a procedure as is indicated above. We do not believe that in the long run the negotiating countries obtain by such methods any material advantage of the only kind which is of interest to British trade, viz., the lowering of the tariff barriers by which overseas commerce is obstructed. Nor do we desire to see the British tariff (for whatever purposes and on whatever principles it may be constructed) so framed as to permit or require that the rates of duty should be the subject of eventual bargains with foreign countries".

(4) On the further and cognate question whether in the event of excessive duties being imposed on British goods, it would be desirable to resort to methods of retaliation the Committee say:-

"Such retaliation is an act of economic war committed in order to force a country to open its markets on more reasonable terms. Like all methods of warfare it is very wasteful, and liable to lead to all kinds of undesired and unfortunate consequences for one or both of the countries concerned as well as for third parties. If, nevertheless, we do not think it would be wise or safe to abandon entirely the right to have
recourse to such a weapon in the last resort, we should
deprecate in the highest degree any such recourse before all
peaceful methods of negotiation have been exhausted,
especially in view of the practical impossibility of
confining the mischief caused by tariff wars to the parties
directly concerned."

(5) The Committee do not altogether exclude the
possibility of the occasional use of the existing British
customs tariff for bargaining purposes and they refer to
this possibility in the following terms:

"Such occasions have arisen in the past, and may
arise again, in connection with duties originally imposed
for quite other purposes, and it would be mere pedantry
to forego any advantage that might be obtained in this way
by a skilful negotiator. Such casual bargains, however,
though by no means to be belittled, have hardly any
relation to systematic tariff bargaining as a normal
policy, and indeed they depend for their success on their
rarity. Should they become so frequent as to be regularly
expected, foreign countries would certainly anticipate
them by preparing special bargaining rates, and all the
evils of continental tariff bargaining would begin to
appear".

(6) The Committee consider that representative
commercial and industrial experts should be attached as
advisers or members of official delegations appointed to
participate in negotiations abroad, particularly in the
case of International Conferences or Conventions.

(7) In relation more particularly to negotiations for
international agreements, the Committee emphasize a point
which they consider very important, because they think
that it tends to be imperfectly appreciated, not only by
government departments, but at least equally by the British
commercial and industrial community. The time is long
past, they say, when it could be thought possible for
Great Britain to impose its own commercial legislation, or
administrative and legal procedures, or trade methods and
practices upon other countries. If, in our own interests,
we seek to induce other countries to conform more closely
than at present to British practice, it is an inevitable
corollary that we should show willingness to go some distance
towards meeting their points of view, provided of course that
no essential British interest is thereby jeopardised. The
fact that a British practice which it is proposed for this
purpose to modify in minor points has hitherto given us
complete satisfaction is not in itself a final argument
against change, if in return we can secure a more than
compensating advantage. It is extraordinarily difficult,
however, to induce traders, officials, and (perhaps especially)
legal authorities to adapt their minds to this broader point
of view".

The findings and recommendations of the Committee on
the subject of commercial policy generally, including interna-
tional conventions, agree very closely with existing Government
policy. The Committee may be regarded as endorsing the methods
at present pursued. The recommendation in (7) should be of use
as a support to the government as and when effect has to be
given to it.
Empire Markets and Imperial Preference.

Dealing with Empire markets, the Committee emphasize the value of imperial preference to British trade, but point out that as the broad lines of tariff policy must be determined for each part of the Empire primarily by the needs and conditions of its home population, no such extension of preferences as is practicable within the limits of the conditions governing our economic life can, taken by itself, confer benefits on Empire products imported into this country equivalent to those which British manufacturers enjoy in Empire markets through the operation of Dominion and Colonial preferences. The Committee think, however, that the attempt to reach equivalence in tariff concessions as between Great Britain and the Dominions implies an unduly narrow conception of Imperial trade relations, and that for any just appreciation of the problem a much wider view must be taken, bringing into account the other great advantages derived from this country in various forms by the Dominions. At the same time, the Committee consider that if and when, having regard to the needs and conditions of the home population, it is deemed expedient in this country to impose an import duty on some classes of goods, a case arises for giving as is now the practice a preferential rebate on such duty to products of other parts of the Empire. Further, they consider that in deciding whether or not any particular duty should be imposed or maintained, the question how far such a duty may offer an opportunity for imperial preference should be invariably taken into consideration.

