will be rati tied to grants, loans and subventions from Delhi. No doubt, the State Government, which receives today about Rs. 1½ crores by way of customs revenue, hesitates to surrender Rs. 15 lakhs annually under the fiscal integration plan. It will undoubtedly be easier for the Government of India to support Kashmir Government's effort at economic development if the two Governments evolve a plan of greater fiscal co-operation. In the course of a few days, Kashmir's Finance Minister is expected to visit New Delhi and discuss ways and means of fiscal integration of the State with India.

Parliament is scheduled to meet on August 6. Besides the President's address, the Planning Commission's Report and Mr. Muddgal Enquiry Report, it has a heavy legislative programme before it. There are 34 official Bills pending and Select Committees will be reporting on five of them. Private member's bills outstanding number 40 and motions to introduce another 20 non-official bills have also been received. It is expected that about 40 bills will be held over for the Budget session. It is clear that this Bill will not be placed before the ensuing session of Parliament. 

Control Over Aluminium Supply in US

Though production of primary aluminium in the United States in the first three months of 1951 was 25 per cent larger than in the first quarter of 1950, the combined military and civilian demand far exceeds the available supply. The National Production Authority has accordingly included aluminium with steel and copper in the "Controlled Materials Plan" which came into effect July 1. Under this programme, the government will dole out these metals in specific quantities for all defence and essential civilian purposes. Users of these metals for non-essential goods will get only what remains after essential domestic and foreign demands have been met.

Britain's Remedies for Inflation

Of the many factors that have contributed to the harsh content of the politics and economics of the United Kingdom since 1945, two stand out with remarkable clarity. First, was the rise in wages for the first time in its history has become a junior partner in the military alliance on its side of the balance, of power, and secondly, the seemingly irredeemable crises which its economy perennially slides into. Ever since the end of the last war, there has been with regularity, some, new problem to which the nation was being asked to sacrifice in order that a solution may be found. Alter a dose of Mr. Dalton's cheap money policy, the country was introduced to the stringencies of the Crippsian era. Now conns My. Gaiteswell with a demand that "every effort be made through international and internal measures to check the rise in costs and prices and limit the pressure of effective demand." What this effort is to be, and what new sacrifices it will involve, is the question all are asking and to which the Chancellor, in another of his crises speeches, has replied with characteristic vagueness.

When the Board of Trade published the import, export and the consequent adverse balance figures for the second quarter of this year, all believed that the country's external balance of payments would provide the main motive, if not necessarily the most of the subject matter for this week's Commons debate on the economic situation. Although there were reports of Treasury discussions with trade union leaders and representatives of the Federation of British Industries on questions relating to the Government's policy for curbing the inflationary pressure now so persistent and widely felt, the shock at learning that the adverse balance had reached the all time peak of £54.7 million for the six months ending June, made many people expect that the Chancellor would regard this as the prime problem of the moment. He certainly gave it pride of place in the sequence of his subject matter, but as his speech wore on, it became clear that his main preoccupation was that of the rise in wages, prices and profits and thus it was to this that his positive measures, however distant, were related.

In analysing the factors that had contributed to the inflationary spiral rising so sharply in the past few months, the Chancellor implicitly admitted that a major miscalculation was made in the budget forecasts. It was assumed that there would be an increase in production and that this extra dividend would be used partly to produce armaments but mainly to increase exports. None of it was supposed to go to heavier consumption at home. What is now recognised is that the winter round of wage increases were being spent, with the help of past savings, on buying buying dearer food, dearer and more clothes, furniture and household goods of all kinds. This unexpected increase in effective demand had tempted manufacturers to neglect the export markets which have been nourished so motherly since the end of the last war. Thus the menacing crisis of inflation at home and the deepening adverse balance of payments on foreign account.

