

July 24, 1956

Dear Lou:

We will have lunch tomorrow at home.
Is it all right if you come to my room at
12:30 and we then pick up Lyla on our way
home?

Sincerely,

Mr. Louis Rasminsky
Executive Director
International Monetary Fund

October 3, 1955

My dear Lou,

I am sorry I could not get this to you earlier but it had to be ordered from England. I think and hope it will be of some interest to you even after the trip.

Love from Ingrid and me to all the Rasminskys.

Sincerely

Mr. Louis Rasminsky
1818 H Street, N.W.
Washington, D. C.

BANK OF CANADA *Ottawa* May 9th, 1952.

Reply May 12th

PERSONAL

Ivar Rooth, Esq.,
Managing Director,
International Monetary Fund,
1818 - H Street, N.W.,
Washington 25, D. C.

Dear Ivar,

You may recall that after dinner at your house a couple of weeks ago you said you would be interested in receiving any interesting information regarding conditions of the textile industry in the United Kingdom and elsewhere. I am enclosing herewith a brief memorandum on the recession in textiles and consumer goods done by some of our people in the United Kingdom which I think you might find of interest.

With kind regards,

Yours sincerely,

L. Hasminsky

Enc.

THE RECESSION IN TEXTILES AND CONSUMER GOODS

The recession in the textile and related industries presents a complicated pattern. Unemployment on February 11th amounted to 60,000 in textiles and 32,000 in clothing, out of a total of 446,000 in all occupations in the United Kingdom. This was just less than 6% in textiles and just over 5% in clothing. The bulk of the unemployed were women; and a good many of these would be married women whose husbands were working. 40,000 of the unemployed in textiles and 25,000 in clothing were women. These figures understate the degree of underemployment. In the textile industry in the week ended January 26, 1952, 86,000 workers (almost 10%) were on short-time, and 1,390,000 hours were lost because of short-time working. Comparable figures in the clothing industry were 78,000 workers and 844,000 hours.

2. Cotton output in January 1952 was only slightly less than in January 1951. Rayon output in February was considerably higher than in the same month last year, although new cuts in production have since been announced by the two leading firms in the industry. Production of wool textiles in January 1952 was about 30% less than in January 1951. The value of home sales in January by wholesale textile houses was 28% lower than a year ago, and the value of the stocks they held at the end of January was 31% higher than a year ago. A number of mills have been closing, some for a few days each week, some indefinitely. In the debate in the House of Commons on March 26 Mr. Anthony Greenwood, M.P. for Rossendale, presented the following picture:

"In Rochdale this week 26 mills are on short time. In the Oldham area 12 mills are completely closed and 62 mills, the remainder of the number in that area, are working only three or four days during the week. In the Rossendale Valley and Ramsbottom mills which remained open throughout the worst days of the slump in the 1930's are now closing.

In Bacup, two out of every three cotton workers have experienced partial or complete unemployment at some time since Christmas. In Haslingden every one of the 28 mills has had stoppages of various degrees of seriousness since the turn of the year. It is feared in Lancashire that almost the whole industry will close down for 10 days at Easter.

3. Whether or not the present situation should be considered serious those concerned are expecting (rightly I think) that conditions will get considerably worse in the next few months. There are two main reasons for this. The first is that, as the figures in paragraph 2 above suggest, a good many mills are producing for stock. Sales have fallen much more than output; firms are trying to keep operating as long as possible. Obviously this cannot continue for long unless markets revive. Moreover, higher interest rates can be expected to make it more costly to hold large stocks.

4. The other difficulty ahead is the impact of the import restrictions announced by Australia, South Africa and New Zealand. Australia's imports of textiles will be cut by about 80%. The Economist has calculated that this would mean a cut of about £85 million, and that sales of textiles to South Africa and New Zealand may be cut by £30 million and £10 million respectively. This would mean a total loss in textiles of £115 million, i.e. 20% of total United Kingdom exports of these products in 1951. Since exports amount to about 25% of total production these cuts would be about 5% of total output. This is not a large percentage, but when it is superimposed on the present situation it will be seriously felt.