The Committee think that representations should be freely made to Dominion Governments about grievances of British trade with the Dominions and that in relation to all other countries inter-Imperial trade relations must be considered as a purely internal question which is not open to diplomatic negotiation or discussion with any foreign country except for purposes of explanation.

The Committee would deprecate strongly any proposal to extend the scope of Imperial preference so as to apply to export duties or restrictions, e.g. on raw materials.

This seems to be in accord with government policy.

Relations between Public Departments and Services and Industry and Trade.

The Committee commend the existing division of functions between the Foreign Office, Board of Trade, and Department of Overseas Trade. They think it of the first importance that the vital significance of British overseas commerce should be realised by all the responsible officers of the Diplomatic Service as well as by those of the home Departments concerned, and while appreciating the great advantage to trade arising from the present specialised system of commercial overseas services, they represent most strongly that British trade interests in foreign countries cannot be adequately safeguarded unless each Ambassador or Minister is personally imbued with a real sense of their importance. They throw out the tentative suggestion that every member of the Diplomatic Service should, at a comparatively early stage in his career, serve for a sufficient period on the staff of a Commercial Diplomatic Officer. (See also List A (IV) (3)).
With regard to the relations between the Board of Trade and the trades and industries, they emphasize the necessity of systematic consultation with representatives of trade and industry, and say that steps should be taken to ensure that the cordial relations which have grown up between that department and the trades should be permanently maintained irrespective of changes of personnel on both sides. What is needed on the part of Government is the establishment of a firm tradition that Presidents and high officers of the Board shall in respect of all important questions of trade relations take the representative leaders of trade and industry so far as practicable into real confidence at a stage early enough to make consultation fruitful.

The suggestion was made to the Committee in evidence that standing committees of commercial experts should be constituted both at home and in the principal commercial countries to advise the Board of Trade and the heads of British overseas missions respectively with regard to commercial negotiations. The Committee do not feel able to endorse either of these recommendations. As to this country, they recommend that the Board of Trade would do well (as they do at present) to consult trade experts selected ad hoc for their special knowledge of each particular problem. As to the creation of standing bodies to advise Ministers and Ambassadors abroad, they are of opinion that the proposal is open to criticism. They point out that the interests of traders abroad are not always identical with those of manufacturers and traders at home, and they consider as a matter of principle that the proper body to guide a British mission abroad is the Board of Trade acting in close consultation at home with the interests concerned.

The findings and recommendations of the Committee on this subject are in agreement with existing Government policy, and the Committee may be regarded as endorsing the methods at present pursued. As to the suggestion thrown out regarding the commercial training of members of the Diplomatic Service, see List A (add reference).

(4) Marketing Organisation.

(a) The Committee are opposed to any proposals for curtailing the activities of the Department of Overseas Trade, but desire, on the contrary, to see its services further developed.

(b) The Committee address a number of observations to the trading community on marketing organisation. Their recommendations relate to such matters as the utility of the merchant system, the growth of direct trading, joint selling organisations, the importance of personal visits to export markets, the need for careful selection and adequate remuneration of agents, and the need for remediying faulty methods of marketing.
Under the heading of Commercial Missions the Committee think that if the desirability of any particular Mission has been ascertained by consultation between the Department of Overseas Trade and the representatives of trade and Industry, the expense should be equitably divided between public and private funds (p.175).

(a) is the Government's policy. Although the other observations are addressed in the main to traders, the questions dealt with are of interest to Government as falling within the purview of the Department of Overseas Trade. The developments recommended are generally speaking such as are constantly fostered by that Department.

(d) The Committee express their belief in the utility of trade fairs and endorse the approval bestowed by important witnesses on the British Industries Fair. They consider that the Fair should continue to receive support and that the Government should continue to take responsibility for it. They also consider that the grant of £56,000 from public funds for advertisement and propaganda in connection with the Fair is fully justified.

In regard to "World" exhibitions, the Committee hold that such enterprises have not in recent years yielded results commensurate with their cost, and they approve the effort to restrict proposals for schemes of this character by international agreement. In qualification the Committee suggest that an exception should be made in respect of exhibitions confined to a single definite branch of industrial science or art, and they suggest that British participation in such "cultural" exhibitions should be definitely organised, controlled, and financed by Public Authority.

The Committee refer to a form of exhibition known as trade ships, but they state that this is not a form of advertisement display which they could recommend for official adoption or encouragement.

