From the Washington End

Strikes, Dollar Devaluation Rumours and the I . M . F

November 12

THE STEEL STRIKE has now ended, agreement having been reached on the pattern of the Bethelhem Steel Settlement, viz, a wholly company-financed pension of $100 a month at the age of 65, after 25 years of service. It will take several weeks, however, before normal production is restored. Much also depends on the final cutcome of the coal dispute, the strike having been temporarily called off by Lewis in a surprise move, since 10th.

Coal miners have been ordered to remain at work only till midnight of November 30, which means that if the dispute is not settled to the satisfaction of the Union, the strike will be resumed on December, 1. The present decision, according to Lewis, is an act of good faith on his part designed to contributue to public convenience and to enhance the 'remote' possibility of an agreement being reached with coal operators. Householders and institutions have been urged to lay by sufficient coal reserves for the period of the strike. Lewis', charge sheet against mine operators makes interesting reading. The coal operators, he said, had been arrogant, and brutal, among other things, they had conspired to cripple and destroy the mine-workers' Welfare Fund, engaged in reprehensible and clandestine intrigue with financial and political interests opposed to American labour, degraded themselves in their attempt to brutalise the American coal miner, shamed the precepts of morality by casting aside every restraint to their sordid and mercenary appetite and had forfeited the good-will and resp ect of every American, whose bread is earned by the sweat of his brow, etc.

The explanations given for the present move of the United Mine Workers' leader are: (1) Fear of intervention by Federal Government to which Lewis is totally opposed; (2) Awareness of public opinion, which is becoming critical of his stand which threatens a serious shortage of coal; (3) Lewis's desire to forestall any serious discontent in his rank and file who have been off pay for over 7 weeks. Although the present attitude of coal operators and the union leaders would seem to indicate rather poor prospects of peace, some agreement is bound 10 take place, for two reasons: One is the successful termination of the steel strike, where the union has been successful which forces prestige-conscious Lewis to ride out of the dispute with some lace-saving points to show for success; secondly, the Federal Government will, according to the statement of the chief of the Federal Mediation Service, intervene in the event the strike is resumed on December, 1. Lewis violently opposed to Government intervention, may hasten to come to terms with coal operators, who in turn, doubtless, will make some concessions to the demands of the Union.

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The widespread and persistent rumours about a rise in the dollar price of gold, which in effect means the devaluation of the dollar have been set at rest by President Truman's statement that such a thing will not be done so long as he remains President. After the flood of devaluation last September, there have been rumours, most of them in the nature of wishful thinking, of a rise in the price of gold. In fact proposed by some Congressman, it was publicly rejected by the Secretary of the Treasury as well as by the Secretary of State. But they did not quell the rumours. Did not Sir Stafford Cripps make similar statements regarding the pound? Some foreign countries with dollar balances, which were not needed immediately, have been withdrawing them in the form of gold, so that in the event of devaluation they would make a capital gain. Between September 21, when the U. S. Treasury's Sold stock reached an all-time peak of $24,6P1 million, and November 5, the Treasury stock declined by about $108 million to $24,583 million. U. S. gold stocks at the end of 1938 were $14,592 million and at the end of 1945, $20,083 million. Matters had gone so far that traders in foreign countries were demanding guarantees from U. S. traders to compensate them for loss in the event of a lower gold value for the dollars. Buyers in U. S. were being asked to supply confirmed, irrevocable letters of credit covering their purchases. It remans to be seen to what extent the Presidential denial restores confidence. The logic of the situation would indicate that the devaluation of the dollar is most unlikely in the forseeable future.

If the dollar is to be devalued there seems to have been no point in the wholesale and generally sharp devaluations that took place in September. It will be remembered that devaluation was effected largely at the insistence of the U. S. and it is unthinkable that the U. S. would neutralise those effects by the devaluation of her own currency. At this juncture, dollar devaluation is likely to produce an inflationary spiral in the U. S. and for this reason alone, if for no other, it is unthinkable. Devaluation of the dollar would seem justified only in the event of the recent devaluations proving excessive. This contingency seems most remote. On the contrary, there is a feeing in some responsible quarters that in many cases they have not gone far enough to be able to solve the dollar problem effectively. The U.S. might think of devaluation only in the event of a severe business slump: but what with the new philosophy of Fair Deal, it is extremely unlikely if a recession, let alone a slump, will occur.