15. A number of explanations of the depressed state of the textile industry have appeared from time to time. One is that these difficulties have arisen in part from the revival of German and Japanese competition. This explanation is not convincing and is not generally held. It is widely appreciated that similar conditions prevail in textiles in almost every country. Indeed, the textile industry in the United Kingdom appears to have suffered proportionately less than in some other countries. Mr. Greenwood in the speech from which we quoted above pointed out that mills in the United States and Canada were under-employed, that the crisis had also hit France, Holland and Belgium, that production had been cut in India, and that in Japan it had been cut by 30%. He thought one of the most alarming features was the fact that this recession had come about in the United Kingdom at a time when Japanese competition had not yet made itself fully felt.

yes.

6. A much more generally accepted explanation is that the slump is the aftermath of the excessive buying by consumers and merchants after the Korean war began. This explanation was prominent in the United Nations Economic Survey of Europe for 1951. There can be little doubt that this was one of the contributing factors to the present situation, but it seems a little surprising that if that was the only cause the recession should last as long as now seems likely.

Yf. ecology

Too big capacity in many countries, partly a consequence of expansion after the war

7. Another reason for the difficulty may be the re-emergence of the long-term decline of the United Kingdom textile industry which began around 1913, and which was accelerated by the establishment of textile industries in other countries during the First World War and after. It could be argued that the effects of this secular trend had been masked by the Second World War and the boom which followed. Admittedly there is no reason why the effects of a long-term decline in the United Kingdom textile industry should necessarily coincide with a world-wide depression in textiles. It may be, however, that the expansion of textile production throughout the world during and after the war was excessive in relation to the effective demand. If this is the case it would not be surprising that the depression in this field should be so widespread.

yes

yes

Necessity of scrapping some factories or parts of factories.

8. Another view which has been given a good deal of attention is that the depression in textiles and other consumer goods may be the beginning of a general depression either in this country or throughout the Western world. Before examining this it is necessary to survey the situation in the other consumer goods industries.

9. The difficulties of the other consumers' trades and services have been considerably exaggerated in many quarters. There has been a recession in furniture and furnishings which is still continuing. The value of sales of these products rose only 2½% in the trading year which ended in January 1952; this would represent a significant fall in the volume of sales. Moreover, the value of their sales in the last two quarters of the year was respectively 15% and 11% less than a year earlier. On the other hand, sales of hardware, radio and electrical goods were 11% higher in value than in the previous year. Sales of chemists' goods, books and stationery held up well. The volume of sales of musical instruments, jewellery, leather and fancy goods, and sports goods and cycles all probably fell. The value of food sales was about 10% higher than the previous year; this probably indicated a small fall in volume. Unemployment in the food, drink and tobacco trades on February 11th was only about 2.2% and in the distributive trades only about 1.7%. In furniture, however, and in miscellaneous services (entertainment, catering, hotels, laundries, dry cleaning, hairdressing, etc.) about 5% were unemployed. These figures do not suggest a very serious depression in consumers' goods and services other than textiles, although they do confirm the impression that conditions in these sectors

"are a good deal softer than they were six months or a year ago.

10. According to the Board of Trade retail stocks in general by the end of January had been reduced to quite moderate levels. Other consumer goods as well as textiles will of course be affected by the cuts in sterling area trade. The Economist's estimates for the loss of markets for these goods were £55 million in Australia and £15 million in South Africa. There could also be a loss of about £5 million in New Zealand. In relation to the size of the industries concerned these cuts by themselves are hardly serious enough to be likely to make an important contribution to a serious depression in these trades. It would be fair to conclude that unless substantial deflationary influences are imparted from abroad or result from the increase in Bank rate, there is no great reason to fear a serious slump outside the textile industry, although trade may not return to the abnormally prosperous levels experienced since the war.

11. It is unlikely that higher interest rates in conjunction with the relatively mild Budget will lead to serious deflation in the United Kingdom, but there is a good deal of concern about the possibility of a recession in North America which if it occurred would probably spread to this country. This concern can be traced in part to the fall in raw material prices in the United States since November and the recent declines in consumers' prices in that country, together with the easier supply position of steel and non-ferrous metals other than copper. In our previous despatch we mentioned Mr. Butler's statement in the Budget debate that he had been advised that there was much more danger of deflation in the world in general than many people imagined. Treasury officials have expressed similar views to us in conversation, but as the Financial Editor of the Manchester Guardian pointed out on March 21st "the Treasury's experts have as fine a record of correct guesses as any subscriber to the nation's football pools". The United States economy seems to go through a hesitant and cautious period for a few months around the turn of each year and this gives rise to an annual spate of forecasting here that the long awaited slump is at last on its way. There is perhaps more justification for this in 1952 than in some previous years, but it seems to be an unduly pessimistic view when defence production is still increasing and the capital goods industries everywhere are employed to the limit of their capacity. Full employment in capital goods coincident with a recession in consumers' goods is not the usual pattern of a serious slump.