This generally approves Government policy. The suggestion, however, relative to cultural exhibitions, which raises a large question of organisation, is dealt with in List A (iv) (2).
In their evidence before the Committee the Federation of British Industries laid great stress on the necessity for accurate and speedy status information regarding firms in overseas markets. Existing sources, they said, did not adequately meet the exporters' needs in this direction. The Committee gathered from other witnesses that the manufacturer in export trade is often seriously handicapped in judging the risks that he undertakes through the lack of adequate status information. The Committee consider that improvement in this respect can only be brought about through collaboration between the Federation and other Associations of Manufacturers and Traders, the banks and the various status inquiry bureaux. A general provision of this class of information is not, in their opinion, a matter for which a Government Department ought to take responsibility.

I agree that it is desirable that the means of access to status information should be greatly improved, and I agree that the general provision of this class of information is not a matter for which a Government Department ought to take responsibility. I take it, however, that the Committee's recommendation or opinion is not directed against a class of work (not amounting to much in quantity) which the Department of Overseas Trade have undertaken for some time and to which great value is attached by the business community. I refer to the communication to traders of information regarding the standing of firms in certain overseas countries which they would otherwise find it difficult to obtain, and in general the corroboration of status information from other sources, or the transmission of information obtained from foreign enquiry bureaux and paid for by the firm which asks for it. I take it, also, that the Committee's opinion is not opposed to the more systematic and extensive work which is necessarily carried out on behalf of the Export Credits Guarantee Department.

The Empire Marketing Board.

Under the heading of Advertisement and Display reference is made to the important work carried on by the Empire Marketing Board and to the suggestion that some analogous machinery might be set up with a view to commending British manufactured goods to the consuming public in overseas countries. The Committee do not recommend that a State Department should itself undertake such work at the public cost, feeling that any such step would involve H.M. Government in undesirable responsibilities and would probably be regarded by foreign countries as involving a direct subsidy to export.
Direct Government action is rightly deprecated.

(3) Merchandise Marks.

Subject to certain considerations the Committee consider that the principal of enabling purchasers to distinguish between home and imported goods is sound, provided that the law is administered with this sole object in view and not with the aim of excluding or restricting imports through subjecting them to impractical or costly requirements. They have confidence that at present the Act is being administered in the right spirit and that it has, in fact, been used as a means of disguised protection. As, however, the Act has undoubtedly given rise to apprehensions in some foreign countries, they consider that its effects should be carefully watched, and that in case of need the policy of compulsory marking should be further considered when sufficient experience of the working of the Act has been obtained.

These expressions of opinion and findings correspond with the existing Government policy.

(7) Ratification of International Conventions.

(a) The Committee call attention to the fact that after many years of controversy, the representatives of shipowners, cargo owners, underwriters and bankers agreed to rules defining the risks to be assumed by the shipowners under all bills of lading, and that such rules have been embodied in the laws of this country and in an international convention. The Committee suggest that other countries are regrettably slow in bringing the provisions into effective operation.

"The Committee take note of the Convention for the Abolition of Import and Export Prohibitions and Restrictions which was signed in the Autumn of 1927."

(c) The Committee observe that the policy of flag equality was strongly endorsed by the Maritime Posts Convention signed at Geneva in 1928. It has so far failed, however, to obtain general ratification, as some foreign countries still cling to the practice of various forms of flag discrimination.

As regards (a) the Government were responsible for the passing of the Carriage of Goods by Sea Act, 1924, and action has been taken by the Board of Trade, in co-operation with the Foreign Office, to commend the uniform code embodied in the convention to foreign Governments, with a view, if possible, to securing their adoption of the code.

As regards the position in the Dominions and Colonies, the Government have strongly urged them to adopt this code, and
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(b) The Committee take note of the International Convention for the suppression of Customs prohibitions and restrictions which was signed in the Autumn of 1927. They express the hope that the ratifications necessary to bring the Convention into force will be speedily obtained.

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As regards the position in the Dominions and Colonies, the Government have strongly urged them to adopt this code, and
a very large number of them have done so.

As regards (b) His Majesty's Government in Great Britain have announced that they are prepared to ratify this Convention, and as regards (c) this Convention has been ratified on behalf of His Majesty's Government in Great Britain.

Every suitable occasion has been used, and should continue to be used, to press the advantages of ratification of these conventions upon other countries.
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As regards (b) and (c) both conventions have been ratified on behalf of His Majesty's Government in Great Britain.

