

The Yarn Spinners' Agreement

As I See It

By LYNDON H. JONES

MR. THORNEYCROFT, from a political standpoint, has sunk without trace; but much of the fine work which he initiated whilst at the Board of Trade continues. He, more than anyone else, was responsible for the current offensive against monopolies and price-fixing, with which Britain's industry is riddled. But, in passing, it may be noted that if the country pursued a Free Trade policy the introduction of anti-monopoly legislation would be unnecessary.

The most significant feature of the anti-monopoly campaign has been the manner in which the arrangements in the Lancashire textile trade have been amongst the first to come under review. The Monopolies Commission reported unfavourably on the scheme operated by the calico printers, and now the Yarn Spinners' Agreement has been ruled by the Restrictive Practices Court to be contrary to the public interest. This is a major victory for us, and one which gives a great deal of personal satisfaction.

In the past, I had campaigned assiduously against the Yarn Spinners' Association scheme, and one particular incident merits recall. It arises from a letter which I wrote to the Financial Times. At that time, my father was abroad on business but, on his return, his Managing Director called him in and informed him that he should stop me from writing such letters! Needless to say, my father flatly refused and pointed out that we were at one in our views on the scheme. Thereafter, he was socially ostracised by many people in the trade, and the cold shoulder was given to other Free Traders.

Meanwhile, the most important fact about the Court's decision on the Yarn Spinners' Association scheme is that it was given at a period when the industry was beset with difficulties, and it was known that it would result in many mills closing—although, paradoxically, from this it does not follow that there will be more unemployment in the trade, as will be seen in a moment. Clearly, then, the Court intends to be "tough", which is all to the good, and consequently many trade associations will now abandon their practices voluntarily.

Few can fail to feel sympathy, of course, with Lancashire in her present difficulties but, if the skies are black, it is because having sown the wind, she is now reaping the whirlwind.

Her problems are diverse, arising from uncertainty about future cotton prices following government intervention in the world market, and competition from man-made fibres, loss of foreign markets, growing pressure in the home market from foreign producers, and increased use of substitutes for cotton such as tin foil, glass, paper, plastics and so on, in both the industrial and consumer field. But the troubles have been aggravated by the pursuit of price-fixing agreements.

Such agreements are not built-in stabilisers but built-in rigidities, which prevent the industry from adjusting itself to structural changes. Hence, when the inevitable changes are made, they are all the more painful, and the worker may feel them more severely, because they tend to coincide with a lull in industrial activity.

During the next few months, the already bruised cotton trade must adjust itself to the new conditions. This will entail the inefficient mills closing. Previously, they could make good profits under the scheme because of the high level at which prices were fixed.

Some idea of the differences in efficiency, incidentally, may be gauged from the following figures. In the case of 20's American yarn, for instance, production costs ranged from 5.86d. per lb. for the lowest-cost mill to 10.02d. for the highest, and for 32's the range was from 7.90d. to 12.47d.

Production will be concentrated in the more efficient mills. Their costs will be further reduced because they will now be able to run shifts, which they couldn't previously, because the limited labour force was spread amongst too large a number of mills. The majority of firms have been working at only 60 to 70 per cent. machine utilisation on single shifts and this has been pushing up their costs very substantially. Hence, when the initial shake-up is over, and things have a chance to settle down, it will be a stronger and more compact industry which emerges and one better fitted to face the economic vicissitudes of today.

Before concluding, in fairness to Lancashire, it must be pointed out that she has some justifiable grounds for complaint. For instance, the industry is not allowed to buy under conditions of Free Trade, and it is incumbent upon the Government to remove all duties on her inputs. And, allied with all this is the question of Purchase Tax. Here it is pertinent to recall what the Conservatives said in their famous Industrial Charter, published when in Opposition. It states: "Moreover, when the Government foresees a bad time coming they should be prepared to reduce direct taxation, relax the purchase tax and repay tax credits accumulated." Surely the present state of trade is such as to warrant the removal of Purchase Tax.

Furthermore, whilst the Government continues to pour millions of pounds of our money annually into the artificial stimulation of branches of agriculture for which the country is ill-suited, our dependence upon food imports will be lessened. This, in turn, boomerangs against our exports, and it gives further stimulus to primary producing countries to industrialise behind tariff barriers. When this happens, textiles are always the first trade to be developed.

Which brings us back to our initial point. Price-fixing schemes could not develop in a free economy, nor would there be any *raison d'être* for them.