12. In the meantime, the pressure on the Government to aid the textile industry has become very strong. Mr. Thorneycroft announced on March 26th that no further licences would be issued "for the time being" for the import of Japanese grey cloth; that no more orders for cloth or clothing for the defence programme would be placed abroad (apart from exceptional circumstances); that the Government would speed up textile orders for defence; and that the problem of Japanese competition would be discussed with the Cotton Board. He did not pretend that these measures would have any very substantial effect. Since then a deputation from the trade headed by Sir Raymond Streat, Chairman of the Cotton Board, has been discussing the whole problem with Mr. Thorneycroft, and has taken up with Sir Arthur Salter the effects of the "D" scheme on textiles. The trade believes that the

"purchase tax on textiles should be abolished or drastically reduced. It seems most likely that the Government will have to take some steps in this direction. The purchase tax was originally designed to limit consumption when textiles were scarce. It has also been an important source of revenue, but its critics argue that if the recession continues the Treasury may lose more in unemployment insurance payments and national assistance than it stands to gain from the tax."

Confidential

Dear Lou:

As you know, a staff working party has been engaged on a paper dealing with the problems that may arise for the Fund in connection with drawings to pay off arrears. This was in response to a request by Mr. Perry made in connection with the discussion of Brazil's drawings on the Fund.

The working party has just given me their confidential report. As the working party points out, this report is not, in its present form, suitable for transmission to the Board but I believe that it constitutes a useful document to help us crystallize our thoughts on the matter. I am therefore sending it to you on a personal basis and I should like to learn your comments and reactions.

Sincerely yours

Ivar Rooth
Managing Director

Mr. Louis Rasminsky
Bank of Canada
OTTAWA, Canada

Att:1

DRAFTED: J.J.Polak-March 9, 1954

SUBJECT COPY

September 3, 1953

Dear Lou,

I enclose a letter of invitation to you at a luncheon that I am going to give on Sunday, September 13, the day after the annual meeting ends. The letter and the memorandum are self-explanatory. As last year, I am inviting you and Frank Southard to be present and take part in the discussion.

You will have to excuse me if I am not inviting more Canadians and Americans. The number of those to be present is already on the high side but if you think that it is better that Canada be represented by Graham Towers, it goes without saying that he is quite as welcome as you are.

Yours sincerely

Ivar Rooth

Mr. Louis Rasminsky,
Bank of Canada
Ottawa, Canada.

April 7, 1953

Dear Lou,

I am writing you this note to tell you that Ingrid and I are looking forward to having you and Lila to dinner on Friday, April 24, en famille as usual. Merle Cochran will be with us too.

With our best wishes to you all, I am

Yours very sincerely

Mr L. Rasminsky
Bank of Canada
Ottawa Canada.

January 29, 1953

Dear Lou,

Burgess could not come to dinner with us as he will be out of town but he has promised to have luncheon with you, Melville and myself on Thursday, February 12th. I will let you know when and where the luncheon will take place.

Looking forward to seeing you, I am

Yours sincerely

Ivar Rooth

Mr. Louis Rasminsky,
Bank of Canada
Ottawa, Canada

May 12, 1952.

My dear Lou,

Many thanks for your letter of May 9, and the very interesting memorandum on the "Recession in Textiles and other Consumer Goods." I agree with everything. I, myself, might have added a couple of words about the necessity of scrapping some factories or parts of factories in certain countries. I believe that this is true as far as the U.K. is concerned. I am sure it is the case in Sweden. Our textile industry was not only modernized but also expanded to take care of the backlog that existed. The fear of inflation in many countries has no doubt also led to a greater demand for textiles than would have been the case if the general public had believed in the currency.

Our friend W. T. told me on Friday, that he had made up his mind to take one of the several other jobs that had been offered to him. One of the reasons for this was the he felt obliged to stay in his present job until the new administration comes in.

With kind regards from family to family, I am

Yours very sincerely

Ivar Rooth

Mr. Louis Rasminsky,
Bank of Canada,
Ottawa, Canada