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IV. REPARATIONS.

Under the heading of Political Obstacles to Overseas Trade the Committee refer to the international debt position, and particularly the question of reparation payments, and they welcome warmly the fresh effort now being made to arrive at a permanent settlement.

No comment is needed as the steps now being taken are welcomed and the British delegation to the reparation discussions are aware of the point of view expressed above.
Summary of the Balfour Committee's principal findings and recommendations calling for Government action, or having a bearing on Government policy, which affect other departments than the Board of Trade.

ACCESS TO CAPITAL AND FINANCIAL FACILITIES.

The Committee express the view that full employment in our exporting industries can only be attained in the near future if there is a substantial increase in the export of capital. They therefore do not recommend any general restriction of the amount of capital exported and emphasize the disadvantages of any attempt to control or direct the flow of British capital in order to prevent it from being used for undesirable purposes, or to stimulate its use for purposes advantageous to British industry and trade.

In a discussion of the gold standard, the Committee say that all schemes for alternative currency systems not based on gold seem to them open to fatal objections on grounds both of principle and of practice. They consider that in principle the resumption of the gold standard was unquestionably necessary and ultimately beneficial, while recognising that such a step was bound to involve a considerable degree of transitory dislocation. It is unthinkable, however, that any appreciable body of opinion would favour a fresh departure from the gold standard. This view is shared by those members of the Committee who have been disposed to doubt whether the actual return was not too precipitate.

The Committee refer with approval to the action taken by the Bank of England in concert with the central banks of other countries for securing co-operation among them.

ACCESS TO MEANS OF TRANSPORT.

The Committee think it most undesirable that one form of transport should be subsidised so as to compete unfairly with another, and are consequently of opinion that heavy road traffic ought to pay its fair share of the cost of upkeep and construction of roads. They emphasize the importance of protecting the railway companies against unfair road competition and record with satisfaction the passing of the Acts of 1928 which gave power to the railway companies to run road transport. They express the hope that the Royal Commission on Transport will consider the question of the avoidance of haphazard road planning.

As to public control of railways, the Committee have not considered the whole problem of railway nationalisation to fall within their terms of reference. Even on the single aspect of its bearing on costs, it is pointed out that different views are held by different members of the Committee, but the Committee are agreed that the present system of railway amalgamations must be allowed sufficient time to develop its full possibilities before a decision can be taken as to what further step, if any, is desirable in the interests of industry and trade. As to public control of other means of transport, the Committee record no suggestion in favour of modifying the dual system of public and privately managed road transport, and express the opinion that the advantages of private management of shipping over State ownership are in practice very great. They further think that the existence of a variety of forms of control of ports is of advantage.
ELECTRICITY SUPPLY.

As to the arrangements for electricity supply which, up to comparatively recent times, were seriously defective and still leave a great deal to be desired, the Committee emphasize the extreme and growing importance of the organization for the public supply of electricity in relation to British industry. It is clearly very important, they conclude, in view of the increased dependence of industry on electric power, and especially on electricity purchased from outside sources, that an efficient system of public supply should be developed. They express the hope that the work now undertaken on a national scale will be pressed forward as rapidly as the nature of the problem admits, and that the difficulties which have so long impeded the economical and efficient production of electricity in this country will now be finally overcome. In addition to the problem of production, they emphasize the importance of efficient means of distribution.

WAGES AND METHODS OF REMUNERATION.

The Committee record their conviction that, upon the whole, the voluntary methods of collective negotiation and settlement of wages questions are vastly preferable to any uniform system imposed by law. They also think that any attempt to build up a system of wages in industry generally by means of a series of legal awards would be bound to break down.

As to the Trade Boards Acts, the Committee express the opinion that so long as action is confined to cases where (a) there is want of adequate organisation, and (b) exceptionally low rates of wages prevail, there is no ground for apprehension that the undue extension of Trade Boards may have serious repercussions on the free working of the normal wage fixing machinery. The Committee feel the desirability of establishing some line of demarcation between the field of operation of these Acts and that of the normal machinery of free negotiation.

As to the relation between wages in different industries, the Committee are opposed to compulsion and look to the gradual broadening of the outlook of the leaders on both sides.

The Committee express the view that the solution of the central wages problem is largely bound up with the acceptance of the principle of payment by results and express the hope that no effort will be spared to overcome the difficulties which stand in its way.