Inflation at home and the growth of an adverse balance of payments are problems intimately linked. They are in fact a set of twin problems that arise largely out of the same cause-a fluctuating and unstable demand. To deal with these problems therefore would demand a rectification of the instability of effective demand and as on this occasion, its unchecked rise. The Chancellor realising this hit upon a most serious political problem. The industrialists would prefer consumption being reduced by such methods as indirect taxation, wage restraint and the rationing of consumer goods. These methods however would not rivet the views of the Trade Unions who, though as anxious, are adamant that their members be not the ones who should be subjected to another sacrifice. There is a new style of reasoning in the labour movement on these matters and it runs somewhat on the following lines: the inflation can be painlessly countered at the expense of nothing and nobody except profits and dividends, the right way to prevent further inflation is to restrain wages, that demands for higher wages are stimulated by increases in profits and dividends, and therefore profits and dividends must be restrained and reduced. But the
Chancellor bolsters his position by virtue of the support he gets from the trade unions. Thus, the recourse open to the Government is to submit to the pressure of the TUC leaving the Financial Times that adroit spokesman of the FBI to bitterly complain that "the Chancellor has decided to take the road of restriction with vengeance" and that, "the only changes in policy which he proposes is either wholly repressive or illogical or both."

The two principal measures which the Government intends taking are first, the tightening up of price controls thereby limiting profits and secondly, stabilization—in practice some reduction in dividends—for three years by statute. The significant feature of the new price control programme is the introduction of exact price schedules for precisely specified goods. That this method of control imposes a rigidity of design and manufacture, and perhaps particularly so in a competitive world, has already brought outbursts of criticism from various industrial organizations. More significant however is that the controls are to be used deliberately to control profit margins, with lower prices to lower cost producers. The "cost plus" system will be the order of the day. In explaining away the criticisms that "cost plus" as a basis penalizes efficiency and encourages inflation of costs, the Chancellor said that he had in mind to provide "for two ceilings, below the lower of which, ce wants to operate, manufacturers being free to choose which ceilings they would use".

By far the most controversial of the measures suggested is that relating to dividend limitation. The Chancellor proposed to limit the dividends paid by all the companies in this country to the average, of the dividends paid during the past two years. He observed that dividends recently declared had much exceeded those paid last year—by as much as 14 per cent net in June. He was of the opinion that many wage earners were disturbed by such increases. This, the Financial Times cried, "was a manifest absurdity", although on the same page it reported that the General Electric Company had made a profit of £5,651,000 for the year 1950-51 and had increased its dividend distribution from 17½ per cent to... 22½ per cent. The Times in a two column editorial, wanted to know why workers should be disturbed at the extent of the dividends" declared "when wages increased by 157 per cent between 1938 to 1950, while dividends and interest paid by companies increased by only 61 per cent."

Mr. Gaitskell's ceiling on dividends had quite an effect on Stock Exchange dealings. Equities and Industrials fell back sharply and it was reported that investors were moving rather hurriedly to foreign shares and issues. The Liberal evening paper The Star estimated that the slash in Stock market prices involved a loss of over a million pounds. The worst fears of the industrial and financial circles in the City of London are now being borne out and there is no doubt that these interests would raise such a storm of protest that the Government will think twice before embarking on its legislative programme in the autumn.

One thing significant in the Commons debate was the wide measure of support the Chancellor received from the Labour Party's dissident left wing. It augurs well for the party's leadership in the forthcoming conference of the TUC in September and the Labour Party in October. It is believed that a modus vivendi between the various groups in the run for the leadership will now be aimed at by the Morrisson-Attlee group in order that there will stand a united if not as strong a Party in the elections which all believe will come off early in the next year.

US Exports of Scarce Materials

The OTT is continuing to operate as before, but under the CMP it began on June 1, 1951, to assign priority ratings for export licence applications covering CMP items. Exporters who are unable to complete shipments of controlled materials in the normal six-month period for which their licences are revalidated may appeal to OIT for extensions of the validity period.

In addition to exports being made under the CMP, OIT will continue to establish quotas for other scarce materials. An important one of these is sulphur, which is currently in short supply throughout the world. Despite this, the United States exported 480,000 short tons in the first half of 1951 and expects to ship about 420,000 short tons in the last half of the year to friendly countries.