In the U. S., only the Congress has authority to change the dollar price of gold. A sligth misunderstanding seems to have arises from the Gold Reserve Act of 1934, sections 8 and 9, which gave the Secretary of the Treasury, with the approval of the President, authority to purchase and sell gold at such rates and upon such terms and conditions as he may deem most advantageous to the public interest." But this authority of the Secretary is limited in several respects, particularly under the Statutes relating to the U. S. joining the International Monetary Funds It is suggested that sections 8 and 9 of the Gold Reserve Act of 1934 may be dented to avoid any possible misunderstanding.

There is, however, a school of thought in the U. S. which wants a return to full Gold Standard to instil confidence in the currency and to prevent the Government from meddling with it too much. This is not likely to happen either. It is recognised that the dollar, which is *the* international currency today, should remain stable. In the meanwhile, any gold that is withdrawn from the U. S. will only be a fleabite.

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According to press reports, the International Monetary Fund is going to stiffen its terms for dollar aid to member countries, under the pressure of the U. S. which holds the largest quota in the Fund, and has virtual control over it. This move seems to have been prompted by the desire to conserve the Fund's resources for utilisation after 1952 when Marshall Aid comes to an end. Also, it is proposed to make the Fund a source of revolving credit and not of permanent credit, as sterns to have happened so far. So far, 18 member countries have purchased from the fund currency, almost wholly U. S. dollars, equivalent to about $740 million, but of this sum, only about $2.5 have been, repaid. There is no time limit at present for the return of the currency bought from the Fund; that depends upon the position of a member's exchange reserves. If they do not show any improvement, there is no repayment. This state of affairs is sought *to* be remedied now, it is reported, by insisting on a specific date of repayment. This move will certainly inconvenience prospective borrowers, but seems to be inevitable if the Fund is to live up to its charter. Beyond doubt, the Fund's prestige has been at a low ebb for some time. Devaluation did something to restrieve lost prestige, although God only knows to what extent, it was, in fact, due to the Fund's directive. The proposed change may add to the prestige of the Fund, though probably at the cost of its popularity. At the time the Fund was set up, few could forsee correctly the difficulties of the postwar readjustment of world economies and trade. It looks as if the enthusiasm and even the insistence of the U.S. for multilateral trading, free convertib lity of currencies and integration of world economy, are running ahead of practicability.

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In one of the most vigorous and bitterly contested campaigns in the history of the U.S.. the Democratic Party won the by-election to the Senate from New York State. The rival candidates were Herbert H. Lehman of the Democratic Party and John Foster Dulles of the Republican Party. Mr. Lehman is a former Governor of New York State, while Mr. Dulles is one of the leading personalities in the shaping of the bipartisan foreign policy of the United States, and has during the last few months been acting as a member of the Senate, pending the by-election. The by-election had a very special significance; it was believed that its result would give an indication of the trend of the elect on results for the Congress next year. The main issue was the Fair Deal policy of President Truman (as distinguished from President Roosevelt's New Deal). In the last stages of the campaign, President Truman also partic pated in favour of Lehman. The victory of Lehman has been hailed as a mandate from the nation for the vigorous pursuit of the Fair Deal—full employment, social security, high wages, full civil rights for all sections of the community, prosperity of the farmers, and Government action to achieve all these objectives. Thus the issues were largely domestic in character, there being close agreement on foreign policy between the rival candidates. The Democratic Party was also won in the mayoral election in the City of New York, the present Mayor, O'Dwyer, defeating the Republican candidate. The backing of labour was largely responsible for the success of the Democratic Party and it is expected that relations between the two will become even closer in the years to come. It will be remembered that the Democratic Party is pledged to repeal the Taft-Hartley Labour Act, which is so obnoxious to Labour.

Ceylon has applied for membership of the International Monetary Fund and the International Bank for Reconstruction and Development. So far there are only four members from the Far Iast, *viz.*. India, China, Philippines and Thailand. Ceylon's non-admission to the UNO will not. it is hoped, raised any difficulty for her joining the Fund and the Bank.