As to profit sharing and co-partnership, the Committee express approval of the proposal to confer on statutory undertakings and limited companies the right to introduce profit sharing schemes without authority from Parliament or a Court. On the other hand, the Committee strongly deprecate any element of compulsion in regard to the adoption of profit sharing.

As to family allowances, the Committee see grave difficulty in fitting the scheme into the present frame-work of collective bargaining, and express the opinion that if further consideration and discussion reveals a general desire for some such provision, a scheme of contributory insurance might possibly provide the means of achieving the object.
HOURS OF LABOUR.

The Committee are of opinion that most employers regard the post-war reduction of hours as a "fait accompli" and that any general proposal to lengthen the normal working day would meet with the most strenuous resistance from the trade unions. The Committee, however, stress the importance of elasticity and suggest that a combination of maximum elasticity for the employer combined with maximum welfare for the worker would have a greater effect on costs than any mere alteration in the length of the normal working day.

As to the international regulation of hours, the Committee find it impossible to recommend either the unconditional ratification of the Washington Convention or the abandonment of any attempt to secure a more satisfactory international agreement. They therefore express views favourable to a revision and draw attention to the amendments which they consider essential in the present Convention. Failing revision, the Committee trust that all efforts at international understanding will not be abandoned even though it should be necessary to limit it to agreement for the exchange and publication of full information as to hours.

INDUSTRIAL PEACE.

As to the machinery of collective bargaining, the Committee consider the two essentials to be that (1) the machinery shall cover the whole field of industry and (2) that it shall work smoothly and effectively without undue delays. On the first point, the Committee make no specific recommendation, but commend the policy of the Ministry of Labour in watching the means available and taking every reasonable opportunity to secure that adequate joint machinery shall exist. The second point the Committee consider can be left to the parties to the various joint trade organisations.

As to State prohibition of stoppages, the Committee consider this to be wholly impracticable of enforcement in this country. The Committee, however, consider it impossible for the State to maintain a purely passive attitude but think that State action should be confined to the principle of the Conciliation Act, 1896, and the Industrial Courts Act, 1919. As to the latter Act the Committee have no criticisms on Part I, and as to Part II they attach no importance to the complaint that insufficient use has been made of the Court of Inquiry procedure, but express the view that no effort should be spared to shorten the period between the decision to appoint a Court of Inquiry and the publication of its report.

The Committee deal at some length with the Canadian "Lemaux" Act but do not advise similar legislation in this country.

As to the adequacy of existing machinery, the Committee record that their evidence showed the relations between employers and employed to be close and friendly upon the whole, and a striking absence of any general demand for a change in the existing machinery.

The Committee suggest that it is desirable to see some form of works Committee established as a normal part of the administration of great industrial undertakings. They
consider, however, that these Committees should not be connected with any special form of national joint body (e.g., Joint Industrial Councils) or with any other hard and fast scheme laid down by external authority. The Committee do not favour the proposal to establish works Committees by compulsion.

The Committee consider that the proposals embodied in the Joint Industrial Councils Bill, 1924, in favour of compulsory enforcement of Joint Industrial Council agreements are open to grave objections on several grounds which the Committee state. They feel, however, that most of these objections would not apply if compulsory powers were strictly limited to the fixing of minimum rates of wages for the lowest paid grade in an industry to be enforced by civil action only.

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The Committee for reasons given express doubt whether there is sufficient ground for the immediate creation of a National Industrial Council with a definite organisation, staff and regular meetings. The Committee think, however, that a national conference representing organisations of employers and employed, meeting annually perhaps under the presidency of the Minister of Labour, would accomplish most of the results that could fairly be expected without incurring the risks.

IRREGULARITY OF EMPLOYMENT.

The Committee point out that under this heading they are concerned with those aspects of unemployment which have a direct bearing on competitive power and industrial costs, rather than with the general problem of increasing employment by expanding protection and trade, which forms the underlying object of their whole report.

The Committee regard unemployment insurance as one of the greatest advances in social amelioration during the past generation. They draw attention, however, to the necessity that the scheme should not have adverse effects on industrial mobility. In view of the report of the Blanesburgh Committee, the Committee state they have made no special inquiry as to the working of unemployment insurance, but they express the opinion that time is necessary to show whether the precautions taken as a result of that report are adequate to avoid the danger of mobility being impaired. The Committee give reasons for their view that the unemployment insurance scheme has had a generally beneficial effect and has amply justified its establishment. After reviewing the sample inquiries made by the Ministry of Labour and the unemployment situation in the United States of America, the Committee express the view that the size of unemployment in this country is not the result of measures taken for mitigating the hardships of unemployment.

As to the provision of work for the unemployed, the Committee state that the only real cure for unemployment is the expansion of production and trade. As to the artificial creation of work, the Committee consider it would be wrong to expect too great results from the postponement or acceleration of public work and reach the conclusion that Lord Melchett's scheme for subsidising employment out of the unemployment
The Committee consider that schemes of relief work pure and simple, together with Poor Law "tasks", are outside their province, but emphasise the need for administrative co-ordination to prevent overlapping between the relief of destitution and unemployment insurance benefit.

The Committee point out that casual labour, especially in the case of the ports, presents a social and economic problem of the greatest gravity being the exact reverse of the minimising of labour costs while maximising weekly earnings. The Committee regard with satisfaction the establishment of a special joint committee of employers and employed with an independent Chairman with the object of promoting de-casualisation, and point out that considerable progress has been made. The Committee, however, express the opinion that if, as is possible, the Committee representative of the industry itself should eventually find voluntary efforts insufficient, serious examination should be given to the possibility of reinforcing those efforts by some form of public action, perhaps by giving compulsory force to voluntary agreement or by some special scheme under the Unemployment Insurance Acts.

**INDUSTRIAL WELFARE AND PSYCHOLOGY.**

As to the statutory Welfare Orders, the Committee express approval of the mode of procedure of the Home Office i.e. to begin with experimental Orders of limited application and to base a more generalised code on the experience so gained.

As to voluntary "welfare", the Committee strongly recommend that the co-operation of the workpeople should be enlisted in framing and working such schemes, and express the opinion that when this is the case Industrial welfare has been proved to have a beneficial effect. The Committee express the opinion that the work of the Industrial Fatigue Research Board may yield results of outstanding importance, and state that they would strongly deprecate any change which would make the Board financially dependent on voluntary subscriptions. The Committee consider, however, that the work of the Board should be more closely connected with the trades, and suggest accordingly the establishment for this purpose of a standing committee representing each trade. The Committee make no specific recommendation as to the form of these Committees but suggest that where Joint Industrial Councils exist they should take responsibility for this work.

**STANDARD OF LIVING.**

The Committee discuss the relations between the standard of living and wages, and draw attention to the qualitative aspects of the idea of a "satisfactory" standard. They express the hope that carefully conducted researches into the movement of the standard will be greatly extended and periodically repeated. Meantime, they say, the limited results already obtained confirm the conclusion to be drawn from the statistics.
of the movements of real wages that, while there has been no
marked upward or downward change in the general level of the
standard of living since the immediate pre-war period, there
has been a very appreciable improvement in the standard of life
of the less highly paid sections or workers, resulting in a
substantial diminution of extreme poverty in the sense of an
actual deficiency of the means of subsistence.

EDUCATION AS A FACTOR IN EFFICIENCY.

As to the character of the training in elementary schools
the Committee emphasize the necessity of an adequate education
and training for the numerous and increasing class of semi-
skilled workers who in certain important industries hold the
future in their hands. As to more specialised training, the
Committee mention the desirability that each industry should
examine and formulate its own requirements. They express
approval of the action already taken by the Board of Education,
at the same time pointing out that the precise machinery by
which central action should be initiated needs careful considera-
tion. They consider it very important that teachers in techni-
cal and art schools should keep in touch with progress in the
actual practice of their trade or craft. They quote evidence
to the effect that the existing arrangements regarding super-
annuation and salary scales make this difficult. They think,
therefore, that the situation should be gone into.

As regards the limits of school age, the Committee make
the tentative suggestion that, starting from the earliest date
which financial and administrative conditions permit, the
period of compulsory school attendance should be extended by
one term in each of the three next following years, subject
always to the condition that during the last term of school
life, as thus extended, any boy or girl, instead of being
required, as at present, to stay to the end of the term, may
be exempted from attendance on obtaining a situation notified
through the local machinery for juvenile employment, or
possibly in accordance with the "working certificates" scheme
recommended by the Malcolm Committee, if and when that system
is brought into operation.

INDUSTRIAL MOBILITY.

The Committee stress the importance of an adequate
supply of houses as a factor in mobility, and trust that the
efforts to overtake the housing shortage may be steadily
maintained without relaxation. The Committee hope that full
advantage will be taken of any suitable opportunity to endeavour
to secure a widening of the outlets for emigrants. The Committee,
commend the influence on mobility of the Employment Exchanges
and say that they must cease to be regarded as a device for
dealing with emergency requirements and must be used habitually
by both parties to supply their normal needs.

The Committee discuss at length the problem of
"demarcation", which in certain groups of trades exercises a
very grave influence in raising the cost of production and
weakening the competitive power of British industry. The
multiplication and rigid enforcement of demarcation restrictions
are contrary to the public interest and operate to the grave
disadvantage of British trade. The evil is too serious and
the need of a remedy too urgent to make it safe to trust
wholly to the gradual operation of influences such as the
broadening effects of better education or consolidation of
Trade Unions into larger organisations. They look with hope
to the positive proposals set out in the joint report of the Shipbuilding Employers and the Shipyard Trade Unions issued in 1926. Some of the most acute demarcation difficulties, especially in the engineering trades at present, are not between two bodies of craftmen, but between the skilled and semi-skilled workers. The development of semi-automatic machinery has made these difficulties more acute, and in order to meet them it is essential that arrangements should be made to enable semi-skilled men to use their capacities to the fullest advantage without hindrance. Such arrangements should be accompanied with effective provision to widen the competence of the workmen by a broader system of training.

Regarding mobility in relation to management, the Committee draw attention to the necessity of higher training for managers and heads of business enterprise and of a more scientific outlook—a question the importance of which they have repeatedly stressed throughout their report. One of the most serious obstacles to progress is defective sympathy on the part of persons holding responsible positions for new ideas. If to the natural qualities in which the British business community is so rich there could be added a greater measure of receptivity to new ideas, of adaptability to changing conditions, and of mutual co-operation for common ends, a type of business leader and manager would emerge who would not have his equal in any other country.

PUBLIC CHARGES IN RELATION TO COMPETITIVE POWER.

Imperial Taxation.

The Committee welcome any economy in national expenditure which would enable the burden of taxation to be diminished, without, however, holding out much hope that the burden can be substantially diminished by this means. They, therefore, deal with methods of adjusting the burden. They do not advocate the spreading of it over a longer period of years by such means as the reduction of the sinking fund of the funding of certain diminishing charges such as War Pensions. On the other hand, they are not favourably impressed by the recent announcement that the total annual charge for national debt and sinking fund is to be stabilised at £355 million for 50 years. They do not favour the exemption from income tax of profits put to reserve. They think the existing arrangements as regards depreciation allowances on industrial plant and machinery are not unsatisfactory, though they hope that the Inland Revenue authorities will find means to meet a grievance as to the inadequacy of existing depreciation allowances on pre-war plant and machinery to provide for renewals at post-war values. They make suggestions as to depreciation allowance on buildings, and as to allowances for expenditure on research, welfare, etc.

LOCAL RATES AND SOCIAL SERVICES.

But for the action taken by the Government for relieving industry of a large part of the burden of local rates, the Committee would have made a recommendation in the matter. The Committee think the burden of the social services on costs is relatively small. On the whole, the indirect effects of the services on industrial efficiency and mobility are much more important than the direct burden of their cost. Nevertheless, there is room for continual vigilance to ensure the maximum of economy. They make one recommendation for the purpose of reducing the burden of social services on industrial costs, i.e., that each important trade should consider the practicability of adopting some form of mutual organisation for the purpose of workmen's compensation on the lines worked in
the cotton, shipping and mining industries. The Committee refer to the fact that most of the branches of social service have recently been examined by Committees or Commissions, and recommend strongly that such examination should be repeated periodically. They add that their conclusions are without prejudice to the view held by some of their members that the whole business of social and industrial insurance is highly suitable for national ownership and management, but they do not consider that they have any evidence to warrant a general conclusion as to the relative merits of State and private management as regards the range of services under consideration.

Discussing the industrial effects of the social services, the Committee call attention to the contrast often drawn between Great Britain and the United States, and to the contention that the absence of similar services in the latter country has increased industrial efficiency. The Committee conclude that it would be unwise to look to the present-day American practice in these matters as a model for imitation by a country like Great Britain.